



FEDERAL BRIDGE CORPORATION  
SOCIÉTÉ DES PONTS FÉDÉRAUX

**QUARTERLY FINANCIAL REPORT**

**1st QUARTER (Q1) – UNAUDITED**

**For the three months ended June 30, 2022**

## Table of Contents

1.0	Introduction .....	2
1.1	Forward-looking statements .....	2
1.2	Materiality.....	2
2.0	Corporate Overview.....	2
2.1	Mandate .....	2
2.2	Outlook.....	3
2.3	Significant Changes .....	4
3.0	Risk Management .....	4
4.0	Quarterly Results .....	5
4.1	Results of Operations .....	5
4.2	Financial Performance Against Corporate Plan.....	9
4.3	Reporting on Use of Appropriations.....	9
5.0	FBCL Interim Unaudited Condensed Consolidated Financial Statements .....	10
5.1	Statement of Management Responsibility .....	11
5.2	Interim Unaudited Condensed Consolidated Statement of Financial Position .....	12
5.3	Interim Unaudited Condensed Consolidated Statement of Comprehensive Income .....	13
5.4	Interim Unaudited Condensed Consolidated Statement of Changes in Equity .....	14
5.5	Interim Unaudited Condensed Consolidated Statement of Cash Flows.....	15
5.6	Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements .....	16

## 1.0 INTRODUCTION

This interim financial report outlines the significant activities and initiatives, risks and financial results of The Federal Bridge Corporation Limited (FBCL) for the three-month period ended June 30, 2022. This interim financial report has been prepared in accordance with the requirements of the *Financial Administration Act* and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat and with International Financial Reporting Standards (IFRS) 34, *Interim Financial Reporting*. It should be read in conjunction with the interim unaudited condensed consolidated financial statements and related notes, included herein. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

### 1.1 Forward-looking statements

Readers are cautioned that this report includes certain forward-looking information and statements. These forward-looking statements contain information that is generally stated to be anticipated, expected or projected by FBCL. They involve known and unknown risks, uncertainties and other factors, which may cause the actual results and performance of FBCL to be materially different from any future results and performance expressed or implied by such forward-looking information.

### 1.2 Materiality

In assessing what information is to be provided in the interim financial report, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement, judged in the surrounding circumstances, would influence the economic decisions of FBCL's stakeholders.

## 2.0 CORPORATE OVERVIEW

FBCL is a federal Crown corporation that has been entrusted with the administration of Canada's interests in four international crossings between Ontario and the United States. Each bridge has unique geographic, cultural, climactic, trade, employment and administrative characteristics that offer unique challenges while delivering crucial benefits to their local communities. FBCL owns crossing assets and provides oversight to bridge operations, administers international agreements associated with the bridges, leads bridge engineering and inspection duties and manages bridge capital investment projects.

### 2.1 Mandate

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

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

- a) The design, construction, acquisition, financing, maintenance, operation, management, development, repair, demolition or reconstruction of bridges or other related structures, facilities, works or properties, including approaches, easements, power or communication transmission equipment, pipelines integrated with any such bridge, other related structure, facility, work, or property, linking the Province of Ontario in Canada to the State of New York or the State of Michigan in the United States of America, either alone, jointly or in cooperation with any other person, legal entity or governmental authority in Canada or in the United States of America;
- b) The design, construction, acquisition, financing, maintenance, operation, management, development, repair, demolition or reconstruction of other bridges or other related structures, facilities, works or properties, as the Governor in Council may deem appropriate, on such terms and conditions as the Governor in Council may determine; and

## 2.1 Mandate (Cont'd)

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

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

## 2.2 Outlook

FBCL manages Canada's interest in four of the bridges linking Ontario with the United States. Each crossing is endowed with unique characteristics. The bridges are dynamic reflections of their regional communities and are subject to distinct co-ownership and administrative models. As a collective, they enhance FBCL's aim of generating a shared portfolio-wide capital reserve for asset maintenance and contingency management while still commanding a need for individualized consideration.

The Corporation has adopted a portfolio management approach to deliver its mandate. It is not a portfolio of corporations but rather one parent Crown corporation overseeing a portfolio of federal assets, which are used in pursuit of public policy objectives. Key aspects of the portfolio management approach include:

- Funds surplus to operating requirements used for capital re-investment in all portfolio bridges in support of public policy objectives;
- Revenues centrally managed, with each bridge established as a cost centre, including an appropriate corporate services allocation;
- Operational and maintenance expenditures of each bridge based on common policies;
- Integrated long-term capital plan developed as basis for capital prioritisation and annual capital budget; and
- Shared internal services.

