



FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

QUARTERLY FINANCIAL REPORT

1st QUARTER (Q1) – UNAUDITED

For the three months ended June 30, 2023

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1.0 INTRODUCTION

This interim financial report outlines the significant activities and initiatives, risks and financial results of The Federal Bridge Corporation Limited (FBCL) for the three-month period ended June 30, 2023. This interim financial report has been prepared in accordance with the requirements of the *Financial Administration Act* and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat and with International Financial Reporting Standards (IFRS) 34, *Interim Financial Reporting*. It should be read in conjunction with the interim unaudited condensed consolidated financial statements and related notes, included herein. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

1.1 Forward-looking statements

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

1.2 Materiality

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

2.0 CORPORATE OVERVIEW

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

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

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

2.1 Mandate

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

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

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

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

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

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

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

2.2 Outlook

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

- Funds surplus to operating requirements are used for capital re-investment in all portfolio bridges in support of public policy objectives;
- Revenues are centrally recognised, with each bridge established as a cost centre;
- Operational and maintenance expenditures of each bridge are based on 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.

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-19 tests to be presented at the border coming into Canada. Additionally, by October 1, 2022, the Government of Canada further removed all COVID-19 restrictions. The 2023-24 fiscal year looks to be even more fruitful with a full year of Canadian border restrictions removed and the U.S. vaccination requirements removed as of May 12, 2023. These restrictions have affected the FBCL's revenues greatly, and the FBCL's bridges have responded by reducing and deferring expenditures where prudent and safe. The FBCL continues to monitor and assess the impact of lower than normal volumes on its plans.

As stewards of four of Canada's international bridge crossings, it is necessary to invest prudently in the maintenance, rehabilitation and, at times, complete replacement of bridge and bridge plaza assets. For the upcoming year, the FBCL has received parliamentary appropriations, in whole or in part, for the Blue Water Bridge paving, repair, and painting, Lansdowne Canadian bridge repairs, as well as various capital equipment and projects at the Cornwall location. The significant construction projects in the quarter included:

- a) **Cornwall:** Work has commenced on the South Channel Bridge repairs including bolt replacement and sidewalk repairs. Both projects are anticipated to be completed during the 2023 construction season.
- b) **Lansdowne:** There were no major capital works in the first quarter. The contract for the design of the Thousand Islands International Bridge 2023 & 2024 rehabilitation project has been awarded.
- c) **Point Edward:** Progress completed included Owners' acceptance of the new toll collection system, and the completion of the design of works to be done on Span 1. The Span 1 Blue Water Bridge rehabilitation construction began in early July and is anticipated to be completed in the third quarter.
- d) **Sault Ste. Marie:** There were no major capital works in the first quarter other than the Owners' acceptance of the new toll collection system.

2.3 Significant Changes

As COVID-19 restrictions have now been removed, passenger traffic volumes continue to increase but still remain considerably below pre-pandemic volumes. With no restrictions as of May 12, 2023, it is anticipated that volumes will continue to rise. However, it is not known at this time, whether border crossings will fully rebound to pre-pandemic volumes as personal travelling habits and economic conditions have changed. At the end of the first quarter, passenger traffic volumes were approximately 77% of pre-pandemic volumes, whereas at the end of the first quarter in the prior year, these volumes were approximately 57% of pre-pandemic volumes.

3.0 RISK MANAGEMENT

CORPORATE RISK

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

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

FINANCIAL RISK

Since the implementation of border restrictions directly affected the FBCL's ability to collect Tolls revenue and limited customers at leased Duty Free facilities, the financial impact was that all previous cash reserves had been used to finance the operations during fiscal 2021 and 2022. In 2023, the Corporate Plan had three years, starting in fiscal 2022-23 and ending in fiscal 2024-25, of approved funding for all locations including a mix of capital funding and limited operating funding. Funding is obtained as overall revenue from traffic volumes continues to be lower than pre-pandemic years. Consequently, management continues to closely monitor the decrease in Tolls revenue by only incurring essential expenses. With the approved capital funding, only crucial work will be performed over these fiscal years.

