



FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

QUARTERLY FINANCIAL REPORT 2nd QUARTER (Q2) – UNAUDITED

For the six months ended September 30, 2020

TABLE OF CONTENTS

1.0	Introduction	2
1.1	Forward-looking statements	2
1.2	Materiality	2
2.0	Corporate Overview	3
2.1	Mandate	3
2.2	Outlook	3
2.3	Significant Changes	4
3.0	Risk Management	5
4.0	Quarterly Results	7
4.1	Results of Operations	7
4.2	Financial Performance Against Corporate Plan	11
4.3	Reporting on Use of Appropriations	11
5.0	FBCL Interim Unaudited Condensed Consolidated Financial Statements	12
5.1	Statement of Management Responsibility	13
5.2	Interim Unaudited Condensed Consolidated Statement of Financial Position	14
5.3	Interim Unaudited Condensed Consolidated Statement of Comprehensive Income	15
5.4	Interim Unaudited Condensed Consolidated Statement of Changes in Equity	16
5.5	Interim Unaudited Condensed Consolidated Statement of Cash Flows	17
5.6	Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements	18



1.0 INTRODUCTION

This interim financial report outlines the significant activities and initiatives, risks and financial results of The Federal Bridge Corporation Limited (FBCL) for the six-month period ended September 30, 2020. 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.

1-2: Sault Ste. Marie International Bridge
3-5: Thousand Islands International Bridge
6: Blue Water Bridge
7-10: Seaway International Bridge



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

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

2.2 Outlook

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

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

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

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

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

- a) **Cornwall:** The replacement of the South Channel Bridge travellers is ongoing. The travellers allow for routine maintenance and inspections of the structure.
- b) **Lansdowne:** There are currently no large-scale projects in process in Lansdowne.
- c) **Point Edward:** During the quarter, improvements to the Plaza design continued in order to improve the flow of traffic including work on paving the plaza. Additionally, the VMS signs replacement is almost complete. Both projects were initiated in the prior fiscal year and are expected to be completed during the current fiscal year.
- d) **Sault Ste. Marie:** There are currently no large-scale projects in process in Sault Ste. Marie.

2.3 Significant Changes

As a result of COVID-19, the Canadian government enforced strict rules eliminating substantially all personal cross-border traveling commencing in the latter half of March 2020. Additionally, there were significant decreases in truck volumes. As the restrictions continue in fiscal 2020-21, FBCL has experienced – and will likely continue to experience – a significant decrease in Tolls revenue.



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 revenue due to limited paying volumes at SIBC and COVID-19 are considered significant risks as they directly affect FBCL's ability to meet its strategic objectives.

FINANCIAL RISK

Since the implementation of border restrictions directly affects FBCL's ability to collect Tolls revenue, the financial impact is significant and will continue to become more substantial the longer the borders remain effectively closed. The duration and extent of the COVID-19 pandemic measures and related travel restrictions remain unclear at this time and therefore it is not possible to reliably estimate the full effect on FBCL. Consequently, FBCL is reviewing its corporate plan and determining which costs can be postponed to future years and which costs can be significantly reduced in the interim. A special request for urgent funding was obtained due to the pandemic to support the subsidiary, SIBC, in the continuity of its operations.

In recent years, overlooking the impact of COVID-19, SIBC has been facing a major financial risk as paying passenger traffic volumes are sharply down due to an overall regional bi-national manufacturing decline, the value of the Canadian dollar and limited commercial traffic at that location. Operational efforts remain the same as free passage traffic crossing the bi-national region is significantly up. Management closely monitors the decrease in Tolls revenue by only incurring essential expenses but this strategy cannot be maintained in the long-term.

FBCL'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 FBCL as 'A+' based on its assessment of FBCL. 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. FBCL'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 FBCL's strong link with the federal government, FBCL's A+ rating was maintained.



The overall level of FBCL's debt is forecasted to decline as loan balances are reduced. Although FBCL's strategy is to repay its loans as they become due, FBCL also wishes to maintain a strong debt service coverage ratio, at the same time. This strong debt management strategy will allow for debt payments over the life of the loans, and will minimize the need for additional indebtedness. There have been no accelerated debt repayments in the six months ended September 30, 2020, and the next accelerated debt repayment is not scheduled until fiscal 2021-22. With the impact of COVID-19, FBCL is closely monitoring its cash and investments to determine the most prudent path forward.

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. There were no changes to toll rates during the six months ended September 30, 2020.