The establishment of this management approach provides a unique opportunity to look at all possibilities, both through adopting best practices and a comprehensive common approach within the portfolio and through identifying broader strategic opportunities. Additionally, this approach has assisted FBCL in its operation and oversight of its portfolio of bridges during the recent border restrictions that have been in effect at the Canada-US border since March 2020. However, as of April 1, 2022, many of these restrictions have been loosened or eliminated. These restrictions have affected FBCL's revenues greatly, and FBCL's bridges have responded by reducing and deferring expenditures where prudent and safe. FBCL continues to monitor and assess the impact of lower than normal volumes on its plans.

As stewards of four of Canada's international bridge crossings, it is necessary to invest prudently in the maintenance, rehabilitation and at times, complete replacement of bridge and bridge plaza assets. For the upcoming year, FBCL has received parliamentary appropriations, in whole or in part, for a bridge railing painting project in Sault Ste. Marie, the replacement of the toll collection system at Point Edward, as well as various capital equipment and projects at the Cornwall location. The significant construction projects in the quarter included:

- a) **Cornwall:** Work commenced on the replacement of seven rocker arms on the South Channel Bridge. All seven rocker arms will be installed by the end of the second quarter.
- b) **Lansdowne:** There were no major capital works in the first quarter.
- c) **Point Edward and Sault Ste. Marie:** Work on the replacement of the new toll collection system continued. It is anticipated that the toll collection systems will be fully operational by the end of the second quarter.

### 2.3 Significant Changes

As a result of COVID-19, the Canadian and US federal governments enforced strict rules eliminating substantially all personal cross-border traveling commencing in the latter half of March 2020. Throughout the previous two fiscal years, FBCL experienced a significant decrease in Tolls and Leasing revenues. On April 1, 2022, many of these restrictions were lifted and volumes began to increase. At the end of the first quarter, volumes were approximately half of pre-pandemic volumes. It is not known at this time, if the pre-pandemic volumes will return to pre-pandemic total volumes, or how long this will take.

### 3.0 RISK MANAGEMENT

#### CORPORATE RISK

In line with good governance practices, FBCL updates and revises its Enterprise Risk Management on an ongoing basis, identifying and including any changes in FBCL's environment. In order to address the risks within FBCL's corporate risk profile, effective risk mitigation strategies and action plans are developed, under the oversight of assigned members of executive management, to reduce the risk exposure to an acceptable and manageable level.

Management monitors progress on the implementation of the mitigation strategies developed as part of the Enterprise Risk Management and reports to the Board of Directors on a regular basis. The ongoing risk of decreased Tolls and Leasing revenue due to limited passenger volumes and the COVID-19 pandemic are considered significant risks as they directly affect FBCL's ability to meet its strategic objectives. Additionally, there is a high financial exposure at the Seaway International Bridge Corporation (SIBC) due to the volume of toll exempt passage and continued operating deficits. FBCL continues dialogue with Government of Canada on possible funding options for FBCL and SIBC as well as reviews toll adjustments and other revenue generation sources.

#### FINANCIAL RISK

Since the implementation of border restrictions directly affects FBCL's ability to collect Tolls revenue and limits customers at leased Duty Free facilities, the financial impact is that all previous cash reserves have been used to finance the operations during fiscal 2021 and 2022. The current Corporate Plan has three years of approved funding for all locations including a mix of capital funding and limited operating funding. Funding is obtained as overall revenue from traffic volumes continues to be lower than pre-pandemic years. Consequently, management continues to closely monitor the decrease in Tolls revenue by only incurring essential expenses. With the approved capital funding, only crucial work will be performed over the next three fiscal years.

In recent years, overlooking the impact of COVID-19, SIBC has been facing a major financial risk as paying passenger traffic volumes are sharply down due to an overall regional bi-national manufacturing decline, the value of the Canadian dollar and limited commercial traffic at that location. Operational efforts, however, remain the same as free passage traffic crossing the bi-national region remains high. The combination of these factors have strained SIBC financial resources for some time.