In recent years, overlooking the impact of COVID-19, SIBC has been facing a major financial risk as paying passenger traffic volumes are sharply down due to an overall regional bi-national manufacturing decline, the value of the Canadian dollar and limited commercial traffic at that location. Operational efforts, however, remain the same as Crown-

mandated toll-free passage traffic crossing the bi-national region is at an all-time high. The combination of these factors have strained SIBC financial resources for some time.

In August, S&P Global Ratings reaffirmed its long-term issuer credit and senior unsecured debt rating at A+ with a stable outlook. This continued strong 3rd party analysis of the FBCL's financial state and outlook is anchored in a number of continued themes. These include the low debt load in place at the organization, its strong links with the federal government, and the strong management and governance that is in place at the FBCL.

The overall level of the FBCL's debt is forecasted to decline as balances are repaid at regular intervals. The FBCL's strategy is to take on as little debt as necessary and to continue to make all loan and bond payments as they come due. The FBCL wishes to maintain a strong debt service coverage ratio, at the same time. With the impact of COVID-19, the FBCL is closely monitoring its cash and investments to determine the most prudent path forward. In the fourth quarter of 2021-22, it was necessary for the FBCL to withdraw a \$10 million loan to help cover operating shortfalls anticipated in the foreseeable future. Since the withdrawal of the loan, \$0.5 million of principal has been reimbursed.

While the FBCL has some control over toll rates, it must be noted that most international bridges are managed jointly under international agreements with U.S. partners. From a revenue perspective, the ability to unilaterally change toll rates for additional revenue is subject to variances in governance policies between Canada and the United States. The toll rates at Blue Water Bridge (for USA-bound traffic) were updated on April 1, 2023, Thousand Islands International Bridge were updated on March 1, 2023 and at Sault Ste. Marie and Cornwall on April 1, 2019.

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

4.0 QUARTERLY RESULTS

4.1 Results of Operations

SEASONAL TRENDS

Traffic on the FBCL's portfolio of bridges has traditionally experienced seasonal variations. From a revenue perspective, the period of May to October has a greater number of transits. In the November to April timeframe, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers, favourable weather and a preference for travel between the late spring and early fall months. However, revenues from April 1, 2020, onwards are significantly lower due to COVID-19 albeit rising since border restrictions have been removed since fiscal 2022-23 but remain below pre-pandemic volumes.

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

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

STATEMENT OF COMPREHENSIVE INCOME

Revenue and government funding ('000s)			
	For the three months ending		
	June 30 2023 (unaudited)	June 30 2022 (unaudited)	Variance
Tolls	8,475	7,434	1,041
Thousand Islands International Bridge	2,103	1,585	518
Leases and permits	712	714	(2)
Interest	183	45	138
Gain on investments	29	22	7
Other	180	72	108
Total revenue	11,682	9,872	1,810
Government funding	1,179	1,021	158

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

Traffic volumes

During the first quarter of 2023-24, overall trucks have decreased by 4% and passenger vehicles have increased by 34% when compared to the first quarter of 2022-23. Truck volumes, by bridge varied between a decrease of 6% to an increase of 9% while passenger cars, per bridge, varied between an increase of 22% to 50%.

Given that the commercial traffic bases at the Sault Ste. Marie and Seaway International bridges normally constitute only 5% of traffic loads, these operations have been significantly impacted by COVID-19 restrictions to non-essential travel. Worsening the situation at the Seaway International Bridge is the requirement to maintain normal operating levels in support of the normally more than 70% of toll-exempt travelers that depend on the bridge in order to access the necessities of life. In the first quarter, as compared to the prior year, paid passenger volumes at these locations have increased by 50% each, and commercial volumes at these locations are up by 3% and 9%, respectively. However, the passenger volumes when compared to the volumes pre-pandemic are 33% and 21% lower, respectively (prior Q1 – 55% and 47%, respectively).

