FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

ANNUAL REPORT

2022 | 2023

Canada

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Word From the Chair

Pascale Daigneault

As Chairperson of The Federal Bridge Corporation Limited (FBCL) Board of Directors, I am pleased to present the latest Annual Report on the operations of the Corporation. The world, the country, and FBCL are all learning and adapting to what life looks like in a COVID-recovery environment.

The Board of Directors for FBCL manages the affairs of the Corporation responsibly and in compliance with legislative and policy requirements. A hallmark of FBCL has been its corporate governance practices, which are sound, transparent and accountable. To this end, the Corporation has enacted a groundbreaking Board member engagement policy, instilling a culture of profound and meaningful commitment from all members. The Corporation has also embarked on a journey towards an Environmental, Social, and Governance (ESG) program, whereby FBCL will ensure it is in the best position to manage a variety of risks, and capitalise on emerging opportunities in a rapidly changing environment and in support of the Government of Canada goals. This program will significantly inform the impending disclosure requirements of the Taskforce on Climate Related Financial Disclosures (TCFD).

The pandemic border restrictions had a sudden and lasting effect on FBCL's financial resources. Despite these robust headwinds, the Corporation has consistently met and surpassed expectations and reviews of its operations by third parties. This includes the publication of a solid report on the Corporation's governance and operations via a Special Examination conducted of FBCL by the Office of the Auditor General (OAG), another unqualified year-end financial audit opinion, and a strong credit rating by S&P Global Ratings. This external rating, reflecting responsible management, maintained the A+ rating, and the outlook was revised to stable from negative, which had persisted since the pandemic onset.

These positive assessments serve to highlight the work by the Board of Directors and management in ensuring that the Corporation continues to utilise sound judgment in navigating turbulent waters. Through this lens is the stark reality and recognition by FBCL that it has diminished ability to pay for the Corporation's future needs on its own.

At FBCL, the safety and efficiency of the assets, their operations and people are at the forefront of every decision. The core of the mandate is the bridge infrastructure and plazas that permit a majority of Canada's trade and tourism. In order to preserve the appropriate service life of FBCL's entrusted property, the Corporation has formulated a robust Asset Management Program. As this program expands, it improves data-based decision-making, reduces risk, and maximises the value of investments. Further, costs are exponentially growing for the facilities needs of the border agencies that through legislation are borne by the Canadian international bridges themselves. FBCL is also aligning to contribute towards many of the environmental and sustainability goals envisioned by the Government of Canada. Accordingly, the Corporation pursues funding avenues directed at providing the people of Canada the best and most expeditious ways to cross, and transfer goods through land borders.

FBCL remains highly engaged with the financial viability of the Seaway International Bridge Corporation Limited (SIBC) together with the U.S. owner, Great Lakes St. Lawrence Seaway Development Corporation. FBCL is committed to finding an optimal solution, and continues to be involved in comprehensive discussions with government representatives to identify bi-national solutions.

The Annual Report included here is setting the stage for a gradual recovery period for the Corporation and its partners. Hundreds of employees across the portfolio of FBCL's bridge crossings have maintained the utmost safety, security, and operational perseverance during a time of great uncertainty. Please join me in acknowledging the spirit and determination of everyone within our organisation who have set our crossings up for an exciting future.

P. Daigneault

Pascale Daigneault

Word From the Chief Executive Officer


Natalie Kinloch

Recovery from COVID-19, a worldwide reality, is expressed in the form of personal convalescence from the disease, a business relaunching, or a country coming out on the other side. FBCL is absolutely no different, as we push forward with our mandate and simultaneously addressing residual pandemic hardships.

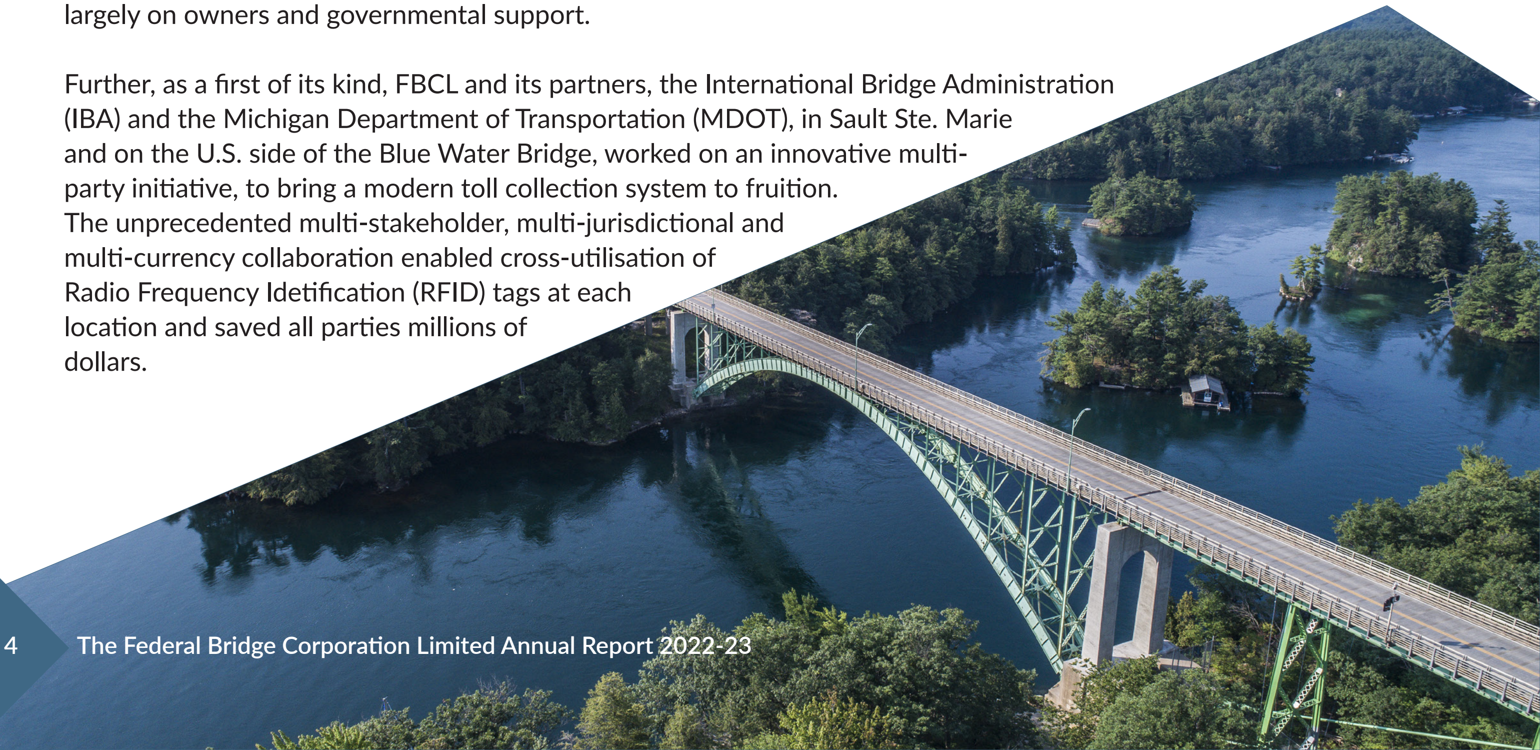
The FBCL portfolio team directly met challenges with expertise and commitment as a united front. We acknowledge the sizeable negative effects on FBCL's revenue that are still mounting and yet we progressed in all substantial areas of the business. Investments by the Government of Canada in priority major capital projects remain essential to the perpetuation of Canada's international bridges.

A testament to the commitment of FBCL's Vision, safety and security of its infrastructure will never be compromised. Annual bridge inspections across all locations once again garnered positive results. The drop in revenue has deferred but not deterred maintenance across the portfolio and substantial efforts are being made to close the gap in short order.

A path forward was illuminated at two different junctures this past fiscal year, in instances where the border pandemic restrictions were lifted. In April and October of 2022, Canada gradually loosened its entrance restraints that immediately resulted in an incremental rebound of previously decimated passenger traffic across FBCL's portfolio of bridges. These signals form part of FBCL's recovery plan as elements that cannot be directly controlled, but are dependent upon for its success. A celebration of each positive step ensued as life started to return to normal for Canadians.

The Corporation was able to complete a considerable length of important bridge recoating at the Sault Ste. Marie International Bridge. Additionally, it championed the mandatory rocker arm replacements on the 65-year-old South Channel Bridgeat the Seaway International Bridge Crossing with the U.S. owner. This project was a marvel and directly accomplished by the exceedingly skilled maintenance crew in a magnificent display of precision in planning and execution at heights. In fact, this team saved over a million dollars in the process. This work is of great value, as this bridge crossing no longer has the market of traffic needed to generate sufficient revenues to support expenses, relying largely on owners and governmental support.

Further, as a first of its kind, FBCL and its partners, the International Bridge Administration (IBA) and the Michigan Department of Transportation (MDOT), in Sault Ste. Marie and on the U.S. side of the Blue Water Bridge, worked on an innovative multi-party initiative, to bring a modern toll collection system to fruition. The unprecedented multi-stakeholder, multi-jurisdictional and multi-currency collaboration enabled cross-utilisation of Radio Frequency Idetification (RFID) tags at each location and saved all parties millions of dollars.



This system also enabled the advancement and tremendous growth of FBCL's frequent crossing program (ConneXion). The number of account subscriptions by passenger vehicles increased two-fold simply in this year, and the utilisation rate of our ConneXion program amongst our trucking customers reached 75%.

FBCL has had a history of participating in discussions that aid in the safe, reliable, and efficient movement of goods and people between Canada and the U.S. The Corporation has pursued further opportunities and innovations to assist in bringing together all stakeholders to focus on technology, trade, and sharing of information. To that end, FBCL enabled the launch of the Great Lakes Border Trade and Supply Chain Alliance, and committed to a partnership with the Ontario Vehicle Innovation Network.

Internally, the Corporation pursues its promotion of diversity and inclusion and is very proud to unveil its first Accessibility Plan detailing the works to be undertaken to remove barriers and increase awareness and accessibility. It has also elaborated its Pay Equity Plan and is enhancing its occupational health and safety and its performance management programs.

FBCL, and its SIBC subsidiary, remain committed to host community engagement and meaningful reconciliation with Indigenous Peoples. This occurs with high-level strategic decisions, and at the local involvement stage. For instance, at the Blue Water Bridge and the Seaway International Bridge, the Indigenous communities have long histories with the bridge lands and operations. FBCL and its subsidiary continue to maintain a healthy dialogue with the Aamjiwnaang First Nation and the Mohawk Community of Akwesasne on all major projects and on various operational matters to address common matters. New partnerships enabled additional employment and skills training opportunities for Indigenous youths and the highlighting of the rich heritage at each location. Together we can spur individual economic well-being while promoting an inclusive social diversity that is essential for the future of Canada.

While an Annual Report always refers to the year that was, I cannot help but look fondly towards where FBCL will be next year and the years to come. We recently surveyed our employees, and with an employee engagement level approaching 90%, I know that we will provide Canada with efficiency and value for years to come.

On behalf of the entire FBCL team,

Natalie Kinloch

Natalie Kinloch

Corporate Profile

BACKGROUND

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

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

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

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

Mandate and Public Policy

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 and undertakings of the Corporation are 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 structures, facilities, 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 structures, facilities, work or property contemplated in paragraph (a) or (b).

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

Main Activities

In accordance with the Treasury Board Secretariat Policy on Results, FBCL's Core Responsibility statement is "Managing international bridges".

It reports to the Parliament of Canada through the Minister of Transport. The Corporation is responsible for Canadian federal interests at four of the eleven international bridges in Ontario and is headquartered in Ottawa, Ontario.

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

Strategic Authority

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

Mission

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

Vision

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

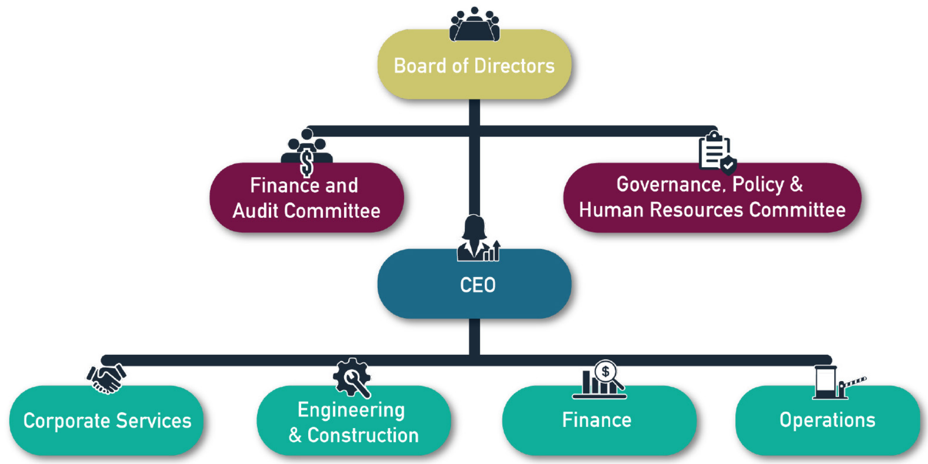
Pillars

FBCL's business processes and systems are based on five strategic pillars:

- An organisation operating with a **mandate** of a portfolio of international bridges, delivered through a management approach focused on providing excellent customer service;
- **Stewardship** of the bridge assets under its responsibility, focused on safety and security through a program of independent inspections, and appropriate capital and maintenance programs;
- Effective use of **technology**, utilising common platforms to ensure efficiency of operations and accuracy of information, managed in a manner that limits associated risk and cost;
- **Sustainability** of operations, maintenance and administration through a shared revenue approach, prioritised investment, toll optimisation and cost containment; and,
- Sound **governance** of the Corporation, through an optimised structure, the required capacity and skills, and strong relationships with stakeholders.

Corporate Governance

As a Crown corporation, FBCL is governed by a Board of Directors ("the Board") and is accountable to Parliament through the Minister of Transport. The Board is composed of seven directors (with currently one vacancy), including the Chairperson and the Chief Executive Officer (CEO). The Chairperson and the CEO are appointed by the Governor in Council, in accordance with section 105 of the *Financial Administration Act*. The directors, other than the Chairperson and the CEO, are appointed by the Minister with the approval of the Governor in Council.



Legislative Authority

FBCL is a corporation constituted under the CBCA, is listed in Schedule III Part I of the FAA, and is an agent of The Crown, following the amalgamation of the predecessor corporation, also known as The Federal Bridge Corporation Limited with several other bridge corporations.

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

Public Accountability

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

FBCL Board Role

The Board is responsible for the oversight and strategic direction of the Corporation. It sets corporate objectives and direction, ensures good governance, monitors financial performance, approves budgets and financial statements, approves policies and by-laws, as well as ensures that risks are identified and managed. Eight meetings of the Board of Directors are typically held in each fiscal period.