FBCL is pleased to announce that Standard & Poor's (S&P) Global Ratings has reaffirmed its long-term issuer credit and senior unsecured debt rating at 'A+'. In conjunction with this, the outlook for the rating has been upgraded from "negative" to "stable", highlighting the strong financial management that is in place at FBCL, its strong links with the federal government, and the expectation that the loosening of border restrictions "will continue to bolster traffic levels and EBIDA".

### 3.0 RISK MANAGEMENT (CONT'D)

The overall level of FBCL's debt is forecasted to decline as balances are repaid at regular intervals. FBCL's strategy is to take on as little debt as necessary and to continue to make all loan and bond payments as they come due. FBCL wishes to maintain a strong debt service coverage ratio, at the same time. With the impact of COVID-19, FBCL is closely monitoring its cash and investments to determine the most prudent path forward. In the fourth quarter of 2021-22, it was necessary for FBCL to withdraw a \$10 million loan to help cover operating shortfalls anticipated in the current year.

While FBCL has some control over toll rates, it must be noted that most international bridges are managed jointly under international agreements with U.S. partners. From a revenue perspective, the ability to unilaterally change toll rates for additional revenue is subject to variances in governance policies between Canada and the United States. The tolls rates at Blue Water Bridge (for USA-bound traffic) and Thousand Islands Bridge were updated on April 1, 2021.

On the expenditure front, whereas Canadian bridge owners must comply with the *Customs Act* (Section 6) and the *Health of Animals Act* to provide the CBSA and CFIA with facilities, similar expenses for the U.S. Customs and Border Protection organization are not the responsibility of the American bridge owners/operators. In addition, given the Crown agreements providing toll-free passage for members of the indigenous community, this section of the *Customs Act* is not applied at the bridge in Cornwall, as the operational burden financed through non-competitive tolling would effectively threaten the facility's financial sustainability.

### 4.0 QUARTERLY RESULTS

#### 4.1 Results of Operations

#### SEASONAL TRENDS

Traffic on FBCL's portfolio of bridges has traditionally experienced seasonal variations. From a revenue perspective, the period of May to October has a greater number of transits. In the November to April timeframe, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers, favourable weather and a preference for travel between the late spring and early fall months. However, revenues from April 1, 2020, onwards are significantly lower due to COVID-19 nearly eliminating all passenger travellers for more than two years with improvement in volumes being experienced since April 1, 2022.

Economic conditions in Canada and the United States also have an important influence on international vehicle traffic by way of commercial truck traffic, which has a significantly higher toll rate. These economic conditions are less variable on a seasonal basis but more a result of the business climate in each country.

In regards to its expenses, FBCL incurs important annual maintenance and asset rehabilitation costs during the construction season spanning the first three quarters of the fiscal year. These planned expenses can be influenced by varying weather conditions depending on the timing of the onset of the winter climate. Expenses for operations and administration are not considered to have important seasonal variations.

4.1 Results of Operations (Cont'd)

STATEMENT OF COMPREHENSIVE INCOME

Revenue and government funding ('000s)			
	For the three months ending		
	June 30 2022 (unaudited)	June 30 2021 (unaudited)	Variance
Tolls	7,434	6,074	1,360
Thousand Islands International Bridge	1,585	1,080	505
Leases and permits	714	365	349
Interest	45	10	35
Gain on investments	22	(3)	25
Other	72	54	18
<b>Total revenue</b>	<b>9,872</b>	<b>7,580</b>	<b>2,292</b>
<b>Government funding</b>	<b>1,021</b>	<b>5,541</b>	<b>(4,520)</b>

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

**Traffic volumes**

During the first quarter of 2022-23, overall truck and passenger car volumes have increased by 3% and 207% respectively when compared to the first quarter of 2021-22. Truck volumes, by bridge varied between a decrease of 13% to an increase of 5% while passenger cars, per bridge, varied between an increase of 98% to 693%.

Given that the commercial traffic bases at the Sault Ste. Marie and Seaway International bridges normally constitute only 5% of traffic loads, these operations have been significantly impacted by COVID-19 restrictions to non-essential travel. Worsening the situation at the Seaway International Bridge is the requirement to maintain normal operating levels in support of the normally more than 70% of toll-exempt travelers that depend on the bridge in order to access necessary food and medical suppliers. In the first quarter, as compared to the prior year, paid passenger volumes at these locations have increased by 693% and 188%, respectively, and commercial volumes at these locations are down by 13% and up by 4%, respectively. However, the passenger volumes when compared to the volumes pre-pandemic are 55% and 46% lower, respectively (prior Q1 – 94% and 81%, respectively).