For the Thousand Islands International Bridge, commercial vehicles typically make up about 20% of the crossing's users and the construction of new US Customs and Border Protection facilities on Wellesley Island over the past few years has helped with a vital source of cash flow. Despite these advantages, the normally strong cross-border tourism industry in this region was considerably affected by the on-going border restrictions. In the first quarter, as compared to the prior year, passenger volumes are up by 22% and commercial volumes are down by 3%. Passenger volumes are now less than 10% down as compared to pre-pandemic levels.

Within the portfolio, the Blue Water Bridge is uniquely positioned to deal with this pandemic's impacts. As Canada's second busiest commercial border crossing, it benefits from a user base that is comprised of roughly 35-40% commercial vehicles. Initially, the pandemic caused dramatic reductions to commercial traffic, however commercial trends quickly returned to within seasonal and annually expected values. In the first quarter, as compared to the prior year, passenger volumes are up by 35%, however they are still only 68% of pre-pandemic volumes. Commercial volumes are down by 6%, largely as a result of lingering higher volumes in the prior year due to redirected traffic from other crossings in the province that were affected by public protests.

Canadian vs. US dollar exchange rate

The exchange rate for the first quarter of 2023-24 was 1.34 on average, whereas the exchange rate for the first quarter of 2022-23 was 1.28. The FBCL 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 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, in Thousand Islands effective March 1, 2023, and in Point Edward effective April 1, 2023.

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

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

Government funding: The government funding recognised in revenues consists of amortisation of deferred capital funding in the amount of \$0.9 million for the first quarter of 2022-23 (\$0.9 million for the first quarter of 2022-23) and \$0.2 million for the first quarter of 2023-24 relating to the Seaway International Bridge (\$0.2 million for the first quarter of 2022-23 relating to the Seaway International Bridge). In fiscal 2023-24, the Canadian Government is providing funding to eliminate the deficit for the Seaway International Bridge, while in fiscal 2022-23 the US Government provided that funding. Refer to the Reporting on Use of Parliamentary Appropriations section below for more information.

Operating and interest expense ('000s)

	For the three months ending		
	June 30 2023 (unaudited)	June 30 2022 (unaudited)	Variance
Operations	2,308	2,620	(312)
Thousand Islands International	1,788	1,925	(137)
Maintenance	3,564	3,388	176
CBSA & CFIA operations	2,023	1,971	52
Administration	1,739	1,908	(169)
Additional funding of SIBC operations	110	-	110
Total expenses	11,532	11,812	(280)
Interest expense	641	749	(108)

Historically, the FBCL recognises 50% of revenues and expenses of the Seaway International Bridge in accordance with the international agreements. In 2023-24 the remaining 50% of the deficit is funded by the Government of Canada and is therefore included as an expense. In 2022-23, the operating deficit at this location was eliminated by the US Government and therefore this additional funding was recorded in revenues as Funding with respect to operating expense.

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

Operations: Operations expense relates to the collection of toll revenue, security and traffic management. Amortisation is lower by \$0.4 million as the amortisation on the previous toll system was accelerated in fiscal 2021-22, at the time the decision to change the toll collection system was made. The new toll collection system was put in use in September 2022.

Thousand Islands International Bridge: The expenses represent the FBCL's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands. There is no significant variance in expenses.

Maintenance: Maintenance expenses relate to the maintenance, upkeep and repairs of the FBCL's assets. There is no single significant variance in expenses but rather the total variance is made up of incremental small maintenance projects accelerated post-pandemic.

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

Administration: Administration expenses relate to the management and oversight of the operations of the individual crossings and the Corporation. Overall, costs are commensurate to the prior year first quarter, with the largest decreases are related to salaries and IT costs.