The Board is currently supported in its roles and responsibilities by the legally required Finance and Audit Committee as well as by a Governance, Policy and Human Resources Committee.

The Board has established a Charter for each standing Committee and operating guidelines that govern the operations of all committees. The Board may establish other committees as required to assist the Board in meeting its responsibilities. Committee membership is subject to change and presently serving committee members are listed on the Corporation's website.

Committees

FINANCE AND AUDIT COMMITTEE

Mandate: As per the duties outlined in the FAA, the Finance and Audit Committee provides oversight and makes recommendations to the Board on the standards of integrity and behaviour, the reporting of financial information, management control practices, investment plans, risk and asset management together with insurance needs.

The Committee is responsible for advising the Board on matters related to financial statements, any internal audit of the Corporation and the annual auditor's report of the Corporation. It is also responsible to review and advise the Board with respect to any special examination, and the resulting plans and reports. The Committee performs other functions assigned to it by the Board and they are included in corporate by-laws.

Membership: This Committee is composed of three members of the Board who are appointed by the Board on the recommendation of the Board Chair. One of these members is designated by the Board, on the recommendation of the Board Chair, to be the Chair of the Committee. The Board Chair is also a non-voting ex-officio member of the Committee.

GOVERNANCE, POLICY AND HUMAN RESOURCES COMMITTEE

Mandate: This Committee assists the Board in overseeing the Corporation's governance, Board policy infrastructure and human resources. The role of the Committee is to support the Board in the discharge of its responsibilities by performing due diligence on matters within its area of responsibility and includes Environmental Social Governance (ESG) matters. Its function is not to approve but make recommendations for approval by the Board.

Membership: This Committee is composed of three members of the Board who are appointed by the Board on the recommendation of the Board Chair. One of these members is designated by the Board, on the recommendation of the Board Chair, to be the Chair of the Committee. As with the Finance and Audit Committee, the Board Chair is also a non-voting ex-officio member of the Committee.

BOARD OF DIRECTORS REMUNERATION

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

The employment conditions of the Chief Executive Officer are provided by the Terms and Conditions of Employment for Full-Time Governor-in-Council Appointees. The salary range for the Chief Executive Officer position (CEO 3) is $204,200 - $240,200 (based on approved 2021-22 compensation for Crown corporation CEOs as outlined by Treasury Board). The Chief Executive Officer does not receive an annual retainer nor a per diem for attending Board meetings. The Governor in-Council may also grant to the Chief Executive Officer performance pay of up to 15 percent of the base salary, according to the achievement of key performance objectives, as determined by the Board of Directors.

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

In 2022-23, Board members received the following reimbursements for expenses (continued on next page):

BOARD MEMBERS	Retainer Earned	Per Diems	Travel / Training Reimbursement	Total	Attendance			
					Board Meetings	Committee Meetings		Training / Recruitment
		Meetings / Travel				GPHR	FAC	# of days
NOTES	a	a,b	c			e	f	
Pascale Daigneault - Sarnia, ON	$ 7,500	$7,650	$5,532	$20,682	8/8	3/3	5/5	2/2
John Lopinski - Port Colborne, ON	3,800	6,000	5,700	15,500	8/8	1/1	5/5	1/1
Marie-Jacqueline Saint-Fleur - Montreal, QC	3,800	5,550	1,222	10,572	8/8	1/2	5/5	0/0
Travis Seymour - Ottawa, ON	3,800	5,250	479	9,529	7/8	3/3	5/5	0/0
Rakesh Shreewastav - Toronto, ON	3,800	5,100	2,901	11,801	8/8	3/3	0/0	0/0
Natalie Kinloch (Note d) - Apple Hill, ON	n/a	n/a	n/a	-	8/8			
Total	$22,700	$29,550	$15,834	$68,084				

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

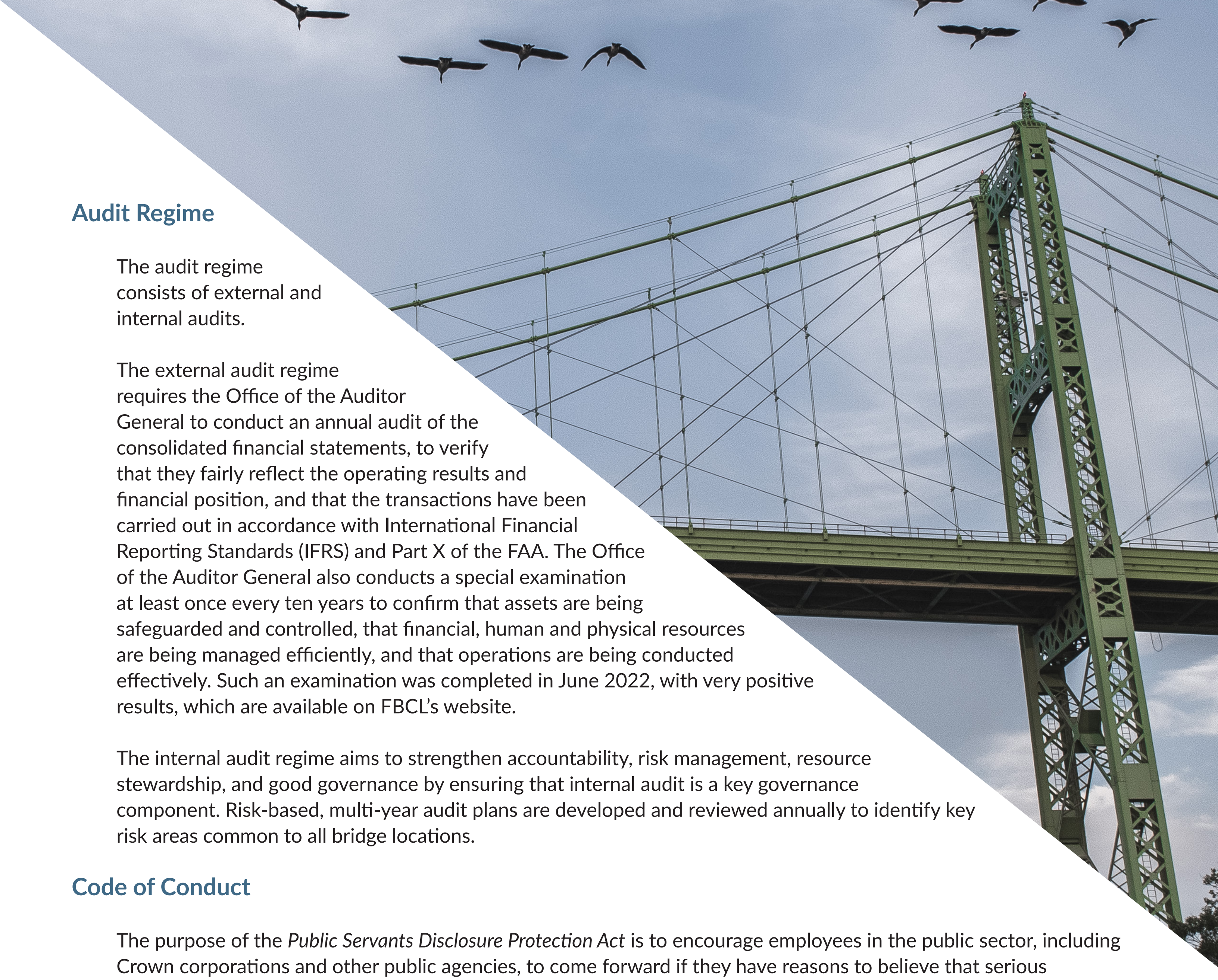
(b) Includes attendance at Board and Committee meetings, annual public meeting, strategic planning sessions, teleconference, special duties, and additional travel days.

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

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

(e) GPHR stands for Governance, Policy, and Human Resources Committee.

(f) FAC stands for Finance and Audit Committee.



Audit Regime

The audit regime consists of external and internal audits.

The external audit regime requires the Office of the Auditor General to conduct an annual audit of the consolidated financial statements, to verify that they fairly reflect the operating results and financial position, and that the transactions have been carried out in accordance with International Financial Reporting Standards (IFRS) and Part X of the FAA. The Office of the Auditor General also conducts a special examination at least once every ten years to confirm that assets are being safeguarded and controlled, that financial, human and physical resources are being managed efficiently, and that operations are being conducted effectively. Such an examination was completed in June 2022, with very positive results, which are available on FBCL's website.

The internal audit regime aims to strengthen accountability, risk management, resource stewardship, and good governance by ensuring that internal audit is a key governance component. Risk-based, multi-year audit plans are developed and reviewed annually to identify key risk areas common to all bridge locations.

Code of Conduct

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

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

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

Business and Performance

Portfolio Management

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

- Funds surplus to operating requirements are used for capital re-investment in portfolio bridges in support of public policy objectives;
- Revenues are centrally recognised, with each bridge established as a cost centre;
- Operational and maintenance expenditures of each bridge are based in common best practices;
- Integrated long-term capital plans are developed as basis for capital prioritisation and annual capital budgeting; and,
- Shared knowledge and expertise across the portfolio.

The establishment of this management approach provides a unique opportunity to look at all possibilities, both through adopting best practices and a comprehensive common approach within the portfolio and through identifying broader strategic opportunities.

At an Overarching Corporate Level

The 2022-23 fiscal year can be described as Canada getting its feet back under itself. For FBCL, this was no different. By no means is the country, or the Corporation, back to where it was before the COVID-19 pandemic, but we have all emerged on the other side of this pandemic resilient and optimistic for the future.

BORDER RESTRICTIONS AND THE LASTING PANDEMIC IMPACT

Since the pandemic began, in March of 2020, the organisation has evolved and adapted to the changing restrictions that have been in place at the border. Over the course of the 2022-23 fiscal year, these restrictions in Canada finally started to become a thing of the past. On April 1, 2022, the Government of Canada removed the requirement for COVID tests to be presented at the border coming into Canada.

Additionally, by October 1, 2022, the Government of Canada further removed the requirement for COVID vaccinations at the border, providing yet a further increase in the passenger traffic levels which had been largely non-existent since the beginning of the pandemic. For the whole fiscal year, this meant that FBCL's bridges had recovered approximately 66% of passenger traffic as compared to before the pandemic. The upcoming 2023-24 fiscal year looks be to even more fruitful with a full year of Canadian border restrictions removed and US vaccination requirements removed as of May 12, 2023.

Since the beginning of the pandemic, essentially three fiscal years ago, FBCL's revenue has been reduced by approximately a full year of pre-pandemic revenue (or about $38 million). These reductions have been felt across the portfolio to different degrees depending on the local environment of each bridge crossing. The two locations that depend most significantly on passenger traffic, the Seaway International Bridge in Cornwall and the Sault Ste. Marie International Bridge, benefited the most from the removal of Canadian border restrictions. Here, passenger traffic in the first year of the pandemic was as low as only 5% of normal, and only reached a little over 10% until restrictions started to be removed. This past year, these locations had as much as 64% and 55%, respectfully, as compared to before the pandemic.

While the other bridge locations, the Blue Water Bridge in Sarnia and the Thousand Islands International Bridge, were strongly affected by passenger traffic restrictions, these locations were able to somewhat balance this with strong commercial traffic levels. Commercial truck traffic has largely held constant to pre-pandemic levels, since approximately August 2020.

Having somewhat tempered the immediate operational needs of the organisation through increased traffic levels, government support, and drawing upon a debt facility late in the 2021-22 fiscal year, FBCL was able to direct its energies to strategically plan for the future.

Government Funding Support

After the first two years of the COVID-19 pandemic where FBCL was put into a position of requesting government assistance year-by-year, the 2022-23 fiscal year provided the first of three years of dedicated funding support that FBCL could look forward to. This coincided with operational funding support for SIBC, provided by the Great Lakes St Lawrence Seaway Development Corporation (GLS), FBCL's American partner at SIBC. The Government of Canada support in 2022-23 allowed FBCL to invest in nearly $4.5 million on much needed projects to support bridge infrastructure in Sault Ste. Marie and Cornwall, and also support a new Toll Collection System at Blue Water Bridge. In the coming two years, $25.3M in support will additionally fund significant bridge rehabilitation works at the Blue Water Bridge and the Thousand Islands International Bridge, and allow for operations and bridge projects to continue at the Seaway International Bridge.

FBCL continues its works on Indigenous Reconciliation, environmental targets, the soundness of its infrastructure, strong operational governance and employee morale, and to find innovative ways to approach issues.

Indigenous Reconciliation

Whether one believes that the "little things make a difference everyday" or "you need to look at the bigger picture", FBCL, and its SIBC subsidiary, pay significant appreciation to the Indigenous people and culture. In recent years, SIBC has benefited from the artistic skills of an employee who has been able to lend her talent to creating various elements drawing attention to her own Mohawk culture. This year, the Cornwall crossing updated its tollbooth overhead signage to include English, French, and Mohawk. The specific inclusion in our hiring practices of Indigenous candidates at both SIBC and the Blue Water Bridge through partnerships and planning is in collaboration with the local Indigenous communities at both locations. It is the small things that show a continual effort and sense of care.

A sense of duty comes from the strategic long-term and long-standing efforts respected by FBCL and the appropriate local Indigenous communities. For example, in Point Edward, the Blue Water Bridge resides in an area of significant historical importance for the Aamjiwnaang First Nation. A Memorandum of Understanding is in place with this community that reflects a common respect of the region's history and establishes a protocol of consultation for certain projects and a partnership when Indigenous discoveries are made. Ongoing dialogue with Aamjiwnaang First Nation leadership on current issues permits a respectful and cohesive relationship. In Cornwall, at the Seaway International Bridge, FBCL and SIBC maintain dialogue with the Mohawk Council of Akwesasne (MCA) on all major projects and on various operational matters to address identified issues. The Corporation has a Memorandum of Understanding in place with the MCA for its projects that provides for the inclusion of at least a certain amount of works to be executed by Mohawk contractors and workers. FBCL and SIBC have a long history of positive contribution to its local community as a reliable source of employment for members of the local Indigenous community.

Environmental, Social, and Governance Framework

While the Government of Canada had mandated that Crown corporations of FBCL's size must report Taskforce on Climate-Related Financial Disclosures (TCFD) by next year, FBCL has recognised value in going beyond this. To this end, the Board of Directors and management have been working on assessing and developing a comprehensive Environmental, Social, and Governance (ESG) framework. In the production of ESG for the FBCL context, the Corporation has looked to the 17 Sustainable Development Goals (SDG) of the United Nations, and identified appropriate areas within each of the components of ESG that FBCL can direct its efforts.