For the Thousand Islands International Bridge, commercial vehicles typically make up about 20% of the crossing's users and the on-going construction of new US Customs and Border Protection facilities on Wellesley Island have helped with a vital source of cash flow. Despite these advantages, the normally strong cross-border tourism industry in this region was considerably affected by the on-going border restrictions. In the first quarter, as compared to the prior year, passenger volumes are up by 98% and commercial volumes are up by 1%. However, the passenger volumes are down by 25% when compared to pre-pandemic.

#### 4.1 Results of Operations (Cont'd)

Within the portfolio, the Blue Water Bridge is uniquely positioned to deal with this pandemic's impacts. As Canada's second busiest commercial border crossing, it benefits from a user base that is comprised of roughly 35-40% commercial vehicles. Initially, the pandemic caused dramatic reductions to commercial traffic, however commercial trends quickly returned to within seasonal and annually expected values. In the first quarter, as compared to the prior year, passenger volumes are up by 521% and commercial volumes are up by 5%. However, the passenger volumes are still only 50% of pre-pandemic volumes.

##### **Canadian vs. US dollar exchange rate**

The exchange rate for the first quarter of 2022-23 was 1.28 on average, whereas the exchange rate for the first quarter of 2021-22 was 1.23. FBCL reviews the currency parity of the tolls rates at its bridge locations to ensure that the rates are fair in both currencies and may adjust the rates in order to minimize any foreign currency loss on toll revenues.

##### **Changes in toll rates**

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

*Leases and permits:* Usually, the most significant leases are from the Duty Free stores in Point Edward, Thousand Islands, and Sault Ste. Marie, of which a significant portion of these lease revenues are based on a percentage of sales of goods. With increased volumes, there is an increase in leasing revenues, yet overall leases continue to be approximately 35% less than pre-pandemic values.

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

*Government funding:* The government funding recognized in revenues consists of amortization of deferred capital funding in the amount of \$0.9 million for the first quarter of 2022-23 (\$1.0 million for the first quarter of 2021-22) and \$0.2 million for the first quarter of 2022-23 relating to the Seaway International Bridge (\$4.5 million for the first quarter of 2021-22 relating to the operations at all four bridge locations). In fiscal 2021-22, the Canadian Government providing funding to eliminate the deficit for the Seaway International Bridge, while this fiscal year the US Government will be providing that funding. Refer to the Reporting on Use of Parliamentary Appropriations section below for more information.



4.1 Results of Operations (Cont'd)

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

	For the three months ending		
	June 30 2022 (unaudited)	June 30 2021 (unaudited)	Variance
Operations	2,620	2,541	79
Thousand Islands International	1,925	1,378	547
Maintenance	3,388	3,420	(32)
CBSA & CFIA operations	1,971	1,981	(10)
Administration	1,908	1,993	(85)
Additional funding of SIBC operations	-	154	(154)
<b>Total expenses</b>	<b>11,812</b>	<b>11,467</b>	<b>345</b>
<b>Interest expense</b>	<b>749</b>	<b>808</b>	<b>(59)</b>

Historically, FBCL recognizes 50% of revenues and expenses of the Seaway International Bridge in accordance with the international agreements. In 2022-23, the operating deficit at this location is being eliminated by the US Government and therefore this additional funding is recorded in revenues as Funding with respect to operating expense. In 2021-22 the remaining 50% of the deficit was funded by the Government of Canada and was therefore included as an expense.

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

*Operations:* Operations expense relate to the collection of toll revenue, security and traffic management. There is no significant variance in expenses.

*Thousand Islands International Bridge:* The expenses represent FBCL's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands. The increase this year is a result of having a full maintenance crew to perform additional maintenance work deferred through the pandemic including painting, as well as the timing of when certain expenses were incurred.

*Maintenance:* Maintenance expenses relate to the maintenance, upkeep and repairs of FBCL's assets. There is no significant variance in expenses.

*CBSA/CFIA:* FBCL is required to provide facilities and certain maintenance of these facilities at some of its crossings to the CBSA and the CFIA, for which there is no related revenue. There is no significant variance in expenses.

*Administration:* Administration expenses relate to the management and oversight of the operations of the individual crossings and the Corporation. While costs are comparative to the prior year first quarter, there is an increase in personnel related costs of \$0.2 million offset by savings in IT costs of \$0.3 million.