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

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, this year revenues from April 1, 2020 onwards are significantly lower due to border restrictions implemented to slow the spread of COVID-19 nearly eliminating all passenger travellers.

Economic conditions in Canada and the United States also have an important influence on international vehicle traffic by way of commercial truck traffic, which has a significantly higher toll rate. These economic conditions are less variable on a seasonal basis but more a result of the business climate in each country. Again, COVID-19 had a significant impact on the commercial truck volumes in the first two quarters of this year. The second quarter was largely stronger than the first quarter in this respect, however this effect varies greatly by bridge location.

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

STATEMENT OF COMPREHENSIVE INCOME

Revenue and government funding (\$000's)

	For the three months ending			For the six months ending		
	Sept 30, 2020 (unaudited)	Sept 30, 2019 (unaudited)	Variance	Sept 30, 2020 (unaudited)	Sept 30, 2019 (unaudited)	Variance
Tolls	5,665	8,760	(3,095)	9,776	16,937	(7,161)
Thousand Islands						
International Bridge	1,084	1,748	(664)	1,878	3,487	(1,609)
Leases and permits	324	1,606	(1,282)	675	2,713	(2,038)
Interest	76	142	(66)	170	291	(121)
Gain on investments	11			423	-	423
Other	79	7	72	151	75	76
Total revenue	7,239	12,263	(5,035)	13,073	23,503	(10,430)
Government funding	1,276	884	392	2,428	1,769	659

Tolls and Thousand Islands International Bridge: When comparing the first two quarters of 2020-21 to the first two quarters of 2019-20, FBCL has seen a decrease in overall paid traffic volume of 71.7% which consists of a decrease of 84.0% in passenger vehicle volumes and a 16.8% decrease in commercial volumes. This is consistent with the Ontario average for all international bridges for passenger vehicle volumes and commercial volumes, which decreased 84.1% and 16.6%, respectively. Decreases in passenger vehicles by location vary between 67.3% and 95.5% while decreases in commercial volumes by location vary between 13.8% and 30.5%. There are limited changes in passenger volumes when comparing Q1 to Q2 averages however commercial volumes saw improvements in the second quarter as compared to the first. Commercial volumes in the first quarter were 28.3% below last year, and the second quarter was only 5.3 down from last year, which is similar to the Ontario average.

Leases and permits: Usually, the most significant leases are from the Duty Free stores in Point Edward, Thousand Islands, and Sault Ste. Marie in which a significant portion of FBCL's lease revenues are based on a percentage of sales of goods at these Duty Free stores. With the border travel restrictions, the Duty Free stores were either closed during the first two quarters or generated minimal revenues.

Interest and Gain on investments: With the decrease in Tolls revenue, investments of \$8.7 million were redeemed to meet operational and debt requirements. This resulted in realized gains on sale of investments as FBCL's fair value of investments have increased. However, these redemptions and lower interest rates in the market resulted in lower interest earned during the first two quarters.

Government funding: The government funding recognized in revenues consists of amortization of deferred capital funding in the amount of \$0.9 million per quarter which is consistent with the prior year first two quarters as well as \$0.7 million for the year to date (\$0.4 million for Q2) to reimburse for SIBC's operating expenses in excess of externally generated revenues such as tolls, leases and permits, and interest. SIBC did not have such funding in 2019-20.

Operating and interest expense (\$000's)

	For the three months ending			For the six months ending		
	Sept 30, 2020 (unaudited)	Sept 30, 2019 (unaudited)	Variance	Sept 30, 2020 (unaudited)	Sept 30, 2019 (unaudited)	Variance
Operations	1,920	2,058	(138)	4,120	4,029	91
Thousand Islands						
International Bridge	1,332	1,758	(426)	2,963	3,271	(308)
Maintenance	3,707	3,599	108	7,081	7,045	36
CBSA & CFIA operations	1,815	1,913	(98)	3,739	3,817	(78)
Administration	1,721	1,887	(166)	3,611	3,761	(150)
Total expenses	10,495	11,215	(720)	21,514	21,923	(409)
Interest expense	862	982	(120)	1,765	2,024	(259)

Parliamentary appropriations have been obtained this year to sustain SIBC's operations. Consequently, 100% of SIBC expenses are recognized by FBCL in 2020-21 whereas only 50% of these expenses were recognized by FBCL in 2019-20 with the remaining balance being recognized by its U.S. partner, SLSDC. This has the

effect of adding approximately \$578k in additional expenses for the first six months of this year. In addition, during the fourth quarter of the prior fiscal year FBCL reviewed its methodology for attributed expenses to the various expense lines, which resulted in expenses being reallocated between expense lines.