CAPITAL INFRASTRUCTURE INITIATIVES

The safety and livelihood of millions of Canadians is of utmost concern for the Corporation, and that is why FBCL ensures that it takes its stewardship responsibilities very seriously. Bridge inspections across the portfolio of bridges continue to reflect favourably on the talented and hard-working maintenance staffs across FBCL's four locations. Bridge inspection reports for all four locations were submitted to Transport Canada in accordance with the *International Bridges and Tunnels Act* (IBTA) reporting requirements. In addition to the significant effort put forth in maintaining its infrastructure, certain significant projects, by bridge location, performed this year include the following:

Sault Ste. Marie International Bridge

As funded by the Government of Canada, FBCL was able to recoat 1,741 meters of bridge curb and railing on the Canadian side of the crossing. This $3 million project ensured that rust was not able to adversely affect elements of the bridge. If left unattended, rust can be detrimental to the lifespan of a steel bridge, and the Corporation met the needs of this critical piece of infrastructure.

Blue Water Bridge

Most significantly at the Blue Water Bridge was the preparation for the 2023 summer construction season. It is during this time that one of the spans of the crossing will be shut to traffic for a period of only 13 weeks, in order to complete certain rehabilitation works to ensure the bridge span continues to provide a worry-free transit experience. During this time almost $5 million of funding will be provided by the Government of Canada to complete the project. In the following year, a separate $7 million will ensure similar type works can occur on the second span here.

Thousand Islands International Bridge

As part of a multi-year project, suspender cable testing continues to inform a plan for proactive replacement of the cables that will prolong the viable operational life of the crossing while reviewing maintenance facilities for future needs. Additionally, during the past year significant planning and preparation has taken place in order to prepare for works over the course of the next two years to do rehabilitation works on the International Rift Bridges and the Canadian spans of the Thousand Islands crossing, which will sum to almost $8 million.

Seaway International Bridge

In collaboration with the owner of the US side of the crossing, funding of approximately $1 million was provided in order to replace seven (7) rocker arms on the South Channel Bridge in Cornwall. This was an amazing project that was handled entirely by the maintenance staff of SIBC who provided all the labour in order to replace these rocker arms, without interruption to traffic. Had this project been handled by outside contractors, the total project cost would likely have doubled.

Operational Governance

In the 2022-23 fiscal year, the OAG published its Special Examination on FBCL. A Special Examination is a report that is done at least once every ten years, giving insight into the operations and governance of the organisation. The organisation is very proud of the results. As a result of the report, FBCL was required by legislation to provide an Action Plan in order to address certain recommendations made in the report. These recommendations largely surrounded additional communication, at differing levels, of progress and plans towards objectives. The organisation has already made significant headway towards putting measures in place and remaining an open and transparent organisation that continues to operate efficiently for Canada.

Employee Engagement

FBCL prides itself on inclusivity and non-discriminatory practices in its hiring processes. For the first time, this year FBCL polled its staff through a self-identification process shedding light on who makes up the workforce at FBCL. The results, which appear below as part of the workplace demographics chart, highlight the diverse workforce at FBCL.

Workplace Demographics	FBCL (2023)
Location	
Employees in regions	87%
National Capital Region	12%
Employment Status	
Full- time	83%
Part- time	17%
Gender	
Employee Women	52%
Executive Women	20%
Leadership Women	37%
Language	
Bilingual	23%
BIPOC	
Indigenous Peoples	17%
Persons with Disabilities	5%
Members of visible Minorities	10%

FBCL promotes a healthy and respectful workplace that is intrinsically tied to diversity and inclusion. Instilling such a culture requires acceptance and participation by all employees at all levels. FBCL supports its employees in the achievement of related objectives through multiple methods. The “tone from the top” sets clear expectations that behaviour inconsistent with FBCL’s culture is not tolerated. This direction is reinforced by corporate policies concerning behaviour as well as policies on conduct in the workplace, such as harassment prevention. In addition, the company has provided employees opportunities and tools to promote internal dialogue on topics such as mental health and wellness. In line with this, FBCL is also making significant headway in enhancing its health and safety program in alignment with its culture.

In alignment with legislation, FBCL has published its Accessibility Plan, describing a timeline and initiatives to which FBCL endeavours to improve upon in areas such as physical property and electronic mediums. Working with partners to not only meet accessibility legislated requirements, but go beyond, ensures that FBCL can be a model for others. These steps are part of the strategic lens that FBCL looks through for decision-making in the future.

Innovation

In the world we live in today, if you are standing still, you may as well be moving backwards. To this end, the Corporation has looked to innovate both operationally and strategically. Coming to the end of the life of its toll collection system came at an opportune time for FBCL at its Blue Water Bridge, FBCL’s Blue Water Bridge counterpart, and its partner in Sault Ste. Marie. All three bridge operators required a new system, and took the opportunity to come up with a first of its kind bi-national partnership for the sourcing and commissioning of a brand new system. Over the course of only a year, the three operators installed a new system at all three locations, with interoperable frequent traveler discount programs. The power and ability of the common team members showed just what sort of efficiencies can be gained through a portfolio approach, such as FBCL uses across its family of bridge crossings.

At a longer term, strategic level, FBCL and the Ontario Vehicle Innovation Network (OVIN) secured a partnership agreement during the year whereby skills, infrastructure, and knowledge can be leveraged over the course of many years to come, in order to improve the traveling experience and efficiency of trade processed across our international border. In its infancy now, this is a partnership that is destined to provide tangible and intangible benefits for years to come. Combined with the launch of the Great Lakes Border Trade and Supply Chain Alliance, which will convene key stakeholders in cross-border trade, FBCL is excited for the years to come.

Risk Management

The enterprise risk management process at FBCL is comprised of four main components:

- the Corporate Risk Profile;
- the Corporate Risk Appetite Statement Framework;
- the Corporate Risk Registry; and,
- a three-year risk-based audit plan.

FBCL considers risk management to be a shared responsibility. Accordingly, members of the Board of Directors, its committees, the CEO, and all employees are accountable for managing risk within their area of responsibility. Risk management policies ensure a consistent, comprehensive and enterprise-wide risk management approach that is integrated into planning, decision-making and operational processes.

The Board is accountable, along with the CEO, for the overall stewardship of the Corporation. The Board sets the strategic direction and:

- Provides direction on risk management, including risk targets, appetite, tolerances and capacity;
- Provides corporate leadership on risk management and responsibility for strategic risks in the Corporate Risk Profile;
- Ensures that the key risks have been identified and that appropriate systems and resources to manage these risks have been put in place;
- Ensures that information systems and management practices meet corporate needs and give the Board confidence in the integrity of information produced; and,
- Communicates high residual risks to the Minister of Transport.

The Board of Directors has adopted the following risk profile and tolerance matrix that has been adapted from the commonly recognized Paisley Consulting Governance, Risk and Compliance assessment methodology.

5X5 Risk Matrix

Consequence						
	Severe	Moderate 5	Major 10	High 15	Severe 20	Severe 25
	High	Moderate 4	Moderate 8	Major 12	High 16	Severe 20
	Major	Low 3	Moderate 6	Moderate 9	Major 12	High 15
	Moderate	Low 2	Low 4	Moderate 6	Moderate 8	Major 10
	Low	Low 1	Low 2	Low 3	Moderate 4	Moderate 5
		Rare	Unlikely	Moderate	Likely	Almost Certain
Likelihood						

▼: Critical ▲: High ■: Medium ●: Low ↔ Stable ↑: Increasing Risk ↓: Decreasing Risk

	Risk Description		Mitigation Strategies
Financial Sustainability	Risk that financial instability may occur, due to a significant reduction in revenue generation, unexpected expenditures or mismanagement.	▲ ↔	• Active monitoring of expenditures to budget, prioritisation and review of spending; • Managing corporate financial sustainability in context of COVID-19 pandemic and SIBC ongoing viability; • Ongoing assessment of overall debt and possible options; • Full consideration of other revenue opportunities including business development; • FBCL continues to work with CBSA on developing options to deal with long-term CBSA facility cost increases.
Public and Asset Security	Risk that bridge security may be compromised due to intentional acts such as terrorism, protests, vandalism, and criminal activities. Furthermore, such a risk could lead to bridge closures, significant financial liabilities and loss of public confidence.	■ ↓	• Active media monitoring and reports of target audiences; • Keeping abreast of host communities' matters; • Ongoing monitoring of port running ; • Investigating prevention measures for mental health-related events at all four crossings; • FBCL's international bridges security plans in place; • Maintaining excellent communication protocols between FBCL, bridge operators, partners and local police forces; • Increased internal awareness and identification of learning opportunities; • MOUs with Transport Canada, as per *International Bridges and Tunnels Act* security measures.
Cybersecurity	Risk that technology security compromises may occur, due to human error, unintentional consequences, equipment failure, natural disasters and deliberate attacks.	■ ↑	• Continuous hardware and software updates as part of a life-cycle management program; • Monitor and ensure appropriate testing and release management are maintained; • Introduction of a clear change management program; • Accesses are audited and managed as per internal control policies.
Technology	Risk that technology systems may be inadequate, antiquated, poorly designed, and inferior may occur, due to lack of planning, insufficient investment, lack of IT skills and poor business decisions.	■ ↓	• Continuous hardware and software updates as part of a life-cycle management program; • New toll collection system has been deployed to support requirements; • Monitor and ensure appropriate testing and release management are maintained; • Introduction of a clear change management program; • Accesses are audited and managed as per internal control policies; • FBCL succession plans are in place.

	Risk Description		Mitigation Strategies
Organisational	Risk that organisational threats may occur, due to a transition in executive leadership, underlying management and labour performance difficulties.	■ ↔	• Managing corporate financial sustainability in context of COVID-19 pandemic and SIBC ongoing viability with partner GLS; • Key policies in place including financial delegation, banking, investments, procurement, code of values and ethics, risk management, etc.; • Effective staffing procedures in conjunction with succession planning processes will fill voids; • FBCL succession plans are in place.
Fraud	Risk that fraud and corruption are committed due to intentional act(s) by one or more individual employees that could lead to the loss of public funds or property.	■ ↔	• Security cameras in toll booths; • New conflict of interest procedures with additional attestation to the Board.
People Safety	Risk that compromised public safety instances may occur, due to accidents, incidents, natural disasters or workplace injuries.	■ ↔	• Controlling risks to personnel during COVID-19 pandemic and adapting to local public health advisories; • Emergency Action Plans in place (i.e. fire, medical and other first responders); • Employee Safety program, training and Committee are in place; • Continuous employee training and awareness sessions.
Workforce Management	Risk that workforce management issues may occur, due to labour disruption, insufficient human resources, a lack of skilled employees, the development of a toxic workplace environment and the lack of an appropriate compensation structure.	● ↑	• Innovative ways to recruit resources by tapping into local community groups and schools; • Yearly mandatory staff training for harassment and violence prevention; • FBCL has contingency plans to maintain the safe and secure operation of the bridge in the event of a labour disruption.
Partnerships / Stakeholders	Risk that actions by partners and stakeholders may occur, due to environmental factors and business decisions.	● ↔	• Active engagement strategy with key stakeholders and border partners.
Reputation	Risk that negative public perception of the Corporation may occur, due to the inability to foster positive and productive relationships with neighbouring communities, stakeholders and the public.	● ↔	• Execution of Community ConneXion charitable outreach activities to build positive local engagement; • Active media engagement strategy including regular bridge facilities tours; • Active stakeholder engagement with border partners.

	Risk Description		Mitigation Strategies
Infrastructure	Risk that compromised bridge safety (asset integrity) instances may occur, due to accidents, incidents, natural disasters or maintenance failures.	● ⟷	• Detailed maintenance and repair programs are developed for each location based on cyclical inspection reports to ensure appropriate planning, resource allocation and delivery; • Full compliance with bridge inspections requirements.
Environmental, Social, and Governance	Risk that FBCL does not manage matters related to environmental and social sustainability development, including risks related to climate change.	● ↑	• After approving the ESG Framework, the Board of Directors and Senior Management Team are drafting first steps in the overall ESG plans requirements for 2024.

Corporate Services

Corporate Services comprises all of the internal business-management functions of the Corporation. These services include IT support, information management, finance, security, human resources, legal services, communications, audit, corporate security, occupational health and safety, and corporate risk management. Each of these functions are essential facilitators to the continued success of our operations.

The Corporation continues to focus on its core mandate in support of all Canadians, which includes the continued investments in technology with an extensive focus on delivery of new digital tools and leveraging automation as much as it can. This year Human Resources introduced a new performance management tool assisting FBCL's People Leader population in identifying and streamlining goal setting for all employees. Further opportunities include easy access to training material, combined with tracking of such, particularly at the start of employment. This process helps the company strengthen its reach in continuing to be a fully compliant company with various Codes and Acts.

The corporation conducted two employee engagement and satisfaction surveys which provided insight into employee sentiment. The September 2022 and March 2023 surveys, provided favorable results with 91% and 88% engagement levels respectively. With all results firmly entrenched well above 80% across the board, the commitment by FBCL to improve the overall employee experience is bearing fruit.

Engagement Survey Results	2022-23	2021-22	2020-21	2019-20
Participation	90%	97%	66%	88%
Valued	88%	90%	81%	82%
Diversity/Inclusion	86%	86%	80%	86%
People Leader	88%	90%	83%	72%
Recognition	87%	78%	81%	66%
Job Satisfaction	84%	81%	NA	80%
Pride	92%	90%	90%	92%
Feeling Safe at Work	90%	76%	86%	72%
Engagement	88%	91%	90%	86%
Teamwork/Collaboration	84%	75%	85%	77%
Leadership	87%	79%	81%	74%

Performance assessment

	Major objectives	Strategies	Expected Results	Performance Measures	Status
Assets, Infrastructure and Operations	Maintain Quality of Assets/Stewardship Deliver Optimal Traffic Flow & Level of Service Further Integration of the Portfolio	Augment Asset Management Program Articulate service standards and indicators for operational performance Expand Customer Relationship and Amenities	Complete South Channel Bridge rocker arm replacement	Major projects completed on time and on budget	**Achieved**
			Complete Sault Ste. Marie International Bridge re-coating project	Major projects completed on time and on budget	**Achieved**
			New Toll Collection System at Blue Water Bridge, and Sault Ste. Marie, fully integrating with MDOT	Interoperability in tolling with Michigan crossings	**Achieved**
			Asset management program components to complete: • Assessments of underground utilities; • Digitisation of the asset inventory; and, • Measurement of key service levels conveyed	Asset management program solidifies post-pandemic 40 year capital plan.	**Progressing** • Digitisation of major assets complete; • Levels of Service Policy complete; • Action Plan continues to progress on schedule.
			Eliminate obsolete token program at Blue Water	Conversion of token program complete	**Achieved**
Adaptable Scalability	Prioritise Risk Management Optimise Business Operations Enhance Value Proposition	Prioritise major capital projects & proactive maintenance Expand environmental stewardship and resiliency Fortify partner and stakeholder relationships Broaden digital transformation	Advance critical works for funding support and align with bi-national partners	Priority repairs identified ≤ 5 elements at SSM, BWB, Seaway and TIB	**Achieved**
				Repairs completed with-in timeframe specified by inspections = 100%	**Achieved**
				Regular maintenance achievement rate: 2022-23 ≥ 50%	**Achieved**
			Develop Environmental, Social, Governance (ESG Framework)	ESG reporting framework established Establish a carbon footprint benchmark	**Progressing** • ESG Framework approved; • Identification of requirements related to TCFD reporting; • Action Plan continues to progress on schedule.