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

STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position (\$000's)			
	June 30	31-Mar	
	2023	2023	
	(Unaudited)	(Audited)	Variance
Assets			
Financial assets	21,063	16,138	4,925
Non-financial assets	349,180	353,814	(4,634)
Total assets	370,243	369,952	291
Liabilities			
Current liabilities	17,013	16,379	634
Non-current liabilities	138,904	139,910	(1,006)
Total liabilities	155,917	156,289	(372)
Total equity	214,326	213,663	663

Financial Assets: Financial assets consist of cash and cash equivalents, investments, and receivables. Cash flow from operations is \$4.5 million before considering changes in working capital. The change in working capital generates an additional \$1.0 million. Of this amount \$0.2 million and \$0.3 million was used to pay debt obligations and purchase capital assets, respectively.

Non-financial Assets: Non-financial assets consist primarily of property and equipment and investment properties and also include prepaid expenses, intangible assets and lessor inducement. Capital assets purchases are \$0.3 million while depreciation of \$4.6 million has been recorded. Prepaid expenses have decreased by \$0.3 million primarily due to the fact that prepaid insurance was paid in the fourth quarter of 2022-23.

Current Liabilities: Current liabilities have increased due to the timing of when trade and other payables are made.

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

4.2 Financial Performance against Corporate Plan

The 2023-24 to 2027-28 Corporate Plan has been authorized and its summary tabled in Parliament. The following is a summary of actual revenues and expenses as compared to the full 12 months of the 2023-24 plan.

REVENUE AND GOVERNMENT FUNDING

(in '000s)			
	June 30	Corporate	Percentage
	2023	Plan	
	(3 months)	(12 months)	
Tolls	8,475	31,563	27%
Thousand Islands International Bridge	2,103	6,860	31%
Leases and permits	712	3,662	19%
Interest	183	109	168%
Other	209	283	74%
Total revenue	11,682	42,477	28%
Government funding	1,179	5,393	22%

With the removal of the final border restrictions in May 2023, higher than budgeted volumes have occurred. It should be noted that the percentage should further improve in the second and third quarters across the portfolio for tolls and leases and permits as these represent the highest volumes due to seasonal travelling patterns.

OPERATING AND INTEREST EXPENSES

(in '000s)	June 30 2023 (3 months)	Corporate Plan (12 months)	Percentage
Operations	1,372	6,922	20%
Thousand Islands International Bridge	1,406	6,021	23%
Maintenance	1,504	7,626	20%
CBSA & CFIA	989	4,599	22%
Administration	1,534	7,807	20%
Additional funding of SIBC operations	110	713	15%
Depreciation	4,617	18,543	25%
Total expenses	11,532	52,231	22%
Interest expense	641	2,450	26%

The corporation monitors its expenditures very closely in order to ensure that cash remains available should unforeseen events occur. Expenses across departments are currently between 20% and 25% of the full Corporate Plan budget. Additional funding of SIBC operations is lower than budgeted as traffic volumes have rebounded better than budgeted thus lowering the overall deficit for SIBC.

4.3 Reporting on Use of Appropriations

As part of the Appropriations Act 2023-24 (Supply for Supplementary Estimates (A)), which passed as legislation by the House of Commons on June 22, 2023, \$7.4 million was granted to the FBCL under vote 1. Of this amount, the FBCL has claimed \$0.2 million in appropriations for operating expenses in the first quarter and nil for capital. Capital funding is expected to be fully utilised in the fiscal year and operating appropriations will be used to cover the Seaway International Bridge Corporation's deficit.

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

5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2023

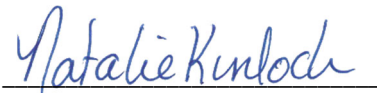
The FBCL's interim unaudited condensed consolidated financial statements have been prepared by management reviewed by the Finance and Audit Committee and approved by the Board of Directors. The FBCL's external auditors have not audited nor reviewed these interim unaudited condensed consolidated statements.