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

#### 4.1 Results of Operations (Cont'd)

##### STATEMENT OF FINANCIAL POSITION

<b>Consolidated Statement of Financial Position (\$000's)</b>			
	June 30	March 31,	
	2022	2022	
	(Unaudited)	(Audited)	Variance
<b>Assets</b>			
Financial assets	15,841	16,630	(789)
Non-financial assets	362,130	366,807	(4,677)
<b>Total assets</b>	<b>377,971</b>	<b>383,437</b>	<b>(5,466)</b>
<b>Liabilities</b>			
Current liabilities	16,394	19,157	(2,763)
Non-current liabilities	146,711	147,684	(973)
<b>Total liabilities</b>	<b>163,105</b>	<b>166,841</b>	<b>(3,736)</b>
<b>Total equity</b>	<b>214,866</b>	<b>216,596</b>	<b>(1,730)</b>

*Financial Assets:* Financial assets consist of cash and cash equivalents, investments, and receivables. Cash flow from operations is \$2.7 million before considering changes in working capital. The change in working capital of a use of \$3.0 million was primarily to repay a portion of parliamentary appropriations from the prior year, as well as other payables and holdbacks.

*Non-financial Assets:* Non-financial assets consist primarily of property and equipment and investment properties and also include prepaid expenses, intangible assets and lessor inducement. Capital assets purchases are \$0.2 million while depreciation of \$5.0 million has been recorded.

*Current Liabilities:* Current liabilities have decreased by \$2.8 million primarily due to the repayment of \$2.2 million in parliamentary appropriations from March 31, 2022, and the timing of when trade and other payables are made.

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

#### 4.2 Financial Performance against Corporate Plan

The 2022-23 to 2026-27 Corporate Plan has not been approved and consequently the financial performance against the Corporate Plan has not been included in this quarterly report.

#### 4.3 Reporting on Use of Appropriations

As part of the *Appropriations Act 2022-23* (Supply for Supplementary Estimates (A)) which passed as legislation by the House of Commons on June 7, 2022, \$5.3 million was granted to FBCL under vote 1. Of this amount, FBCL has not claimed any appropriations in the first quarter of 2022-23. Funding claims will initiate in the second quarter.

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

5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2022

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

## 5.1 Statement of Management Responsibility

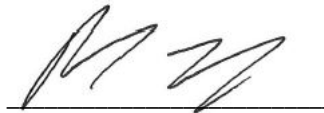
Management of The Federal Bridge Corporation Limited is responsible for the preparation and fair presentation of these interim unaudited condensed consolidated financial statements in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* and International Financial Reporting Standard 34 *Interim Financial Reporting*, and for such internal controls as management determine are necessary to enable the preparation of the interim unaudited condensed consolidated financial statements. Management is also responsible for ensuring all other information in this interim financial report is consistent, where appropriate, with the restated interim unaudited condensed consolidated financial statements.

The Federal Bridge Corporation Limited completed the consolidation of the interim unaudited financial statements and establishes and maintains appropriate internal controls for that purpose. To prepare its interim unaudited condensed consolidated financial statements, the management of The Federal Bridge Corporation Limited relies on unaudited financial information provided by its wholly-owned subsidiary, The Seaway International Bridge Corporation Ltd., as well as unaudited financial information provided by its international partners. The financial information provided by the subsidiary and the international partners, as well as the internal controls established and maintained to collect such information, are the responsibility of each of these entities' management.

Based on our knowledge, these unaudited condensed consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the interim unaudited condensed consolidated financial statements.



Natalie Kinloch  
Chief Executive Officer



Richard Iglinski  
Chief Financial Officer

**Ottawa, Canada**  
**August 25, 2022**

## The Federal Bridge Corporation Limited

### Interim Unaudited Condensed Consolidated Statement of Financial Position as at June 30, 2022

(in thousands of Canadian dollars)