<table>
<tr><th></th><th>Major objective</th><th>Activities</th><th>Expected Results</th><th>Performance Measures</th><th>Status</th></tr>
<tr><td rowspan="3">Adaptable Scalability</td><td rowspan="3"></td><td rowspan="3"></td><td>Increase efficiency and results in development of workflows and tools</td><td>New Toll Collection System at Blue Water Bridge, and Sault Ste. Marie</td><td>Achieved</td></tr>
<tr><td rowspan="2">Enhance cybersecurity resilience</td><td>Cybersecurity:
• Zero external breaches
• Zero internal data privacy event</td><td>Achieved</td></tr>
<tr><td>Technology:
• Uptime > 99.4%
• Zero network intrusions or attacks
• Zero system power back up failures</td><td>Achieved</td></tr>
<tr><td rowspan="7">Financial Sustainability</td><td rowspan="7">Diversify Revenue and Grow

Control Robust Financial Operations

Solidify Capital and Debt Plans

SIBC Business Model Resolution</td><td rowspan="7">Expand commercial revenue

Broaden dynamic approach to tolling

Restore capital fund and reduce debt with targeted Crown support

Complete partnership renewal agreement in Cornwall

Finalise Settlement Agreement with Government of Canada and Mohawk Council of Akwesasne</td><td>Lease remaining available space</td><td>Lease vacancy < 6%</td><td>Achieved</td></tr>
<tr><td>Optimise toll rates</td><td>Tolls > $29M</td><td>Achieved</td></tr>
<tr><td rowspan="3">Maintain strong financial governance coming out of pandemic</td><td>Credit rating = A+</td><td>Achieved</td></tr>
<tr><td>Debt coverage > 5.8</td><td>Achieved</td></tr>
<tr><td>Operating self-sufficiency > 0.8</td><td>Achieved</td></tr>
<tr><td rowspan="2">Continue engagement with Transport Canada for:
• Long-term solution for governance of Seaway International Bridge; and
• Final steps for Settlement Agreement realisation</td><td>Revised agreement in effect for governance and funding at Seaway International Bridge</td><td>Progressing

Multi-year initiative with engaged partner</td></tr>
<tr><td>Settlement Agreement finalised at Seaway International Bridge</td><td>Progressing

Awaiting Mohawk Council of Akwesasne community referendum</td></tr>
</table>

	Major objective	Activities	Expected Results	Performance Measures	Status
Financial Sustainability			Review employee benefit program	Review and discuss options for employee benefit program	**Progressing** • Draft internal committee work completed; • Consultations on-going.
Nurture Excellence in People	Support Employee Development and Diversity Deepen Labour Goodwill and Corporate Citizenship Maintain Community Engagement Opportunities	Develop employee-focused user experience framework Maximise industry exchange of management practices Augment employee engagement and corporate strategic knowledge	Align development plans to succession plan	Establish succession plan	**Progressing** Multi-year initiative and is advancing on target
			Maintain stable rates of retention	Engagement ≥ 80%	Achieved
				Turnover rate (FTE) ≤ 15%	**Actual turnover in excess of target** Consistent with market trends in labour force, expected to stabilize in the foreseeable future
				Time-loss injury ratio ≤ 2.5	**Achieved**
			Leverage and automate HR system capabilities	Use of HR system in order to standardise hiring and onboarding practices	**Progressing** On-going automation of expanded capabilities
			Support opportunities for cross-portfolio skills and practices exchanges	Through implementation of new and consistent toll system across entities	**Achieved**
			Engage in Community ConneXion activities	Community ConneXion participation ≥ 100 hours	**Achieved**

	Major Obejective	Activities	Exoected Results	Performance Measures	Status
Nurture Excellence in People			Understand baseline employee diversity mix through employee self-identification	Diversity targets: • Designated groups ≥ 65% • Leadership positions occupied by women ≥ 40% • Bilingual employees ≥ 20% • Gender diversity variance ≤ 10% • Indigenous ≥ 10% • Visible minorities ≥ 8%	**Progressing** New employee self-identification process implemented confirming baseline data: • Designated groups 61% • Leadership positions occupied by women 38% • Bilingual employees 15% • Gender diversity variance 4% • Indigenous 13% • Visible minorities 12%

Management Discussion And Analysis

The Management Discussion and Analysis (MD&A) outlines FBCL's financial results and operational changes for the year ended March 31, 2023. This MD&A should be read in conjunction with FBCL's audited annual consolidated financial statements and accompanying notes for the year ended March 31, 2023. The consolidated financial statements and notes have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in thousands of Canadian dollars. All information is current as of June 22, 2023.

Forward-looking statements

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

Materiality

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

Financial Highlights 2022-23 at a glance

REVENUE 2022-23: $40,514 2021-22: $31,627 TOTAL INCREASE $8,887 (28%)	The COVID-19 restrictions have had a significant impact on primarily passenger volume since March 2020, which has a direct impact on tolls and services as well as the Duty Free leases included in leases and permits. In fiscal 2022-23, further restrictions were lifted in April 2022 with the remaining restrictions to enter into Canada being removed in October 2022. The only restriction remaining for entering the USA is the proof of COVID-19 vaccination, and this restriction was subsequently removed in May 2023. In fiscal 2021-22, the Government of Canada announced that starting August 2021, fully vaccinated Americans were permitted to enter into Canada, with specific conditions, and the U.S. Federal Government announced that starting in November 2021 fully vaccinated Canadians were permitted to enter into the United States. The Corporation's bridges experienced a direct correlation between changes in travel restrictions and passenger volumes. When compared to pre-pandemic volumes, this year's passenger volume is still 34% lower, whereas in 2021-22 volumes were 75% lower than pre-pandemic volumes. Commercial movement is less impacted by COVID-19 and overall this year have decreased by 4% when compared to the prior year. In the prior fiscal year, citizen protests affected other border crossings, resulting in significant traffic being redirected to the Blue Water Bridge.
GOVERNMENT FUNDING 2022-23: $5,009 2021-22: $9,130	In response to COVID-19, the Corporation was eligible for up to $5,303 in funding from from the Canadian Government and its proportionate share of US$1,500 from the US Government related to SIBC (2022: $18,497) to cover revenue shortfalls due to COVID-19 and for capital asset acquisitions. Capital acquisition funding used was $4,423 (2022: $400) and operational funding was $586 (2022: $8,730). Government funding for 2023-24 to 2024-25 fiscal years have also been approved for capital acquisitions as well as to cover the SIBC operating deficit.
EXPENSES 2022-23: $46,092 2021-22: $45,157 TOTAL INCREASE $935 (2%)	At the onset of COVID-19, the Corporation had to review all of its expenditures in order to only incur costs that were critical to the daily operations and postpone any costs that could be delayed to future years. Consequently, expenses for the prior year includes savings primarily in maintenance and operation costs at the various bridge locations. However, this year's strategy was to return to normalised operations and maintenance as passenger volumes have increased significantly, albeit still being below pre-pandemic volumes. The operations of FBCL's portfolio of bridges require 24/7 coverage and full and proper maintenance and upkeep of the structures. It was also determined that maintenance crews should also be normalised in order to engage in routine maintenance and catch up on maintenance projects to ensure FBCL's assets do not incur additional unattended wear and tear.

Analysis Of Financial Results

CONSOLIDATED STATEMENT OF OPERATIONS

The following section provides information on key variances within the Consolidated Statement of Comprehensive Income (Loss) for 2022-23 compared to 2021-22:

Consolidated Statement of Comprehensive Income ($000's)	**March 31 2023**	March 31 2022	Variance favourable (unfavourable)	
	$	$	$	%
Tolls and services and Thousand Islands International Bridge revenue	**35,472**	29,530	5,942	20.1%
Leases and permits	**3,570**	1,871	1,699	90.8%
Other (interest, gain on investments, other)	**1,472**	226	1,246	551.3%
Total revenue	**40,514**	31,627	8,887	28.1%
Operations	**9,234**	9,392	158	1.7%
Thousand Islands International Bridge expense	**6,962**	5,336	(1,626)	-30.5%
Maintenance	**14,163**	14,127	(36)	-0.3%
CBSA & CFIA operations	**8,018**	7,935	(83)	-1.0%
Administration	**7,715**	7,533	(182)	-2.4%
Additional funding of SIBC operations	**-**	834	834	100.0%
Total expenses	**46,092**	45,157	(935)	-2.1%
Operating loss before government funding and interest	**(5,578)**	**(13,530)**	**7,952**	-58.8%
Government funding	**4,205**	14,597	(10,392)	-71.2%
Interest expense	**(2,781)**	(2,998)	217	-7.2%
Net loss	**(4,154)**	(1,931)	(2,223)	-115.1%
Other comprehensive income Actuarial gain (loss)	**1,242**	924	318	34.4%
Investment revaluations gain	**(21)**	20	(41)	-205.0%
Total comprehensive loss	**(2,933)**	(987)	(1,946)	-197.2%

Revenues

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

TRAFFIC VOLUMES

During the year, overall truck volumes have decreased by 4% and passenger car volumes have increased by 159%. Truck volumes, by bridge, varied between a decrease of 10% to an increase of 5% while passenger cars, per bridge, varied between an increase of 76% to 402%.

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. Additionally, the Seaway International Bridge is required to maintain normal operating levels in support of the more than 80% of toll-exempt travelers that depend on the bridge (70% based on pre-pandemic volumes) in order to access necessary food and medical services suppliers.

Paid passenger volumes at these locations are up by 402% and 166%, respectively, when compared to the prior year but remain at 45% and 37% lower, respectively, when compared to pre-pandemic levels (2022: 89% and 76%). Commercial volumes at these locations are down by 10% at Sault Ste. Marie and up by 5% at the Seaway International Bridge.

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. Compared to the prior year, passenger volumes are up by 76% and commercial volumes have remained consistent when compared to the prior year. When compared to pre-pandemic volumes, passenger volumes are still down 22%, which is more favourable than the 56% experienced in the prior year.

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 have returned to within seasonal and annually expected values. Passenger volumes are up by 244% and commercial volumes are only down by 2% when compared to the prior year. When compared to pre-pandemic volumes, passenger volumes are still down 40%, which is more favourable than the 82% experienced in the prior year.

CANADIAN VS. U.S. DOLLAR EXCHANGE RATE

Throughout the year, the exchange rate fluctuated as much as C$0.14 to US$1.00 (2022 – C$0.09 to US$1.00). The exchange rate fluctuated between a low of C$1.25 to US$1.00 to a high of C$1.39 to US$1.00 with an average rate for the year of C$1.32 to US$1.00 (2022 - the exchange rate fluctuated between a low of C$1.20 to US$1.00 and a high of C$1.29 to US$1.00 with an average rate for the year of C$1.25 to US$1.00). The Corporation reviews the currency parity of the toll rates at its bridge locations to ensure that the rates are fair in both currencies and may adjust the rates during the year in order to minimise any foreign currency loss on toll revenues.

CHANGES IN TOLL RATES

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

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

Other income and investment revaluations: Interest and gains from sale of investments are $407 higher this year when compared to the prior year primarily due to investments purchased in the fourth quarter of 2021-22. Included in other income, also, is $366 recognised in revenue due to the termination of the token program and $163 for the issuance of new Connexion tags. In fiscal 2021-22, it was determined that with the implementation of the new tolling system in September 2022, the former token program would be abolished and be replaced by the Connexion program. Consequently, any remaining tokens not returned by December 2022 would no longer be accepted.

The new Connexion program allows for quicker processing time and, similar to the token program, provides customers with a discount whereas no discounts are provided to customers paying by cash, debit or credit. The Thousand Islands, Blue Water and Sault Ste. Marie bridges also saw slight increases in other income. In fiscal 2021-22 there was a negligible amount of foreign exchange gain included in other income, however in 2022-23, a foreign exchange loss of $316 has been allocated to various expenses line, as described below.

Actuarial gain: The actuarial gain or loss is primarily dependent on fluctuations in the market discount rate. A higher rate results in a lower employee benefit obligation while a lower rate results in a higher obligation. By the end of March 2023, the Bank of Canada had increased rates resulting in an actuarial gain. The rate as at March 31, 2022, versus March 31, 2021, was also higher resulting in an actuarial gain.

Expenses

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

Operations: Operations expense relates to the collection of toll revenue, security and traffic management. Amortisation has decreased by $488 primarily due to the old toll collection system fully amortised by September 2022 offset by the new toll collection system amortisation. The decision to replace the toll collection system was made in fiscal 2021-22 and consequently the remaining useful life had been updated. The decrease in amortisation is offset by increases in bank charges, insurance and one-time supplies for the new toll collection system. Foreign exchange loss attributed to Operations is $75.

Thousand Islands International Bridge expense: The expenses represent the Corporation's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands. At the onset of COVID-19, the Thousand Islands bridge had made significant cuts to its operating and maintenance costs in order to compensate for the reduction in toll revenues. Consequently, expenses in the prior year were much lower than pre-pandemic costs. However, this year's strategy was to return to normalised costs for operations as passenger volumes have increased significantly, albeit still being below pre-pandemic volumes. The bridge requires 24/7 coverage and full and proper maintenance and upkeep of the structures. It was also determined that maintenance crews should also be normalised in order to engage in routine maintenance and catch up on maintenance projects to ensure assets do not incur additional unattended wear and tear.

Maintenance: Maintenance expenses relate to the maintenance, upkeep and repairs of the Corporation's assets. Maintenance costs at the Sault Ste. Marie and Seaway International bridges have increased by $419. Similar to the Thousand Islands bridge location, many of the maintenance projects had been decreased since the onset of the pandemic thus resulting in lower maintenance costs in fiscal 2021-22. However, this fiscal year, it was determined that staffing would be increased in order to engage in routine maintenance and catch up on maintenance projects to ensure assets do not incur additional unattended wear and tear. This increase is offset by savings at the Blue Water bridge location primarily related to salaries and less portfolio-wide consultant work this year. In 2021-22 fiscal year, consultant work included building condition assessments, which is an integral part of the Corporation advancing its Asset Management program. Foreign exchange loss attributed to Maintenance is $114.

CBSA & CFIA: The Corporation is required to provide facilities and certain maintenance of these facilities at some of its crossings to the CBSA and the CFIA, for which there is no related revenue. Costs are consistent with the prior year. Foreign exchange loss attributed to CBSA & CFIA is $65.

Administration: Administration expenses relate to the management and oversight of the operations of the individual crossings and the Corporation. The Seaway International Bridge has a slight increase in various areas resulting in $81 of additional expenses. Foreign exchange loss attributed to administration is $62.