Operations: Operating costs for the quarter are higher as a result of additional SIBC operations expenses of \$0.1 million (\$0.2 million year-to-date) offset by decreases in amortization of \$0.1 million (\$0.1 million year-to-date) and in salaries of \$0.1 million (\$0.1 million year-to-date). Additionally in Q1, costs were higher by \$0.1 million due to costs being reclassified from maintenance to operations.

Thousand Islands International Bridge: Direct operating costs are \$0.4 million lower when comparing Q2 2020-21 to Q2 2019-20 with the most significant decrease being lower maintenance costs incurred directly by the Thousand Islands International Bridge.

Maintenance: Maintenance costs are comparable to the prior year however there are some fluctuations in a variety of the components of the maintenance expense. Maintenance costs for the quarter are higher as a result of additional SIBC maintenance expenses of \$0.2 million (\$0.2 million year-to-date) which relates to the inspections being conducted earlier this fiscal year. This is offset by decreases in Point Edward maintenance projects conducted in Q2 of \$0.1 million (\$0.1 million year-to-date).

CBSA/CFIA: Q2 and year-to-date 2020-21 is comparable to Q2 and year-to-date 2019-20.

Administration: Administration expense is \$0.2 million lower in Q2 2020-21 when compared to Q2 2019-20 due to lower travel (\$0.1 million) and IT costs (\$0.1 million). Q1 2020-21 includes a reallocation of \$0.1 million to maintenance offset by recognition of a foreign currency translation loss of \$0.1 million.

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

STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position (\$000's)

	September 30, 2020 (unaudited)	March 31, 2020 (audited)	Variance
Assets			
Financial assets	19,599	28,165	(8,566)
Non-financial assets	380,966	384,104	(3,138)
Total assets	400,565	412,269	(11,704)
Liabilities			
Current liabilities	20,876	17,290	3,586
Non-current liabilities	152,308	159,903	(7,595)
Total liabilities	173,184	177,193	(4,009)
Total equity	227,381	235,076	(7,695)

Financial Assets: Financial assets consist of cash and cash equivalents, investments, and receivables. Overall cash and investments have decreased by \$8.1 million, which was used to purchase capital assets (\$5.3 million) and repay debt (\$2.9 million). Trade and other receivables have decreased by \$0.5 million, as the balances at March 31, 2020, include a receivable from the Thousand Islands Bridge Authority for the six month period ending February 29, 2020, whereas the September 30, 2020, balances include a payable to the Thousand Islands Bridge for the six month period ending August 31, 2020.

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 have decreased by \$3.5 million, which is comprised of \$8.9 million in depreciation expense offset by \$5.4 million of capital assets acquisitions. Prepaid insurance expense has increased by \$0.4 million.

Current Liabilities: Trade and other payables and short-term employee benefits, collectively have remained consistent when compared to March 31, 2020. Holdbacks have increased by \$0.4 million, which is primarily due to the VMS signs replacement project in Point Edward. The current portion of the bonds payable has increased by \$0.2 million as a scheduled payment was made in July 2020 with the next payment being made in January 2021 and the current portion of the loans payable has increased by \$2.9 million as it is scheduled to be paid in full in Q2 2021-22.

Non-current Liabilities: Deferred capital funding has decreased by \$1.7 million as it is amortized to revenue and bonds payable has decreased by \$2.9 million as a payment was made in July 2020, and the balance of non-current loan liabilities are now classified as current with a \$2.9 million effect.

STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flow (\$000's)

	For the three months ending			For the six months ending		
	Sept 30, 2020 (unaudited)	Sept 30, 2019 (unaudited)	Variance	Sept 30, 2020 (unaudited)	Sept 30, 2019 (unaudited)	Variance
Net cash (used) generated by operating activities	1,876	(1,138)	3,014	148	2,440	(2,292)
Net cash generated (used) by investing activities	(2,332)	1,883	(4,215)	3,321	1,561	1,760
Net cash used by financing activities	(2,854)	(4,902)	2,048	(2,922)	(5,005)	2,083
Net increase in cash	(3,310)	(4,157)	847	547	(1,004)	1,551

Cash flow from operating activities is positive in the second quarter due to fluctuations in receivables, payables and holdbacks. Before considering the impact of the change in working capital, cash flows from operating activities for the second quarter were positive by \$0.3 million and for the year-to-date were negative by \$0.5 million. In the prior year, the cash flow from operating activities were negative due to the demolition of the piers on the old North Channel Bridge in Cornwall. From a year-to-date perspective \$8.7 million of investments were cashed in order to pay for \$5.4 million of property and equipment acquisitions as well as repaying \$2.9 million in debt. Net cash used by financing activities for the prior year included an accelerated loan payment.