	Notes	June 30, 2022	March 31, 2022
		unaudited	audited
		\$	\$
<b>Assets</b>			
Current Assets			
Cash and cash equivalents		8,505	8,802
Investments		5,887	6,247
Trade and other receivables		1,449	1,581
Prepays		1,412	1,269
Total Current Assets		17,253	17,899
Non-Current Assets			
Property and equipment	6	342,648	347,258
Investment properties		17,837	18,038
Intangible assets		54	60
Lessor inducement		179	182
Total Non-Current Assets		360,718	365,538
<b>Total Assets</b>		<b>377,971</b>	<b>383,437</b>
<b>Liabilities</b>			
Current Liabilities			
Trade and other payables		1,905	4,702
Employee benefits		1,358	1,199
Holdbacks		182	380
Deferred revenue		2,565	2,493
Loans payable		400	400
Bonds payable		6,312	6,312
Lease liability		222	221
Deferred government funding		3,450	3,450
Total Current Liabilities		16,394	19,157
Non-Current Liabilities			
Deferred revenue		1,025	1,063
Loans payable		9,467	9,567
Bonds payable		34,094	34,094
Lease liability		838	900
Deferred government funding		93,110	93,973
Employee benefits		8,177	8,087
Total Non-Current Liabilities		146,711	147,684
<b>Equity</b>			
Share capital - 2 shares @ no par value		-	-
Retained earnings		214,916	216,584
Accumulated other comprehensive income		(50)	12
Total Equity		214,866	216,596
<b>Total Equity and Liabilities</b>		<b>377,971</b>	<b>383,437</b>

## The Federal Bridge Corporation Limited

### Interim Unaudited Condensed Consolidated Statement of Comprehensive Income for the three-month period ended June 30, 2022

(in thousands of Canadian dollars)

	June 30, 2022	June 30, 2021
	unaudited	unaudited (Restated *)
	\$	\$
<b>Revenue</b>		
Tolls and services	7,434	6,074
Thousand Islands International Bridge revenue	1,585	1,080
Leases and permits	714	365
Interest	45	10
Gain on investments	22	(3)
Other	72	54
<b>Total Revenue</b>	<b>9,872</b>	<b>7,580</b>
<b>Expenses</b>		
Operations	2,620	2,540
Thousand Islands International Bridge expenses	1,925	1,378
Maintenance	3,388	3,420
Canada Border Security Agency & Canadian Food Inspection Agency operations	1,971	1,981
Administration	1,908	1,993
Additional funding of SIBC operations	-	154
<b>Total Expenses</b>	<b>11,812</b>	<b>11,466</b>
<b>Operating Income Before Government Funding</b>	<b>(1,940)</b>	<b>(3,886)</b>
<b>Government Funding</b>		
Amortization of deferred capital funding	863	1,048
Funding with respect to operating expense	158	4,493
<b>Total Government Funding</b>	<b>1,021</b>	<b>5,541</b>
<b>Non-Operating Items</b>		
Interest expense	(749)	(808)
<b>Total Non-Operating Income</b>	<b>(749)</b>	<b>(808)</b>
<b>Net Income</b>	<b>(1,668)</b>	<b>847</b>
<b>Other Comprehensive Income</b>		
Items that may be reclassified subsequently to net income		
Revaluation gain (loss) on fair value through other comprehensive income investments	(40)	1
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	(22)	3
<b>Total Other Comprehensive Income</b>	<b>(62)</b>	<b>4</b>
<b>Total Comprehensive Income for the Period</b>	<b>(1,730)</b>	<b>851</b>

\*Accumulated amortization was updated as at March 31, 2022. Refer to the audited consolidated financial statement for additional information.

5.4 Interim Unaudited Condensed Consolidated Statement of Changes in Equity

## The Federal Bridge Corporation Limited

### Interim Unaudited Condensed Consolidated Statement of Changes in Equity for the three-month period ended June 30, 2022

(in thousands of Canadian dollars)

	Retained Earnings	Accumulated Other Comprehensive Income	Total
	unaudited	unaudited	unaudited
	\$	\$	\$
Balance, April 1, 2021 (Restated *)	217,591	(8)	217,583
<i>Total Comprehensive Income:</i>			
Net loss (Restated *)	847	-	847
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	1	1
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	3	3
Other Comprehensive Income total	-	4	4
Total Comprehensive Income	847	4	851
<b>Balance at June 30, 2021</b>	<b>218,438</b>	<b>(4)</b>	<b>218,434</b>
<b>Balance, March 31, 2022</b>	<b>216,584</b>	<b>12</b>	<b>216,596</b>
<i>Total Comprehensive Income:</i>			
Net income	(1,668)	-	(1,668)
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	(40)	(40)
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	(22)	(22)
Other Comprehensive Income total	-	(62)	(62)
Total Comprehensive Income	(1,668)	(62)	(1,730)
<b>Balance at June 30, 2022</b>	<b>214,916</b>	<b>(50)</b>	<b>214,866</b>

\*Accumulated amortization was updated as at March 31, 2022. Refer to the audited consolidated financial statement for additional information.