Additional funding of SIBC operations: In 2021-22, Government funding from the Government of Canada had been obtained to sustain SIBC's operations. Historically, the Corporation recognises 50% of revenues and expenses of SIBC in accordance with the international agreement. However, due to COVID-19, the remaining 50% of the deficit was funded by the Canadian government in the 2022 fiscal year and therefore the remaining deficit was included as an expense. In 2022-23, the Government of the United States of America funded the deficit. Consequently, there is no recognition of the additional funding of SIBC operations this year. However, the Corporation continues to recognise 50% of revenues and expenses of SIBC in accordance with the international agreement.

Interest: As the Corporation makes regular payments on its bonds payable, the interest expense decreases. In February 2022, FBCL withdrew a $10,000 bank loan and consequently interest expense on loans payable is higher this year.

Government funding

As part of the *Appropriation Act No.3, 2022-23*, FBCL was authorised to receive up to $5,303 in Government funding to support the continued safe operation and certain capital acquisitions across the portfolio of bridges. This Government funding is required given the reduction of the Corporation's revenues as a result of the significant reduction in traffic (and associated toll collection) following the prolonged cross-border travel restrictions related to COVID-19. The US federal government, through its 2022 Consolidated Appropriation Bill, has provided access to funding for GLS, of which US$1,500 is allocated to SIBC during the 2022-23 fiscal year to address the operating shortfalls brought on as a result of COVID-19. Of the $5,303 in Canadian government funding, $4,423 has been requested. Of the US$1,500 available to SIBC, through GLS, CDN$586 has been requested and recognised in the Consolidated Statement of Comprehensive Income representing 50% of the shortfall.

As part of *the Appropriation Act No. 1, 2021–22* and *Appropriation Act No. 2, 2021-22*, FBCL was authorised to receive up to $11,407 in Government funding to support the continued safe operation in 2021-22 of the bridge crossings, as well as $7,090 for capital projects. This Government funding was required given the reduction of the Corporation's revenues as a result of the significant drop in traffic (and associated toll collections) following the prolonged cross-border travel restrictions related to COVID-19. A total of $9,150 was requested and recognized in the 2021-22 fiscal year. The following is a summary of actual revenues and expenses as compared to the Corporate Plan (2022-23 to 2026-27) Amendment:

Consolidated Statement of Income ($000's)	Budget 2023	**March 31 2023**	Variance favourable (unfavourable)	
	$	**$**	$	%
Revenues and Government Funding				
Tolls and Thousand Islands International Bridge tolls	29,801	**35,472**	5,671	19.0%
Other revenue	2,246	**5,042**	2,796	124.5%
Government funding	4,568	**4,205**	(363)	-7.9%
Total Revenues and Government Funding	36,615	**44,719**	8,104	22.1%
Operating and Interest Expenses				
Operations	5,937	**5,548**	389	6.6%
Thousand Islands International Bridge expense	5,037	**5,303**	(266)	-5.3%
Maintenance	6,715	**5,891**	824	12.3%
CBSA & CFIA operations	4,245	**3,892**	353	8.3%
Administration	7,293	**6,886**	407	5.6%
Additional funding of SIBC operations	-	-	-	-
Depreciation	20,008	**18,572**	1,436	7.2%
Interest	2,784	**2,781**	3	0.1%
Total Operating and Interest expenses	52,019	**48,873**	3,146	6.0%
Net Loss	(15,404)	**(4,154)**	11,250	73.0%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following is a summary of the Consolidated Statement of Financial Position comparing the current year to the prior year and to the Corporate Plan (2022-23 to 2026-27):

Consolidated Statement of Financial Position ($000's)	Budget 2023	**March 31 2023**	March 31 2022	Variance (actual vs prior year)	
	$	**$**	$	$	%
Assets					
Financial assets	6,499	**16,138**	16,630	(492)	-3.0%
Capital assets	354,232	**352,074**	365,356	(13,282)	-3.6%
Other assets	1,383	**1,740**	1,451	289	19.9%
Total Assets	362,114	**369,952**	383,437	(13,485)	-3.5%
Current assets	7,719	**17,708**	17,899	(191)	-1.1%
Non-current assets	354,395	**352,244**	365,538	(13,294)	-3.6%
Liabilities					
Deferred government funding	98,855	**98,227**	97,423	804	0.8%
Deferred revenue	3,454	**3,119**	3,556	(437)	-12.3%
Long-term employee benefits	8,811	**7,426**	8,087	(661)	-8.2%
Long-term debt	44,578	**44,523**	51,494	(6,971)	-13.5%
Other liabilities	4,254	**2,994**	6,281	(3,287)	-52.3%
Total Liabilities	159,952	**156,289**	166,841	(10,552)	-6.3%
Current liabilities	17,872	**16,379**	19,157	(2,778)	-14.5%
Non-current liabilities	142,080	**139,910**	147,684	(7,774)	-5.3%
Total Equity	202,162	**213,663**	216,596	(2,933)	-1.4%

Cash flow and liquidity

At the onset of the COVID-19 pandemic in March 2020, the Corporation had a strong cash and investment balance of $27,229, which allowed the Corporation to continue its operations. However, by the start of fiscal 2021-22, this reserve had been significantly depleted. In fiscal year 2021-22, the Corporation received approval for government funding in order to assist with the continued decrease in toll revenues and the depleted cash reserve. In February 2022, the Corporation entered into a loan agreement of $10,000. This loan was used primarily to cover the cost of the bonds payments in 2022-23. With border restrictions to enter Canada decreasing on April 1, 2022, and October 1, 2022, toll revenues started to rebound towards pre-pandemic levels. The Corporation's bridges experienced a direct correlation between changes in travel restrictions and passenger volumes. When compared to pre-pandemic volumes, this year's passenger volume is still 34% lower whereas in 2021-22, volumes were 75% lower than pre-pandemic volumes. The Corporation is hopeful that with continued budgetary costs monitoring and its' current cash reserve that it will be able to operate all four bridges going forward. In addition, government funding has been obtained for 2023-24 and 2024-25 to purchase capital assets as well as help with the operations of SIBC.

Financial Risk

The Corporation's financial risks are assessed regularly by S&P Global Ratings. In July of 2022, S&P Global Ratings affirmed its long-term issuer credit and senior unsecured debt ratings on the Corporation as 'A+' based on its assessment of the Corporation. In addition, 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 EBITA".

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. It remains focused on maintaining a strong debt service coverage ration in parallel. With the impact of COVID-19, FBCL continues to closely monitor its cash and investments to determine the most prudent path forward.

Capital Investments

At the onset of COVID-19, decisions related to the timing of capital investments were re-evaluated and adjusted in order to push back as many projects as possible. However, this fiscal year represents the first year since the start of the pandemic that the Corporation has been able to bring back the strategy of investing into new capital projects again. 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 projects are as follows:

BLUE WATER BRIDGE	SEAWAY INTERNATIONAL BRIDGE	SAULT STE. MARIE BRIDGE	THOUSAND ISLANDS BRIDGE
Significant project completed during the fiscal year includes: • The replacement of the toll collection system. Significant Blue Water bridge paving, repairs, and painting are scheduled for fiscal 2023-24 and 2024-25.	Significant project completed during the fiscal year includes: • The full replacement of seven rocker arms on the South Channel bridge	Significant projects completed during the fiscal year include: • The replacement of the toll collection system; and • The repainting of the bridge curb and pedestrian railing leading up to the Canadian arches	There were no significant projects during the fiscal year. Significant bridge repairs are scheduled for fiscal 2023-24 and 2024-25.

REPORT ON ANNUAL EXPENDITURES FOR TRAVEL, HOSPITALITY, AND CONFERENCES FOR 2022-23

Effective July 2015, Crown corporations have been instructed per section 89 of the *FAA* to align their travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations. The Corporation has complied and continues to comply with this directive. As per the Treasury Board requirements, this report provides information on the total annual expenditures for each of travel, hospitality, and conferences for the Corporation for the fiscal year ending March 31, 2023.

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

Annual expenditures for Travel, Hospitality, and Conferences of the Corporation:

Year ending March 31 ($000's)	**2023**	2022
	$	$
Travel	**120**	34
Hospitality	**5**	2
Conferences	**-**	-
Events		
Total	**125**	36

Travel costs are significantly lower than pre-pandemic years due to limited travelling due to COVID-19 restrictions. However, more travelling has recommenced in fiscal 2022-23. FBCL continues to be prudent in its travel by implementing a combination of in person and virtual meetings both at the Governance level as well as the operational level.

COMPLIANCE WITH DIRECTIVE ON PENSION PLANS

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

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

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

FBCL has complied and continues to comply with this directive.

OUTLOOK

The Corporation is an immensely capable organisation. It has a proven and long-standing record of organisational efficiency and excellence. It focuses first on the management of its indispensable international bridge assets and critical bi-national operational relationships. It also continuously supports initiatives to improve its customer service, manage traffic flow and to position itself for the future. Similar to all entities, the Corporation has been grappling with the challenge of the COVID-19 pandemic and has had to adapt all aspects of its business to maintain operational capacity. The team has proved to be adeptly resilient through multiple changes. The objectives of the upcoming planning period aims to solidify best practices and recover to pre-pandemic conditions.

Operating Outlook

OPERATING BUDGET								
For the year ending March 31 (in thousands of dollars) (presented on a cash basis)				**Budget**				
	Actual 2021-22	**Forecast 2022-23**	**Budget 2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**
FUNDING								
Tolls	25,048	28,650	25,863	31,563	33,519	33,041	35,094	35,219
Leases and permits	1,871	2,965	2,082	3,662	3,761	3,774	3,798	3,824
Thousand Islands International Bridge revenues	4,482	6,122	3,938	6,860	6,721	6,900	6,900	7,300
Interest	42	101	99	109	109	109	110	110
Other	184	134	65	283	226	227	228	229
Federal government appropriations	10,845	880	880	1,427	1,019	-	-	-
TOTAL FUNDING	42,472	38,852	32,927	43,904	45,355	44,051	46,130	46,682
EXPENSES								
Operations	5,331	5,546	5,937	6,922	7,224	7,392	7,605	7,825
Thousand Islands International Bridge expenses	3,604	5,037	5,037	6,021	5,847	5,789	5,932	6,081
Maintenance	5,710	6,302	6,715	7,626	7,901	8,006	8,731	8,661
CBSA & CFIA operations	3,743	4,023	4,245	4,599	4,932	4,979	5,100	5,221
Administration	6,617	6,784	7,293	7,807	8,068	8,293	8,528	8,819
Additional funding of SIBC operations	834	-	-	713	510	-	-	-
TOTAL EXPENSES	25,839	27,692	29,227	33,688	34,483	34,459	35,896	36,607
EXCESS OF FUNDING OVER EXPENDITURES	16,633	11,160	3,700	10,216	10,872	9,592	10,234	10,075

Capital Budget Outlook

CAPITAL BUDGET								
for the year ending March 31				Budget				
(in thousands of dollars) (presented on a cash basis)	Actual 2021-22	Forecast 2022-23	Budget 2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
FBCL AVAILABLE FUNDING								
Internal funds available	7,853	2,858	2,958	3,520	3,527	4,124	3,130	2,387
TOTAL FBCL FUNDING	7,853	2,858	2,958	3,520	3,527	4,124	3,130	2,387
EXPENDITURES **FBCL funded:**								
Blue Water bridge paving, repairs, painting	-	-	-	500	500	300	300	100
Blue Water Equipment and Electronic Systems	5,739	1,380	1,380	821	815	895	805	295
Blue Water Plaza design improvements and rehabilitation	314	70	70	297	957	850	871	470
Cornwall bridge repairs	804	-	-	-	-	898	266	75
Sault Ste Marie Electronic Systems	849	793	793	-	-	-	-	-
Lansdowne Toll Upgrade & Electronic Systems	73	-	-	-	-	-	-	-
Lansdowne Canadian Bridge and Plaza repairs	38	50	50	-	300	350	-	700
Property acquisitions	-	50	150	750	100	100	125	150
Other capital projects	36	515	515	1,152	855	731	763	597
TOTAL FBCL EXPENDITURES	7,853	2,858	2,958	3,520	3,527	4,124	3,130	2,387
Funded with appropriations:								
Blue Water bridge paving, repairs, painting	-	-	-	4,793	7,156	-	-	-
Blue Water Equipment and Electronic Systems	400	872	872	-	1,976	-	-	-
Cornwall bridge repairs	-	409	409	331	532	-	-	-
Sault Ste. Marie maintenance projects	-	3,100	3,100	-	-	-	-	-
Lansdowne Canadian Bridge repairs	-	-	-	756	7,118	-	-	-
Other capital projects	-	42	42	74	122	-	-	-
TOTAL EXPENDITURES	400	4,423	4,423	5,954	16,904	-	-	-
TOTAL CAPITAL EXPENDITURES	8,253	7,281	7,381	9,474	20,431	4,124	3,130	2,387
SHORTFALL OF FUNDING OVER EXPENDITURES	(400)	(4,423)	(4,423)	(5,954)	(16,904)	-	-	-
Appropriations:								
Approved capital appropriations funded	400	4,423	4,423	5,954	16,904	-	-	-
Total Appropropriations	400	4,423	4,423	5,954	16,904	-	-	-
EXCESS OF FUNDING OVER EXPENDITURES	-		-	-	-	-	-	-

FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

Consolidated Financial Statements

As at March 31, 2023

The Federal Bridge Corporation Limited
March 31, 2023

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Management's Responsibility for Financial Statements

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

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

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

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

Natalie Kinloch

Natalie Kinloch
Chief Executive Officer

Richard Iglinski
Chief Financial Officer

June 22, 2023

Office of the Auditor General of Canada | Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Federal Bridge Corporation Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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

Catherine Lapalme

Catherine Lapalme, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
22 June 2023

Consolidated Statement of Financial Position

(in thousands of Canadian dollars)

As at	Notes	March 31 2023	March 31 2022
			$
Assets			
Current Assets			
Cash and cash equivalents	**7**	**7,508**	8,802
Investments	**8**	**6,515**	6,247
Trade and other receivables	**9**	**2,115**	1,581
Prepaids		**1,570**	1,269
Total Current Assets		**17,708**	17,899
Non-Current Assets			
Property and equipment	**10**	**334,764**	347,258
Investment properties	**11**	**17,273**	18,038
Intangible assets	**12**	**37**	60
Lessor inducement		**170**	182
Total Non-Current Assets		**352,244**	365,538
Total Assets		**369,952**	**383,437**
Liabilities			
Current Liabilities			
Trade and other payables		**1,703**	4,702
Employee benefits		**1,128**	1,199
Holdbacks	**13**	**163**	380
Deferred revenue	**14**	**2,207**	2,493
Loans payable	**15**	**400**	400
Bonds payable	**16**	**6,737**	6,312
Lease liability	**17**	**218**	221
Deferred government funding	**18**	**3,823**	3,450
Total Current Liabilities		**16,379**	19,157
Non-Current Liabilities			
Deferred revenue	**14**	**912**	1,063
Loans payable	**15**	**9,167**	9,567
Bonds payable	**16**	**27,357**	34,094
Lease liability	**17**	**644**	900
Deferred government funding	**18**	**94,404**	93,973
Employee benefits	**19**	**7,426**	8,087
Total Non-Current Liabilities		**139,910**	147,684
Equity			
Share capital - 2 shares @ no par value	**20**	**-**	-
Retained earnings		**213,672**	216,584
Accumulated other comprehensive income (loss)		**(9)**	12
Total Equity		**213,663**	216,596
Total Equity and Liabilities		**369,952**	**383,437**
Contingent liabilities	**24**		
Commitments	**25**		