4.2 Financial Performance against Corporate Plan

FBCL's 2020-21 Corporate Plan has not yet received Parliamentary approval. FBCL's Board of Directors approved a Corporate Plan in January of 2020, however due to the effects of COVID-19 on FBCL's financial picture, this Corporate Plan is currently being reevaluated. For this reason, no comparison to Corporate Plan is currently presented.

4.3 Reporting on Use of Appropriations

FBCL has secured funding from the Government of Canada to reimburse the operating expenses in excess of revenues for SIBC. During the first two quarters, \$0.7 million of funds were recorded in the financial statements. In 2019-20, there were no projects or operations that were funded by parliamentary appropriations.



5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2020

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

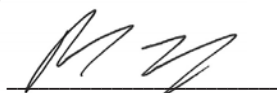
Management of The Federal Bridge Corporation Limited is responsible for the preparation and fair presentation of these interim unaudited condensed consolidated financial statements in accordance with the Treasury Board of *Canada Standard on Quarterly Financial Reports for Crown Corporations* and International 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
November 26, 2020

5.2 Interim Unaudited Condensed Consolidated Statement of Financial Position

The Federal Bridge Corporation Limited

Interim Unaudited Condensed Consolidated Statement of Financial Position as at September 30, 2020

(in thousands of Canadian dollars)

	Notes	September 30, 2020 (unaudited) \$	March 31, 2020 (audited) \$
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents		7,929	7,382
Investments		9,240	17,847
Trade and other receivables		430	936
Prepays		702	346
Total Current Assets		18,301	26,511
<i>Non-Current Assets</i>			
Property and equipment	7	361,576	364,708
Investment properties		18,429	18,777
Intangible assets		60	69
Lessor inducement		199	204
Investments		2,000	2,000
Total Non-Current Assets		382,264	385,758
TOTAL ASSETS		400,565	412,269
LIABILITIES			
<i>Current Liabilities</i>			
Trade and other payables		4,115	4,041
Employee benefits		1,303	1,327
Holdbacks		533	88
Deferred revenue		2,483	2,476
Current portion of loans payable		3,010	132
Current portion of bonds payable		5,724	5,540
Current portion of deferred capital funding		3,505	3,504
Current portion of lease liability		203	182
Total Current Liabilities		20,876	17,290
<i>Non-Current Liabilities</i>			
Loans payable		-	2,943
Bonds payable		43,412	46,320
Employee benefits		7,402	7,220
Deferred revenue		1,290	1,323
Deferred capital funding		98,992	100,731
Lease liability		1,212	1,366
Total Non-Current Liabilities		152,308	159,903
EQUITY			
Share capital - 2 shares @ no par value		-	-
Retained earnings		226,757	234,525
Accumulated other comprehensive income		624	551
Total Equity		227,381	235,076
TOTAL EQUITY AND LIABILITIES		400,565	412,269

5.3 Interim Unaudited Condensed Consolidated Statement of Comprehensive Income

The Federal Bridge Corporation Limited

Interim Unaudited Condensed Consolidated Statement of Comprehensive Income for the three and six month periods ended September 30, 2020 (in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	\$
Revenue				
Tolls and services	5,665	8,760	9,776	16,937
Thousand Islands International Bridge revenue	1,084	1,748	1,878	3,487
Leases and permits	324	1,606	675	2,713
Interest	76	142	170	291
Gain on investments	11	-	423	-
Other	79	7	151	75
Total Revenue	7,239	12,263	13,073	23,503
Expenses				
Operations	1,920	2,058	4,120	4,029
Thousand Islands International Bridge expenses	1,332	1,758	2,963	3,271
Maintenance	3,707	3,599	7,081	7,045
Canada Border Security Agency & Canadian Food Inspection Agency operations	1,815	1,913	3,739	3,817
Administration	1,721	1,887	3,611	3,761
Total Expenses	10,495	11,215	21,514	21,923
Operating (Loss) Income Before Government Funding	(3,256)	1,048	(8,441)	1,580
Government Funding				
Amortization of deferred capital funding	876	884	1,752	1,769
Funding with respect to operating expense	400	-	686	-
Total Government Funding	1,276	884	2,438	1,769
Non-Operating Items				
Interest expense	(862)	(982)	(1,765)	(2,024)
Total Non-Operating Income	(862)	(982)	(1,765)	(2,024)
Net (Loss) Income	(2,842)	950	(7,768)	1,325
Other Comprehensive Income				
Items that may be reclassified subsequently to statement of income (loss)				
Investments revaluation loss on available-for-sale investments	15	40	496	212
Cumulative gain reclassified to income on sale of available-for-sale investments	(11)	32	(423)	30
Total Other Comprehensive Income	4	72	73	242
Total Comprehensive (Loss) Income for the Period	(2,838)	1,022	(7,695)	1,567