5.5 Interim Unaudited Condensed Consolidated Statement of Cash Flows

## The Federal Bridge Corporation Limited

### Interim Unaudited Condensed Consolidated Statement of Cash Flows for the three-month period ended June 30, 2022

(in thousands of Canadian dollars)

	June 30, 2022	June 30, 2021
	unaudited	unaudited (Restated *)
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Net (loss) income	(1,668)	847
Adjustments for:		
Amortization of deferred capital funding	(863)	(1,048)
Depreciation of property and equipment	4,769	4,915
Depreciation of intangible assets	6	5
Depreciation of investment properties	205	174
Loss (gain) on sale of investments	(22)	3
Change in employee benefits	249	420
	<b>2,676</b>	<b>5,316</b>
Changes in Non-cash Working Capital:		
Trade and other receivable	132	828
Lessor inducement	3	3
Prepays	(143)	746
Trade and other payables	(2,797)	(1,605)
Holdbacks	(198)	(44)
Deferred government funding relating to operations	-	(693)
Deferred revenue	34	(39)
	<b>(2,969)</b>	<b>(804)</b>
Net cash generated by (used for) Operating Activities	<b>(293)</b>	<b>4,512</b>
<b>Cash Flows from Investing Activities</b>		
Payments for property and equipment	(159)	(1,941)
Payments for investment properties	(4)	-
Proceeds on sale of investments	492	8
Purchase of investments	(172)	(24)
Net cash (used for) generated by Investing Activities	<b>157</b>	<b>(1,957)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of bonds payable	-	(2,909)
Repayment of loans payable	(100)	(38)
Payment of lease liability	(61)	(37)
Net cash used for Financing Activities	<b>(161)</b>	<b>(2,984)</b>
Net (decrease) increase in cash and cash equivalents	<b>(297)</b>	<b>(429)</b>
Cash and cash equivalents, beginning of period	<b>8,802</b>	<b>5,020</b>
<b>Cash and cash equivalents, end of period</b>	<b>8,505</b>	<b>4,591</b>

\*Accumulated amortization was updated as at March 31, 2022. Refer to the audited consolidated financial statement for additional information.



**1. AUTHORITY AND ACTIVITIES**

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

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

The Corporation’s wholly-owned subsidiary, SIBC, operates the Seaway International Bridge Crossing in Cornwall as a joint operation per agreement between the Corporation as Canadian owner and The St. Lawrence Seaway Development Corporation (SLSDC) as U.S. owner. As a Crown Corporation, SIBC is also subject to the same authorities as the Corporation. The Corporation is also a party to two other agreements for the operation of the international bridges. In regards to the Sault Ste. Marie International Bridge, this agreement is with the U.S. owner, the Michigan Department of Transportation (MDOT). The bridge oversight is through a joint international entity, Sault Ste. Marie Bridge Administration (SSMBA), and its operation is done by the International Bridge Authority (IBA), an entity of MDOT. The agreement applicable to the operations of the Thousand Islands International Bridge is also with the U.S. owner, the Thousand Islands Bridge Authority (TIBA), an entity of Jefferson County, State of New York. At the crossing between Point Edward, Ontario, and Port Huron, Michigan, the Corporation owns and operates the Canadian portion of the crossing. The U.S. side of the crossing is owned and operated by MDOT.

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

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

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The Corporation’s interim unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and do not include all of the information required for a full annual consolidated financial statements. The interim unaudited condensed consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended March 31, 2022. These interim unaudited condensed consolidated financial statements follow the same accounting policies and methods of application as disclosed in Note 2 of the Corporation’s audited consolidated financial statements for the year ended March 31, 2022.

**3. SEASONALITY**

Traffic on FBCL's portfolio of bridges has traditionally experienced seasonal variations. From a revenue perspective, the period of May to October has a greater number of transits. In the November to April timeframe, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers, favourable weather and a preference for travel between the late spring and early fall months. However, revenues from April 1, 2020, onwards, are significantly lower due to COVID-19 pandemic.

Economic conditions in Canada and the United States also have an important influence on international vehicle traffic by way of commercial truck traffic, which has a significantly higher toll rate. These economic conditions are less variable on a seasonal basis but more a result of the business climate in each country.