Approved by the Board of Directors

P. Daigneault
Director

Director

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

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

	Notes	2023 $	2022 $
Revenue			
Tolls and services		**29,147**	25,048
Leases and permits		**3,570**	1,871
Thousand Islands International Bridge revenue		**6,325**	4,482
Interest		**399**	42
Gain (loss) on sale of investments		**6**	(44)
Other		**1,067**	228
Total Revenue		**40,514**	31,627
Expenses			
Operations		**9,234**	9,392
Thousand Islands International Bridge expenses		**6,962**	5,336
Maintenance		**14,163**	14,127
Canada Border Security Agency & Canadian Food Inspection Agency operations		**8,018**	7,935
Administration		**7,715**	7,533
Additional funding of SIBC operations	5	**-**	834
Total Expenses	21	**46,092**	45,157
Operating Loss Before Government Funding		**(5,578)**	(13,530)
Government Funding			
Amortisation of deferred capital funding	18	**3,619**	3,752
Funding with respect to operating expenses	18	**586**	10,845
Total Government Funding		**4,205**	14,597
Non-Operating Items			
Interest expense		**(2,781)**	(2,998)
Total Non-Operating Loss		**(2,781)**	(2,998)
Net loss		**(4,154)**	(1,931)
Other Comprehensive Income (Loss)			
Items that will not be reclassified subsequently to net income			
Actuarial gain	19	**1,242**	924
Items to be reclassified to net income when specific conditions are met			
Revaluation loss on fair value through other comprehensive income investments		**(15)**	(24)
Cumulative (gain) loss reclassified to income on sale of fair value through other comprehensive income investments		**(6)**	44
Total Other Comprehensive Income		**1,221**	944
Total Comprehensive Loss for the Year		**(2,933)**	(987)

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

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

	Notes	Retained Earnings $	Accumulated Other Comprehensive Income (Loss) $	Total $
Balance as at April 1, 2021		217,591	(8)	217,583
Total Comprehensive Income (Loss):				
Net loss		(1,931)	-	(1,931)
Other Comprehensive Income (Loss):				
Actuarial gain	**19**	924	-	924
Revaluation loss on fair value through other comprehensive income investments		-	(24)	(24)
Cumulative loss reclassified to income on sale of fair value through other comprehensive income investments		-	44	44
Total Other Comprehensive Income		924	20	944
Total Comprehensive Loss		(1,007)	20	(987)
Balance at March 31, 2022		216,584	12	216,596
Total Comprehensive Income (Loss):				
Net loss		(4,154)	-	(4,154)
Other Comprehensive Income (Loss):				
Actuarial gain	**19**	1,242	-	1,242
Revaluation loss on fair value through other comprehensive income investments		-	(15)	(15)
Cumulative gain reclassified to income on sale of fair value through other comprehensive income investments		-	(6)	(6)
Total Other Comprehensive Income		1,242	(21)	1,221
Total Comprehensive Loss		(2,912)	(21)	(2,933)
Balance at March 31, 2023		**213,672**	**(9)**	**213,663**

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

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

	Notes	**2023**	2022
	$	**$**	$
Cash Flows from Operating Activities			
Net loss		**(4,154)**	(1,931)
Adjustments for:			
Amortisation of deferred capital funding	**18**	**(3,619)**	(3,752)
Depreciation of property and equipment	**10**	**17,780**	18,578
Depreciation of investment properties	**11**	**769**	717
Depreciation of intangible assets	**12**	**23**	23
Loss on disposal of assets		**-**	1
(Gain) Loss on sale of investments		**(6)**	44
Change in employee benefits		**510**	699
Foreign exchange gain		**(2)**	(23)
		11,301	14,356
Changes in Working Capital:			
Trade and other receivables		**(534)**	(86)
Lessor inducement		**12**	11
Prepaids		**(301)**	1,565
Trade and other payables		**(2,455)**	2,260
Government funding received relating to prepaid expenses	**18**	**-**	(2,095)
Deferred revenue	**14**	**(437)**	(120)
		(3,715)	1,535
Net Cash Generated by Operating Activities		**7,586**	15,891
Cash Flows from Investing Activities			
Payments for property and equipment		**(6,047)**	(7,810)
Payments for investment properties		**(4)**	-
Payments for intangible assets		**-**	(22)
Government funding related to acquisitions of property and equipment received		**4,423**	400
Proceeds on sale of investments		**5,070**	69
Purchase of investments		**(5,353)**	(6,092)
Net Cash Used by Investing Activities		**(1,911)**	(13,455)

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

	Notes	**2023**	2022
Cash Flows from Financing Activities			
Proceeds from loans payable		**-**	10,000
Repayment of loans payable		**(400)**	(2,575)
Repayment of bonds payable		**(6,312)**	(5,915)
Repayment of lease liability		**(259)**	(187)
Net Cash (Used by) Generated by Financing activities		**(6,971)**	1,323
Foreign exchange gain on cash and cash equivalents held in foreign currency		**2**	23
Net (decrease) increase in cash and cash equivalents		**(1,294)**	3,782
Cash and cash equivalents at the beginning of the year		**8,802**	5,020
Cash and Cash Equivalents at the End of the Year	**7**	**7,508**	**8,802**

Supplemental disclosure on cash flow information		
Interest received included in operating activities	**354**	115
Interest paid included in operating activities	**3,035**	2,837

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

1. Authority and Activities

The Federal Bridge Corporation Limited (the “Corporation”) is a *Canada Business Corporations Act* (CBCA) corporation listed in Schedule III Part 1 of the *Financial Administration Act* (FAA). It is an agent of the Crown, 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 realised to date.

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

The Corporation’s wholly-owned subsidiary, SIBC, operates the Seaway International Bridge crossing in Cornwall as a joint operation (as described in note 5) per agreement between the Corporation as Canadian owner and The Great Lakes St. Lawrence Seaway Development Corporation (GLS) as U.S. owner. As a Crown corporation, SIBC is also subject to the same authorities as the Corporation. The Corporation is also a party to two other agreements for the operation of the international bridges. In regards to the Sault Ste. Marie International Bridge, this agreement is with the U.S. owner, the Michigan Department of Transportation (MDOT). The bridge oversight is through a joint international entity, Sault Ste. Marie Bridge Administration (SSMBA), and its operation is done by the International Bridge Authority (IBA), an entity of MDOT. The agreement applicable to the operations of the Thousand Islands International Bridge is also with the U.S. owner, the Thousand Islands Bridge Authority (TIBA), an entity of Jefferson County, State of New York. At the Blue Water Bridge crossing between Point Edward, Ontario, and Port Huron, Michigan, the Corporation owns and operates the Canadian portion of the crossing. The U.S. side of the crossing is owned and operated by MDOT.

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

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

(a) to ensure that the pension plans will provide

- i. a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017, and;
- ii. for any employee hired on or after January 1, 2015, that the normal age of retirement is raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan; and,

(b) to outline its implementation strategies with respect to the commitments set out in paragraph (a) in its next corporate plan and subsequent corporate plans until the commitments are fully implemented.

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

1. Authority and Activities (continued)

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

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

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

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

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

The consolidated financial statements were approved and authorised to issue by the Board of Directors on June 22, 2023.

2. Basis of Presentation and Significant Accounting Policies

STATEMENT OF COMPLIANCE

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

FUNCTIONAL AND PRESENTATION CURRENCY

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

BASIS OF PREPARATION

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

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

In addition, for financial reporting purposes, fair value measurements are 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.

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

The significant accounting policies are set out below.

INTERESTS IN JOINT OPERATIONS

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

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

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

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

ACCOUNTING FOR THE THOUSAND ISLANDS INTERNATIONAL BRIDGE

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

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

GOVERNMENT FUNDING

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

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

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

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

REVENUE RECOGNITION

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

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

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

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

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

FUNCTIONAL PRESENTATION OF EXPENSES

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

- Maintenance: expenses related to the maintenance, upkeep, and repair of the Corporation's assets;
- Operations: expenses related to the collection of toll revenue, security, and traffic management;
- Thousand Islands International Bridge: represents the Corporation's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands (see note 3 and note 6);
- CBSA & CFIA operations: The Corporation is required to provide facilities and certain maintenance of these facilities at some of its crossings to the CBSA and the CFIA, for which there is no related revenue; and,
- Administration: the expenses related to the management and oversight of the operations of the Corporation.

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

FOREIGN CURRENCIES

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes highly liquid investments with maturities of three months or less from the date of acquisition.

PROPERTY AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

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

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

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

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

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

Assets in the course of construction are carried at cost. Cost includes design, engineering and professional fees, material inputs and capitalised salaries. Such assets are classified to the appropriate categories of property and equipment, investment properties or intangible assets when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use. Appropriateness of depreciation methods and estimates of useful lives and residual values are assessed on an annual basis. In order to establish useful lives for these assets, management uses its judgement to determine the componentisation of property and equipment, investment properties and intangible assets. A component is accounted for separately if it is significant in comparison to the value of the entire asset and if its useful life differs from the other components.

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

IMPAIRMENT

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

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

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

CONTINGENCIES AND PROVISIONS

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

LEASES – AS A LESSEE

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

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

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

EMPLOYEE BENEFITS

Retirement and Other Post-Employment Benefits

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

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

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

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

Defined benefit costs are categorised as follows:

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

The Corporation presents the first two components of defined benefit costs within the function in which it is incurred. The employee benefits recognised in the Consolidated Statement of Financial Position represent the actual deficit in the Corporation's defined benefit plan.

Short-Term and Other Long-Term Employee Benefits

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

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

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

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

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

FINANCIAL INSTRUMENTS

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

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

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

i. Classification of Financial Instruments

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

Asset/Liability	Classification	Subsequent Measurement
Investments	Fair value through other comprehensive income	Fair value through other comprehensive income
	Amortised cost	Amortised cost
Trade and other receivables	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost
Holdbacks	Amortised cost	Amortised cost
Loans payable	Amortised cost	Amortised cost
Bonds payable	Amortised cost	Amortised cost

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

ii. Effective Interest Method

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

iii. Financial Assets

Financial assets at fair value through other comprehensive income.

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

Financial assets at amortised cost

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

Impairment of Financial Assets

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

Derecognition of Financial Assets

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the asset expire. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in net income. When a financial asset at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from accumulated other comprehensive income to net income and recognised as a gain or loss.

(iv) Financial Liabilities

All financial liabilities are measured at amortised cost. The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in net income.

3. Key Sources of Estimation Uncertainty and Critical Judgements

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

USE OF ESTIMATES AND JUDGEMENTS

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

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

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

PROPERTY AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

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

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

LONG-LIVED ASSETS VALUATION

The Corporation performs impairment testing on its long-lived assets, when circumstances indicate that there may be impairment. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in determining the grouping of assets to identify their CGU for the purpose of impairment testing.
The Corporation assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The recoverable amount is defined as the higher of: i) value in use, or ii) fair value less cost to sell. The determination of the recoverable amount involves management judgement and estimation.

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

EMPLOYEE BENEFIT PLANS

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

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

LEASES – AS A LESSEE

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

LEASES – AS A LESSOR

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

JOINT ARRANGEMENTS

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

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

THOUSAND ISLANDS INTERNATIONAL BRIDGE

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

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

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

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

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

CONTINGENCIES AND PROVISIONS

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

4. Future Changes in Accounting Policies

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

IAS 1 – criterion for classifying a liability as non-current

IAS 1, Presentation of Financial Statements, has been revised to incorporate amendments to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The effective date for this amendment is for annual periods beginning on or after January 1, 2023, with earlier adoption permitted.

IAS 1 – concept of material accounting policies rather than significant accounting policies

IAS 1, Presentation of Financial Statements, has been revised to incorporate amendments to require entities to disclose their material accounting policies rather than their significant accounting policies. The effective date for this amendment is for annual periods beginning on or after January 1, 2023, with earlier adoption permitted.

IAS 8 – clarification between accounting policies and accounting estimates

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, has been revised to introduce a definition of accounting estimates and provide other clarifications to help entities distinguish changes in accounting policies from changes in accounting estimates. The effective date for this amendment is for annual periods beginning on or after January 1, 2023, with earlier adoption permitted.

5. Joint Operations

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

During the current year, the SIBC operating deficit was fully funded by the Government of the United States. This funding was provided to fund the entirety of the SIBC crossing, both the Corporation's share of net expenses, and the partner's (GLS) share. Included in the Consolidated Statement of Comprehensive Income is the 50% FBCL share of the joint arrangement as well as $586 in Government funding, which represents 50% of the American partner's contribution toward the SIBC revenue shortfalls. At March 31, 2023, $68 of Government funding is included in trade and other receivables.

In the prior year, the Corporation claimed parliamentary appropriations from the Government of Canada to fully fund SIBC revenue shortfalls (see Note 18). This funding was provided to fund the entirety of the SIBC crossing, both the Corporation's share of net expenses, and the partner's (GLS) share. Included in the Consolidated Statement of Comprehensive Income is the 50% FBCL share of the joint arrangement as well as $834 in expenses to cover the SIBC remaining deficit in accordance with the funding arrangement.

The Corporation's share of SIBC's cash and cash equivalents is adjusted to account for the difference in the equity distribution between the Corporation and the U.S partner, GLS, in the amount of $595 (2022 - $1,066). The amounts owed to the U.S. partner of SIBC bear interest at a rate which varies between 0% and 3.87% (2022 – 0% and 0.11%) and is payable on demand.

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

6. Thousand Islands Bridge Authority

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

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

6. Thousand Islands Bridge Authority (continued)

As at March 31, 2023, $6,695 of revenues (2022 – $4,813) are yet to be collected by the Corporation from TIBA and $6,324 (2022 – $4,773) is owed by the Corporation to TIBA to cover operating costs. The net of the revenues less expenses, property and equipment acquisitions of $8 (2022 - $36), prepaid expenses of $38 (2022 - $16), and cash payments made of $nil (2022 - $1,125), for the twelve months ending February 28 (2022 – 12 months) as well as March 31, 2023, is $325 and is included in trade and other receivables (2022 - $1,112). Additionally, $933 remains outstanding from February 28, 2022. It has been agreed between the Corporation and TIBA that 12 equal payments for the February 2022 balance will be made starting in March 2023.