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 six month period ended September 30, 2020 (in thousands of Canadian dollars)

	Retained Earnings (unaudited)	Accumulated Other Comprehensive Income (unaudited)	Total (unaudited)
	\$	\$	\$
Balance, April 1, 2019	235,997	257	236,254
<i>Total Comprehensive Income:</i>			
Net income	1,325	-	1,325
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	213	213
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	29	29
Other Comprehensive Income total	-	242	242
Total Comprehensive Income	1,325	242	1,567
Balance at September 30, 2019	237,322	499	237,821
Balance, April 1, 2020	234,525	551	235,076
<i>Total Comprehensive Income:</i>			
Net loss	(7,768)	-	(7,768)
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	496	496
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	(423)	(423)
Other Comprehensive Income total	-	73	73
Total Comprehensive Income (Loss)	(7,768)	73	(7,695)
Balance at September 30, 2020	226,757	624	227,381

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 six month period ended September 30, 2020 (in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	\$
Cash Flows from Operating Activities				
Net (loss) income	(2,842)	950	(7,768)	1,325
Adjustments for:				
Amoritsation of deferred capital funding	(876)	(884)	(1,752)	(1,769)
Depreciation of property and equipment	4,235	4,276	8,502	8,548
Depreciation of intangible assets	5	5	9	10
Depreciation of investment properties	174	174	348	349
(Gain) loss on disposal of property and equipment	3	(30)	3	(30)
Change in employee benefits	(434)	(273)	158	(162)
	265	4,218	(500)	8,271
Changes in Non-cash Working Capital:				
Trade and other receivable	801	(221)	506	(40)
Lessor inducement	3	21	5	25
Prepays	13	(76)	(356)	180
Trade and other payables	494	(1,542)	74	(1,624)
Provisions	-	(3,766)	-	(4,412)
Holdbacks	302	195	445	72
Deferred revenue	(2)	33	(26)	(32)
	1,611	(5,356)	648	(5,831)
Net cash (used for) generated by Operating Activities	1,876	(1,138)	148	2,440
Cash Flows from Investing Activities				
Payments for property and equipment	(3,716)	(598)	(5,373)	(1,793)
Payments for investment properties	-	(72)	-	(72)
Payments for intangible assets	-	(12)	-	(12)
Government funding related to acquisitions of property and equipment	14	-	14	-
Proceeds from disposal of property and equipment	-	30	-	30
Proceeds on sale of investments	2,432	3,556	10,988	5,041
Purchase of investments	(1,062)	(1,021)	(2,308)	(1,633)
Net Cash Generated (Used) for Investing Activities	(2,332)	1,883	3,321	1,561
Cash Flows from Financing Activities				
Repayment of loans payable	(33)	(2,300)	(65)	(2,356)
Repayment of bonds payable	(2,724)	(2,553)	(2,724)	(2,553)
Repayment of lease liability	(97)	(49)	(133)	(96)
Net Cash Used for Financing activities	(2,854)	(4,902)	(2,922)	(5,005)
Net increase/(decrease) in cash and cash equivalents	(3,310)	(4,157)	547	(1,004)
Cash and cash equivalents, beginning of period	11,239	12,207	7,382	9,054
Cash and Cash Equivalents, end of period	7,929	8,050	7,929	8,050

5.6 Selected Notes to the Interim Unaudited Condensed Consolidated Financial Statements

1. AUTHORITY AND ACTIVITIES

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

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

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

By Order in Council P.C. 2015-31 dated January 26, 2015, the Corporation was granted all necessary approvals of the *International Bridges and Tunnels Act* for the purposes of ownership and management of the international bridges under the Corporation’s portfolio. The *Customs Act, section 6* requires the Corporation to provide, equip and maintain, free of charge, adequate buildings, accommodations or other facilities for customs and the Canada Border Services Agency (CBSA). A similar provision in the *Plant Protection Act* mandates 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 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, 2020. 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, 2020.