In regards to its expenses, FBCL incurs important annual maintenance and asset rehabilitation costs during the construction season spanning the first three quarters of the fiscal year. These planned expenses can be influenced by varying weather conditions depending on the timing of the onset of the winter climate. Expenses for operations and administration are not considered to have important seasonal variations.

**4. USE OF JUDGMENTS AND ESTIMATES**

The preparation of the interim unaudited condensed consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that can significantly affect the amounts recognized in the consolidated financial statements. Actual results may differ from these estimates. Where these differ, the impact will be recorded in future periods. Significant judgments and estimates as at June 30, 2022, were consistent with those disclosed in Note 5 of the Corporation's audited consolidated financial statements for the year ended March 31, 2022.

**5. FUTURE CHANGES IN ACCOUNTING POLICIES**

There were no new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) during the three month period that would affect the Corporation in the future other than those disclosed in Note 6 of the Corporation's audited consolidated financial statements for the year ended March 31, 2022.

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

6. PROPERTY AND EQUIPMENT

Cost	Land \$	Bridges and roads \$	Vehicles and equipment \$	Buildings \$	Property Improvements \$	Right-of-use Assets \$	Projects in progress \$	Total \$
Balance, April 1, 2021	14,837	269,184	32,340	144,415	35,967	1,626	6,118	504,487
Additions	2	25	84	-	136	3	7,981	8,231
Disposals	(1)	-	(3,971)	(97)	(1,037)	-	-	(5,106)
Transfers	-	1,323	6,721	144	976	-	(9,839)	(675)
<b>Balance, March 31, 2022</b>	<b>14,838</b>	<b>270,532</b>	<b>35,174</b>	<b>144,462</b>	<b>36,042</b>	<b>1,629</b>	<b>4,260</b>	<b>506,937</b>
Additions	-	-	61	-	-	-	98	159
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
<b>Balance, June 30, 2022</b>	<b>14,838</b>	<b>270,532</b>	<b>35,235</b>	<b>144,462</b>	<b>36,042</b>	<b>1,629</b>	<b>4,358</b>	<b>507,096</b>

Accumulated depreciation	Land \$	Bridges and Roads \$	Vehicles and Equipment \$	Buildings \$	Property Improvements \$	Right-of-use Assets \$	Projects in Progress \$	Total \$
Balance, April 1, 2021	-	83,114	16,672	31,876	14,124	420	-	146,206
Eliminated on disposal of assets	-	-	(3,971)	(97)	(1,037)	-	-	(5,105)
Depreciation	-	9,571	3,204	4,105	1,488	210	-	18,578
<b>Balance, March 31, 2022</b>	<b>-</b>	<b>92,685</b>	<b>15,905</b>	<b>35,884</b>	<b>14,575</b>	<b>630</b>	<b>-</b>	<b>159,679</b>
Eliminated on disposal of assets	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Depreciation	-	2,304	1,029	1,010	374	52	-	4,769
<b>Balance, June 30, 2022</b>	<b>-</b>	<b>94,989</b>	<b>16,934</b>	<b>36,894</b>	<b>14,949</b>	<b>682</b>	<b>-</b>	<b>164,448</b>
<b>Net book value, June 30, 2022</b>	<b>14,838</b>	<b>175,543</b>	<b>18,301</b>	<b>107,568</b>	<b>21,093</b>	<b>947</b>	<b>4,358</b>	<b>342,648</b>
Net book value, March 31, 2022	14,838	177,847	19,269	108,578	21,467	999	4,260	347,258

**8. FINANCIAL INSTRUMENTS***Fair Value*

The fair values of trade and other receivables, trade and other payables, holdbacks, and the current portion of the loans payable and bonds payable approximate their carrying value due to the short-term nature of these instruments.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and,
- Level 3 inputs are unobservable inputs for the asset or liability.

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

<b>As at June 30</b>	<b>2022</b>		
	Value	Cost	Level
	\$	\$	
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	5,887	5,887	Level 2
Financial instruments measured at amortised costs			
Loans payable	9,867	9,867	Level 2
Bonds payable	43,568	40,406	Level 2
<b>As at March 31</b>	<b>2022</b>		
	Value	Cost	Level
	\$	\$	
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	5,954	5,954	Level 2
Financial instruments measured at amortised costs			
Held-to-maturity investments	293	293	Level 2
Loans payable	9,967	9,967	Level 2
Bonds payable	43,976	40,406	Level 2