7. Cash and cash equivalents

As at March 31	**2023**	2022
	$	$
Cash	**7,309**	4,984
Cash equivalents	**199**	3,818
Total cash and cash equivalents	**7,508**	8,802

8. Investments

As at March 31	**2023**	2022
	$	$
Investments carried at amortised cost		
Deposit certificates	**2,346**	293
Total investments carried at amortised cost	**2,346**	293
Investments carried at fair value through other comprehensive income		
Government of Canada bonds	**54**	4,072
Provincial bonds	**83**	777
Corporate bonds	**4,032**	1,105
Total investments carried at fair value through other comprehensive income	**4,169**	5,954
Total investments	**6,515**	6,247
Less: Current portion	**6,515**	6,247
Non-current portion	**-**	-

The average term to maturity for the Corporation's bonds is 1.3 years (2022 – 1.1 years), and they earn an average effective interest rate of 2.57% (2022 – 1.73%). The average term to maturity for the Corporation's deposit certificates was 229 days (2022 – 365 days), and earned interest at an average annual rate of 4.9% (2022 – 0.6%).

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

9. Trade and Other Receivables

As at March 31	**2023**	2022
	$	$
Federal departments and agencies	**239**	1
Trade receivables	**1,876**	1,580
Total trade and other receivables	**2,115**	1,581

10. Property and Equipment

Cost	Land	Bridge and roads	Vehicles and equipment	Buildings	Right-of-Use Assets	Property Improvements	Projects in progress	Total
	$	$	$	$	$	$	$	$
Balance, April 1, 2021	14,837	269,184	32,340	144,415	1,626	35,967	6,118	504,487
Additions	2	25	84	-	3	136	7,981	8,231
Disposals	(1)	-	(3,971)	(97)	-	(1,037)	-	(5,106)
Transfers	-	1,323	6,721	144	-	976	(9,839)	(675)
Balance, March 1, 2022	14,838	270,532	35,174	144,462	1,629	36,042	4,260	506,937
Additions	70	2	391	-	-	-	4,915	5,378
Disposals	-	-	(2,587)	-	(92)	-	-	(2,679)
Transfers	-	3,366	3,803	241	-	-	(7,410)	-
Balance, March 1, 2023	**14,908**	**273,900**	**36,781**	**144,703**	**1,537**	**36,042**	**1,765**	**509,636**

Accumulated depreciation	Land	Bridge and roads	Vehicles and equipment	Buildings	Right-of-Use Assets	Property Improvements	Projects in progress	Total
	$	$	$	$	$	$	$	$
Balance, April 1, 2021	-	83,114	16,672	31,876	420	14,124	-	146,206
Elimination on disposal of assets	-	-	(3,971)	(97)	-	(1,037)	-	(5,105)
Depreciation	-	9,571	3,204	4,105	210	1,488	-	18,578
Balance, March 31, 2022	-	92,685	15,905	35,884	630	14,575	-	159,679
Eliminated on disposal of assets	-	-	(2,587)	-	-	-	-	(2,587)
Depreciation	-	9,429	2,532	4,134	191	1,494	-	17,780
Balance, March 31, 2023	**-**	**102,114**	**15,850**	**40,018**	**821**	**16,069**	**-**	**174,872**
Net book value, March 31, 2023	**14,908**	**171,786**	**20,931**	**104,685**	**716**	**19,973**	**1,765**	**334,764**
Net book value, March 31, 2022	14,838	177,847	19,269	108,578	999	21,467	4,260	347,258

Included in transfers in 2022 is $675 in Projects in Progress that were transferred to investment properties (note 11).

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

10. Property and Equipment (continued)

At year-end, the Corporation reviews the estimated useful lives of its capital assets and updates the useful lives as at April 1 of the current fiscal year. As at March 31, 2023, the Corporation revised the estimated useful lives of maintenance building HVAC and toll equipment (2022 – estimated useful lives of the toll system, bridge assets and various trucking equipment). These changes in useful lives are considered changes in accounting estimates and have been applied on a prospective basis starting on April 1, 2022. These changes in useful lives result in an increase in annual depreciation expense as high as $62 (Vehicles and Equipment and Buildings) and a decrease in annual depreciation expense as low as $21 (Vehicles and Equipment and Buildings) and impacts the fiscal years ending March 31, 2023, to March 31, 2038, with fiscals 2023 and 2024 having the highest increase in depreciation expense. (2022 – as high as an increase of $808 and as low as a decrease of $177 impacting fiscal years ending March 31, 2022, to March 31, 2089, with fiscal 2022 having the highest increase).

11. Investment Properties

	Investment Properties
	$
Cost	
Balance, April 1, 2021	25,371
Additions	675
Disposals	(159)
Transfers	-
Balance, March 31, 2022	25,887
Additions	4
Disposals	-
Transfers	-
Balance, March 31, 2023	**25,891**
Accumulated depreciation	
Balance, April 1, 2021	7,291
Transfers	-
Disposals	(159)
Depreciation expense	717
Balance, March 31, 2022	7,849
Transfers	-
Disposals	-
Depreciation expense	769
Balance, March 31, 2023	**8,618**
Net book value, March 31, 2023	**17,273**
Net book value, March 31, 2022	18,038

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

11. Investment Properties (continued)

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

Rental income for the year ended March 31, 2023, amounts to $3,429 (2022– $1,710) and is included within 'leases and permits'. Contingent rent of $2,087 (2022 - $374) is included in rental income. There were no significant investment properties that were vacant at March 31, 2023 (2022 – no significant investment properties that were vacant).

Fair value of the investment properties have been determined based on a valuation performed by an independent valuator who is a current member of the Appraisal Institute of Canada with the exception of the fair value of land, which was evaluated internally. The fair value is $28,121 and was determined as at March 31, 2023 based on March 31, 2021, valuations extrapolated to March 31, 2023, using the Consumer Price Index and adjusted for obsolescence (2022 - $27,611 was determined as at March 31, 2022 based on external valuation performed as at March 31, 2021). The fair value of the properties have not been determined on transactions observable in the market because of the nature of the properties and the lack of comparable data. The fair value was determined by estimating the replacement cost of the building and also reduced by obsolescence, considering inputs such as the type of building, age, condition and region that the building is in as well as the mechanical systems attached.

12. Intangible Assets

	Intangible Assets
	$
Cost	
Balance, April 1, 2021	104
Additions	22
Disposals	-
Balance, March 31, 2022	126
Additions	-
Disposals	-
Balance, March 31, 2023	**126**
Accumulated depreciation	
Balance, April 1, 2021	43
Depreciation expense	23
Disposals	-
Balance, March 31, 2022	66
Depreciation expense	23
Disposals	-
Balance, March 31, 2023	**89**
Net book value, March 31, 2023	**37**
Net book value, March 31, 2022	60

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

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

13. Holdbacks

The Corporation temporarily retains an amount on the total due to contractors to ensure that the latter fulfills its obligations pertaining to warranty, rectification and correction of defects in work. The contracts call for the Corporation to pay holdbacks upon substantial completion of the individual contracts. Holdbacks relate to a recoating project at one location (2022 – relate to various projects at all bridge locations).

14. Deferred Revenue

As at March 31	**2023**	2022
	$	$
Contracts with customers		
Debit cards	**63**	65
Passenger vehicles tokens/tickets	**9**	411
Prepaid commercial/commuter vehicles	**1,917**	1,821
Total contracts with customers	**1,989**	2,297
Leases		
Current prepaid facility rentals	**218**	196
Non-current prepaid facility rentals	**912**	1,063
Total leases	**1,130**	1,259
Total deferred revenue	**3,119**	3,556
Less: Current portion	**2,207**	2,493
Non-current portion	**912**	1,063

Contracts with customers include debit cards, passenger vehicle tokens/tickets and prepaid commercial/passenger vehicles. As of December 31, 2022, the tokens program was terminated at the Point Edward location, the value of the tokens remaining at that date have been recorded as revenue since there is no obligation for the Corporation to accept tokens. The majority of the deferred revenues from contracts with customers are recognised as revenues in the following fiscal year. The following are the tolls received during the year that have not been recognised in revenue and tolls received in the previous years that are recognised in revenues in the current fiscal year.

As at March 31	**2023**	2022
	$	$
Balance, start of year	**2,297**	2,273
Tolls received during year that have not been recognised in revenue	**1,435**	1,319
Tolls received in previous years that are recognised in revenue	**(1,743)**	(1,295)
Balance, end of year	**1,989**	2,297

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

15. Loans Payable

As at March 31	2023 Carrying cost	2022 Carrying cost
	$	$
$10,000 term facility payable monthly		
$10,000 @ 2.811% locked until February 11, 2027	**9,567**	9,967
Total loans payable	**9,567**	9,967
Less: Current portion	**400**	400
Non-current portion	**9,167**	9,567

In the prior fiscal year, a $4,000 term facility @ 4.42% locked until July 27, 2021 was repaid in full. The principal value of the loan paid in 2022 was $2,542.

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

	Principal	Interest	2023 Total
	$	$	$
2024	400	263	663
2025	400	253	653
2026	400	241	641
2027	8,367	212	8,579
Thereafter	-	-	-
	9,567	969	10,536

The Corporation maintains one (2022 – one) credit facility with a Canadian chartered bank in the total amount of $10,000 (2022 - $10,000). The facility has been approved by the Minister of Finance as part of the Corporation's borrowing plan. The credit facility is a reducing term facility, which originally was drawn for $10,000 (2022 - $10,000) on a fixed rate, non-current basis with periodic payments of interest and principal not to exceed a maturity of 25 years. This facility carries the same security as the full bond issuance (Note 16). At March 31, 2023, $9,567 remained drawn (2022 - $ 9,967).

16. Bonds Payable

As at March 31	2023 Carrying cost	2022 Carrying cost
	$	$
Series 2002-1 bonds maturing	**34,094**	40,406
July 9, 2027 payable semi-annually on January 9 and July 9		
Total bonds payable	**34,094**	40,406
Less: Current portion	**6,737**	6,312
Non-Current portion	**27,357**	34,094

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

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

	Principal	Interest	2023 Total
	$	$	$
2024	6,737	2,149	8,886
2025	7,191	1,695	8,886
2026	7,675	1,211	8,886
2027	8,192	694	8,886
2028	4,299	144	4,443
	34,094	5,893	39,987

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

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

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

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

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

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

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

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

17. Lease Liability

The Corporation leases its head office at 55 Metcalfe, in Ottawa, ON. The rental contract is for a fixed term ending December 31, 2026, with no renewal options and no variable lease payments. The contract contains both a lease and non-lease component based on their relative stand-alone prices. However, only the lease component is included in the lease liability (also see Note 26). During the year, the Corporation incurred $366 (2022 - $311) for leased properties which is comprised of $27 (2022 - $33) of interest expense, $80 (2022 - $91) of operating costs (included in maintenance) and $259 (2022 - $187) as a reduction in the lease liability.

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

17. Lease Liability (continued)

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

	Principal	Interest	2023 Total
	$	$	$
2024	218	20	238
2025	224	14	238
2026	230	8	238
2027	190	2	192
	862	44	906

The current portion of the lease is $218 (2022 - $221) and the non-current portion is $644 (2022 – $900).

18. Government Funding

Government of the United States of America funding: The U.S. federal government, through its Consolidated Appropriations Act, 2022, has provided access to funding for GLS, of which up to US$1,500 was allocated to SIBC during the 2022-23 fiscal year to address the operating shortfalls brought on as a result of COVID-19. Of that amount, Cdn$586 has been recognised in the Consolidated Statement of Comprehensive Income to cover the Corporation's share of the revenue shortfall.

Government of Canada funding: As part of the A*ppropriation Act No. 3, 2022-23*, FBCL was authorised to receive up to $5,303 in Government funding to support the continued safe operation and certain capital acquisitions across the portfolio of bridges. This Government funding is required given the reduction of the Corporation's revenues as a result of the significant reduction in traffic (and associated toll collection) following the prolonged cross-border travel restrictions related to COVID-19. Of the $5,303 in Canadian government funding, $4,423 has been requested and recognised in the deferred capital funding and amortised, if applicable.

In 2021-22, as part of the A*ppropriation Act No. 1, 2021–22* and *Appropriation Act No. 2, 2021-22*, FBCL was authorised to receive up to $11,407 in Government funding to support the continued safe operation in 2021-22 of FBCL's four crossings, as well as $7,090 for capital projects. In relation to SIBC, the Corporation claimed and transferred $1,668 in funding to SIBC to cover its revenue shortfall and no funds were used to purchase capital assets. The Corporation also claimed $7,482, net of reimbursement, of the $18,497, $7,082 for operations and $400 for capital for the remaining three bridge locations and head office. There was a stipulation that if FBCL's actual toll revenues in 2021-22 were higher than originally forecasted in FBCL's Amended 2020-25 Corporate Plan, then the Government funding of $18,497 was to be reduced by an equivalent amount. At March 31, 2022, there was a reimbursement of $2,180 in government funding that was repaid in 2022-23, as a result of higher toll revenues actually received as compared to FBCL's Amended 2020-25 Corporate Plan. A total of $10,845 was recognised in the Consolidated Statement of Comprehensive income, representing $1,668 for SIBC, $7,082 for the remaining three locations, and $2,095 of deferred government funding relating to operating expenses recognised in net income during the year.

Funds for capital assets purchased for SIBC are to be transferred to SIBC in future years to compensate for the revenue shortfalls caused by the amortisation of the related tangible capital assets purchased.

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

18. Government Funding (continued)

As at March 31	2023	2022
	$	$
Canadian Government funding available	**5,303**	**18,497**
Government funding used for operating expenses - SIBC	**-**	**1,668**
Government funding used for purchase of capital assets - SIBC	**171**	**-**
Government funding used for operating expenses - FBCL	**-**	**7,082**
Government funding used for purchase of capital assets - FBCL	**4,252**	**400**
Total Canadian Government funding claimed	**4,423**	**9,150**
Unclaimed Government funding	**880**	**9,347**

As at March 31	2023	2022
	$	$
Deferred government funding related to operating expenses		
Balance, beginning of year	**-**	2,095
Parliamentary appropriations used to fund operating expenses	**-**	8,750
Parliamentary appropriations for operating expenses recognised in net income	**-**	(10,845)
Balance, end of year	**-**	-
Deferred capital funding		
Balance, start of year	**97,423**	100,775
Government funding for capital expenditures received	**4,423**	400
Amortisation of deferred capital funding	**(3,619)**	(3,752)
Balance, end of year	**98,227**	97,423
Deferred government funding	**98,227**	97,423
Less: Current portion	**3,823**	3,450
Non-current portion	**94,404**	93,973

Of the $6,035 claimed in government funding during 2020-21, $2,095 was recorded as deferred government funding related to operating expenses. The amount of $2,095 was recognised as revenues in 2021-22.