FBCL's significant accounting policy on Interests in Joint Operations states that FBCL 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. FBCL has assessed that two of its crossings meet the criteria of a joint operation, as explained in note 6 of the audited consolidated financial statements for the year ended March 31, 2020. Although the significant accounting policy has not changed, the allocation of revenues and expenses for SIBC have been modified this year.

Per agreement, FBCL and the Saint Lawrence Seaway Development Corporation (SLSDC - American partner) shared revenues and expenses of the FBCL subsidiary, SIBC. Due to the impact of COVID-19, FBCL has received parliamentary appropriations to fund SIBC operating expenses in excess of revenues. Consequently, for the current fiscal year, all of SIBC's revenues and expenses are attributed to FBCL and therefore fully recognized in the interim unaudited condensed consolidated financial statements.

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, this year revenues from April 1, 2020 onwards are significantly lower due to COVID-19 restrictions nearly eliminating all leisure travellers.

Economic conditions in Canada and the United States also have an important influence on international vehicle traffic by way of commercial truck traffic, which has a significantly higher toll rate. These economic conditions are less variable on a seasonal basis but more a result of the business climate in each country. Again, COVID-19 had a significant impact on the commercial truck traffic.

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

4. USE OF JUDGMENTS AND ESTIMATES

The preparation of the interim unaudited condensed consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that can significantly affect the amounts recognized in the consolidated financial statements. Actual results may differ from these estimates. Where these differ, the impact will be recorded in future periods. Significant judgments and estimates as at September 30, 2020 were consistent with those disclosed in Note 4 of the Corporation's audited consolidated financial statements for the year ended March 31, 2020.

5. FUTURE CHANGES IN ACCOUNTING POLICIES

There were no new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) during the six month period that would affect the Corporation in the future other than those disclosed in Note 5 of the Corporation's audited consolidated financial statements for the year ended March 31, 2020.

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, 2019	14,791	266,834	30,789	143,632	27,362	-	9,219	492,627
Adjustment (IFRS 16)	-	-	-	-	-	1,579	-	1,579
Additions	19	97	594	38	19	43	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	31,223	1,622	2,739	497,661
Additions	6	33	564	24	2	-	4,744	5,373
Disposals	-	-	-	(87)	-	-	(3)	(90)
Transfers	-	-	389	-	-	-	(389)	-
Balance, Sept 30, 2020	14,816	269,704	34,451	144,035	31,225	1,622	7,091	502,944

Accumulated depreciation	Land \$	Bridges and Roads \$	Vehicles and Equipment \$	Buildings \$	Property Improvements \$	Right-of-use Assets \$	Projects in Progress \$	Total \$
Balance, April 1, 2019	-	62,750	14,877	23,807	15,262	-	-	116,696
Eliminated on disposal of assets	-	-	(169)	-	(746)	-	-	(915)
Depreciation	-	9,829	1,909	4,059	1,165	210	-	17,172
Balance, March 31, 2020	-	72,579	16,617	27,866	15,681	210	-	132,953
Eliminated on disposal of assets	-	-	-	(87)	-	-	-	(87)
Transfers	-	-	-	-	-	-	-	-
Depreciation	-	4,839	1,011	2,029	519	104	-	8,502
Balance, Sept 30, 2020	-	77,418	17,628	29,808	16,200	314	-	141,368
Net book value, Sept 30, 2020	14,816	192,286	16,823	114,227	15,025	1,308	7,091	361,576
Net book value, March 31, 2020	14,810	197,092	16,881	116,232	15,542	1,412	2,739	364,708

7. FINANCIAL INSTRUMENTS

Fair Value

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

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

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

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

As at September 30	2020		
	Value \$	Cost \$	Level
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	9,114	9,114	Level 2
Financial instruments measured at amortised costs			
Investments (amortised cost)	2,126	2,126	Level 1
Loans payable	3,008	3,010	Level 2
Bonds payable	57,963	49,136	Level 2
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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 amortised costs			
Investments (amortised cost)	3,505	3,505	Level 1
Loans payable	3,111	3,075	Level 2
Bonds payable	61,619	51,860	Level 2