19. Employee Benefits

Pension Benefits

The Corporation has contracted an outside firm to operate and administer an employee pension plan. Employees of the Corporation must join the pension plan, subject to eligibility requirements. The pension plan, which is a defined-contribution pension plan, is funded on a money-purchase basis with members contributing up to 11.5% of their annual earnings. In accordance with the plan, the Corporation is required to fund matching contributions up to 9.0% (2022 - up to 9.0%). During the year, the Corporation's pension contributions amounted to $373 (2022 – $401).

Additionally, employees of SIBC are enrolled in the *Public Service Pension Plan* (the Plan). Under the Plan, the President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year-end was a multiple of 1.00 for all employees (2022 - 1.00). The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. The Corporation's portion of pension contributions amounted to $52 (2022 – $106) during the year.

The employees of SSMBA participate in the State of Michigan's defined benefit and defined contribution plans. SSMBA is required to make contributions to the defined benefit plan based on an actuarially determined rate. For the defined contribution plan, SSMBA is required to contribute 4.0% of payroll plus up to an additional match of 3.0%. The contribution requirements of the plan members and SSMBA are established and may be amended by state legislation. During the year, the Corporation's portion of pension contributions amounted to $266 (2022 – $239).

Contributions, for the fiscal year ending March 31, 2023, to the Public Service Pension Plan and the State of Michigan's defined benefit and defined contribution plans are anticipated to be consistent with the contributions made during the year.

Other Benefits

Other than the pension plan, the Corporation provides post-employment benefits to its eligible employees through health, dental, life insurance and an employee assistance program as well as other long-term benefits, which consist of service awards. Benefit costs related to current service are charged to income as services are rendered. The risks associated with these benefits include changes in discount rates, mortality rates, per capita claim costs and general inflation that can cause volatility in the Corporation's financial results. The actuarial valuation was performed as at March 31, 2023.

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

19. Employee Benefits (continued)

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

Defined benefit obligation	Post-employment	Other long-term
	$	$
Balance, April 1, 2021	8,314	66
Current service cost	563	7
Past service credit	-	-
Interest cost	299	2
Actuarial (gain)/loss - other	52	(2)
Actuarial (gain)/loss - demographic assumptions	-	-
Actuarial (gain)/loss - financial assumptions	(976)	(2)
Benefits paid	(234)	(2)
Balance, March 31, 2022	8,018	69
Current service cost	494	7
Past service cost		
Interest cost	336	3
Actuarial (gain)/loss - other	44	(4)
Actuarial (gain)/loss - demographic assumptions		
Actuarial (gain)/loss - financial assumptions	(1,286)	(4)
Benefits paid	(247)	(4)
Balance, March 31, 2023	**7,359**	**67**

Total post-employment non-pension related benefit plan is $7,426 (2022 - $8,087).

Changes in other comprehensive income during the year:

As at March 31	2023	2022
	$	$
Actuarial gains arising during the year	**1,242**	924

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

19. Employee Benefits (continued)

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

As at March 31	2023		2022	
	Post-employment	Other long-term	Post-employment	Other long-term
	$	$	$	$
Current service costs	**494**	**7**	563	7
Interest cost	**336**	**3**	299	2
Actuarial loss/(gain)		**(8)**	-	(4)
Net post-employment expense recognised in year	**830**	**2**	**862**	**5**

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

As at March 31	2023	2022
Discount Rate, accrued benefit obligation	**4.90%**	4.00%
Discount Rate, benefit cost	**4.00%**	3.40%
Weighted average assumptions		
Initial weighted average health care trend	**5.49%**	5.67%
Ultimate weighted average helath care trend	**3.98%**	3.98%
Year ultimate health care trend rate is reached	**2036**	2036
Mortality rates	CPM Public table generational improvement using MI - 2017 (2022 - CPM Public table generational improvement using MI - 2017)	

The assumed drug trend rate as of March 31, 2023, is 7.0% (2022 – 7.0%) per annum decreasing linearly to 4.0% (2022 – 4.0%) per annum in 2036 (2022 - 2036) fiscal year.

The assumed other health care trend rate as of March 31, 2023, is 4.0% per annum (2022 – 4.0%).

The assumed vision and dental trend rates as of March 31, 2023, are 0.0% and 4.0%, respectively (2022 – 0.0% and 4.0%).

The average expected maturity of the plan obligation is 20 years (2022 – 20 years).

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

19. Employee Benefits (continued)

Sensitivity Analysis

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

As at March 31	2023	2022
	$	$
Discount rate - increase of 1 %	**(1,122)**	(1,316)
Discount rate - decrease of 1 %	**1,454**	1,731
Future mortality - increase of 1 year age	**(264)**	(303)
Future mortality - decrease of 1 year age	**265**	306
Trend rates - increase of 1 %	**1,490**	1,658
Trend rates - decrease of 1 %	**(1,160)**	(1,281)

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

20. Issued Capital

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

21. Supplementary Expense Information

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

Year ended March 31	2023	2022
	$	$
Depreciation of property and equipment	**17,780**	18,578
Salaries and employee benefits	**15,849**	14,884
Goods and services	**6,463**	5,319
Repairs and maintenance	**3,970**	3,675
Professional services	**922**	1,127
Depreciation of investment property	**769**	717
Foreign exchange loss	**316**	-
Depreciation of intangible assets	**23**	23
Additional funding of SIBC operations	**-**	834
Total Expenses	**46,092**	45,157

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

22. Related Party Transactions

Balances and transactions between the Corporation and its share of its joint operations have been eliminated on consolidation and are not disclosed in this note. Related party transactions relating to employee benefits are disclosed in note 19, and government bonds and deposit certificate investments are disclosed in note 8. These transactions have been recorded at the exchange amount, meaning the amount agreed to between parties.

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

Transactions with Government Related Entities

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

During the year, the Corporation recorded $4,423 of new Canadian government funding (2022 – $9,150). At March 31, 2023, the Corporation recorded $239 (2022 – $1) in accounts receivable with related parties and nil (2022 – $2,180) in accounts payable with related parties.

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

Compensation of Key Management Personnel

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

Compensation of key management personnel was as follows:

Year ended March 31	**2023**	2022
	$	$
Short-term employee benefits	**1,272**	1,208
Retirement and other post-employment benefits	**73**	76
Total	**1,345**	1,284

23. Facility Rentals

The Corporation has entered into contracts with companies who rent space in its buildings at various crossings. Contingent rent, based on sales at the Duty Free Shops, are the largest components of the rent received by the Corporation from these lessees. One of these Duty Free stores has a fixed component of its rent. Contingent revenue recognised during the current year for these leases was $2,087 (2022 – $374). The lessee of the Duty Free Shop at the Point Edward crossing has also paid for the expansion of the building. This payment was recorded as deferred revenue and is recognised as revenue on a straight-line basis, amortised over the non-cancellable lease term.

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

23. Facility Rentals (continued)

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

As at March 31	2023	2022
	$	$
Within one year	**1,110**	1,381
After one year but not more than five	**2,561**	2,904
More than five years	**885**	1,329
Total	**4,556**	5,614

24. Contingent Liabilities

In the normal course of its activities, the Corporation is the claimant or defendant or is involved in certain pending claims or lawsuits. To the extent that a future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the consolidated financial statements. At March 31, 2023, there were no claims made against the Corporation (2022 – no claims).

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

25. Commitments for Expenditure

(a) The Corporation has commitments totaling $8,888 (2022 – $5,010) including:

i. Administrative contracts of $317 (2022 – $364) for internal audit, internet services and other contracts;

ii. Capital project contracts of $5,634 (2022 – $3,551) for the purchase of property and equipment;

iii. Maintenance contracts of $2,560 (2022 – $625) have been awarded; and,

iv. Rental agreement of $377 (2022 - $470) for the Ottawa office lease.

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

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

25. Commitments for Expenditure (continued)

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

As at March 31	2023	2022
	$	$
Within one year	**6,602**	3,944
After one year but not more than five	**1,909**	596
More than five years	**-**	-
Total	**8,511**	4,540

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

As at March 31	2023	2022
	$	$
Within one year	**98**	98
After one year but not more than five	**279**	372
More than five years	**-**	-
Total	**377**	470

The office space lease does not contain a renewal option.

26. Financial Instruments

Fair Value

The fair values of trade and other receivables, trade and other payables, holdbacks, and the current portion of the loans payable and bonds payable approximate their carrying value due to the short-term nature of these instruments. The carrying values and fair values of the Corporation's remaining financial assets and liabilities are listed in the following table:

As at March 31			2023
	Value	Cost	Level
	$	$	
Financial instruments measured at fair value on a recurring basis			
Investments - fair value through other comprehensive income	**4,169**	**4,169**	Level 2
Financial instruments measured at amortised cost			
Investments-amortised cost	**2,346**	**2,346**	Level 2
Loans payable	**9,567**	**9,567**	Level 2
Bonds payable	**36,290**	**34,094**	Level 2

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

26. Financial Instruments (continued)

As at March 31			2022
	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 cost			
Investments - amortised cost	293	293	Level 2
Loans payable	9,967	9,967	Level 2
Bonds payable	43,976	40,406	Level 2

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

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

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

Credit Risk

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

The Corporation manages this risk by dealing only with members of the Payments Canada or the Government of Canada and by closely monitoring the issuance and collection of credit to commercial clients. The carrying amount reported on the Corporation's Consolidated Statement of Financial Position for its financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk. At March 31, 2023 there were no provisions recorded. The credit risk is not significant for the Corporation (2022 – not significant).

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

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

26. Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation manages the risk by establishing budgets, maintaining cash reserves, obtaining government funding when required and credit facilities, establishing cash forecasts and monitoring cash flows as well as matching terms of investments to the timing of planned disbursements. The Corporation invests surplus cash in high credit quality government and corporate securities in accordance with the policies approved by the Board of Directors and in line with guidance from the Minister of Finance.

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

As at March 31				**2023**
	Carrying amount	**Less than 3 months**	**3 months to 1 year**	**Over 1 year**
	$	**$**	**$**	**$**
Trade and other payables	**1,703**	**1,198**	**505**	**-**
Holdbacks	**163**	**163**	**-**	**-**
Long-term debt payable	**50,523**	**167**	**9,382**	**40,974**
Lease liability (Note 17)	**906**	**64**	**174**	**668**
Total	**53,295**	**1,592**	**10,061**	**41,642**

As at March 31				2022
	Carrying amount	Less than 3 months	3 months to 1 year	Over 1 year
	$	$	$	$
Trade and other payables	4,702	4,103	599	-
Holdbacks	380	333	47	-
Long-term debt payable	60,087	172	9,391	50,524
Lease liability	1,194	67	181	946
Total	66,363	4,675	10,218	51,470

26. Financial Instruments (continued)

Market Risk

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is subject to interest rate risk on its cash and cash equivalents. A 1% variation in interest rates at March 31, 2023, would not be material.

Certain fair value through other comprehensive income investments bear interest at a fixed rate. Fair value through other comprehensive income investments also include bonds of the Government of Canada, provincial governments, and corporate banks with fixed rates of interest and an average term to maturity of 1.3 years (2022 – 1.1 years). The fair market value of these instruments is indirectly affected by fluctuations of the market interest rate. The impact of a hypothetical 1% variation in interest rates at March 31, 2023 would not be material.

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

A material variation in exchange rates during the year would significantly affect toll revenue as there is a direct correlation between the volume of traffic and the exchange rates. Assuming that volumes would not be impacted by the exchange rate, a hypothetical 1% weakening of the Canadian dollar during the course of the fiscal year would have had a $113 (2022 - $57) increase in recorded toll revenue. The Corporation's U.S. cash is held in different banks, due to the Corporation's U.S. bridge operating partners utilising locally available banks. At March 31, 2023, the Corporation's U.S. dollar bank balance was $846 (2022 - $1,110). A hypothetical 1% variance in the exchange rate at March 31, 2023 would not be material. The Corporation manages this risk by periodically adjusting the toll rates for parity with the foreign exchange rate, and by converting currencies where applicable.

Capital Management

The Corporation defines its capital as its retained earnings, share capital and accumulated other comprehensive income. As per legislative authorities, the maximum amount that the Corporation can borrow is $130,000 with Minister of Finance approval (2022 – $130,000).

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

27. COVID-19 and subsequent events

The effects of COVID-19 have significantly diminished the Corporation's revenue sources since March 2020. These revenue sources have only partially come back to pre-pandemic levels. Throughout the pandemic commercial truck traffic was always free to cross the border, as they carry essential goods. However, passenger vehicle traffic and lease revenue have significantly decreased and continues to be significantly below pre-pandemic levels. On April 1, 2022, and October 1, 2022, many of the restrictions have been loosened or eliminated in order to enter into Canada. Currently the only restriction remaining is the proof of COVID-19 vaccination to enter into the United States which has remained consistent throughout fiscal 2022-23. Subsequent to year-end, the requirement to have COVID-19 vaccination to enter the United States was removed on May 11, 2023.

The Corporation, through the Government of Canada, has secured various funding for the 2022-23 to 2024-25 fiscal years to support continued operations and capital asset acquisitions. Funds for fiscal years 2023-24 and 2024-25 are expected to be formally authorized as part of annual Appropriation Acts.

The Corporation has considered the impact of COVID-19 on the valuation of its assets as at March 31, 2023, and has determined that assets are appropriately valued and that no impairments are required.

Directors and Officers

The Federal Bridge Corporation Limited

BOARD OF DIRECTORS
(as of March 31, 2023)

Pascale Daigneault	*Chairperson*
Marie-Jacqueline Saint-Fleur	*Vice-Chairperson*
Natalie Kinloch	*Director*
John Lopinski	*Director*
Andrew Travis Seymour	*Director*
Rakesh Shreewastav	*Director*
Vacant	*Director*
Jacques E. Pigeon	*Corporate Secretary*

Committees Of The Board Of Directors

FINANCE AND AUDIT COMMITTEE

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

GOVERNANCE, POLICY AND HUMAN RESOURCES COMMITTEE

Rakesh Shreewastav	*Chairperson*
Andrew Travis Seymour	*Member*
Marie-Jacqueline Saint-Fleur	*Member*

Officers And Senior Managers

Natalie Kinloch	*Chief Executive Officer*
Richard Iglinski	*Chief Financial Officer*
Thye Lee	*Vice-President, Engineering and Construction*
Rémi Paquette	*Chief Corporate Services Officer*
Warren Askew	*Chief Operating Officer*

Directors and Officers *(continued)*

The Seaway International Bridge Corporation, Ltd.

BOARD OF DIRECTORS
(as of March 31, 2023)

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

Committees Of The Board Of Directors

MANAGEMENT COMMITTEE

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

AUDIT COMMITTEE

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

Officers And Senior Managers

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

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Joe Dedecker, *Bridge Director*

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