5.1 Statement of Management Responsibility

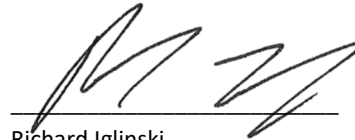
Management of The Federal Bridge Corporation Limited is responsible for the preparation and fair presentation of these interim unaudited condensed consolidated financial statements in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* and International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

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

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



Natalie Kinloch
Chief Executive Officer



Richard Iglinski
Chief Financial Officer

Ottawa, Canada
August 24, 2023

5.2 Interim Unaudited Condensed Consolidated Statement of Financial Position

as at June 30, 2023

(in thousands of Canadian dollars)

	Notes	June 30, 2023	March 31, 2023
		unaudited \$	audited \$
Assets			
Current Assets			
Cash and cash equivalents		10,338	7,508
Investments		8,679	6,515
Trade and other receivables		2,046	2,115
Prepays		1,236	1,570
Total Current Assets		22,299	17,708
Non-Current Assets			
Property and equipment	6	330,648	334,764
Investment properties		17,096	17,273
Intangible assets		32	37
Lessor inducement		168	170
Total Non-Current Assets		347,944	352,244
Total Assets		370,243	369,952
Liabilities			
Current Liabilities			
Trade and other payables		2,362	1,703
Employee benefits		1,119	1,128
Holdbacks		163	163
Deferred revenue		2,191	2,207
Loans payable		400	400
Bonds payable		6,737	6,737
Lease liability		219	218
Deferred government funding		3,822	3,823
Total Current Liabilities		17,013	16,379
Non-Current Liabilities			
Deferred revenue		874	912
Loans payable		9,067	9,167
Bonds payable		27,357	27,357
Lease liability		584	644
Deferred government funding		93,457	94,404
Employee benefits		7,565	7,426
Total Non-Current Liabilities		138,904	139,910
Equity			
Share capital - 2 shares @ no par value		-	-
Retained earnings		214,360	213,672
Accumulated other comprehensive income (loss)		(34)	(9)
Total Equity		214,326	213,663
Total Equity and Liabilities		370,243	369,952

5.3 Interim Unaudited Condensed Consolidated Statement of Comprehensive Income

for the three-month period ended June 30, 2023

(in thousands of Canadian dollars)

	June 30, 2023	June 30, 2022
	unaudited	unaudited
	\$	\$
Revenue		
Tolls and services	8,475	7,434
Thousand Islands International Bridge revenue	2,103	1,585
Leases and permits	712	714
Interest	183	45
Gain on investments	29	22
Other	180	72
Total Revenue	11,682	9,872
Expenses		
Operations	2,308	2,620
Thousand Islands International Bridge expenses	1,788	1,925
Maintenance	3,564	3,388
Canada Border Security Agency & Canadian Food Inspection Agency operations	2,023	1,971
Administration	1,739	1,908
Additional funding of SIBC operations	110	-
Total Expenses	11,532	11,812
Operating Income (Loss) Before Government Funding	150	(1,940)
Government Funding		
Amortization of deferred capital funding	948	863
Funding with respect to operating expense	231	158
Total Government Funding	1,179	1,021
Non-Operating Items		
Interest expense	(641)	(749)
Total Non-Operating Income	(641)	(749)
Net Income (Loss)	688	(1,668)
Other Comprehensive Income		
Items that may be reclassified subsequently to net income		
Revaluation gain (loss) on fair value through other comprehensive income investments	4	(40)
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	(29)	(22)
Total Other Comprehensive Income	(25)	(62)
Total Comprehensive Income (Loss) for the Period	663	(1,730)

5.4 Interim Unaudited Condensed Consolidated Statement of Changes in Equity

for the three-month period ended June 30, 2023

(in thousands of Canadian dollars)

	Retained Earnings	Accumulated Other Comprehensive Income	Total
	unaudited	unaudited	unaudited
	\$	\$	\$
Balance, April 1, 2022	216,584	12	216,596
<i>Total Comprehensive Income:</i>			
Net loss	(1,668)	-	(1,668)
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	(40)	(40)
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	(22)	(22)
Other Comprehensive Income total	-	(62)	(62)
Total Comprehensive Loss	(1,668)	(62)	(1,730)
Balance at June 30, 2022	214,916	(50)	214,866
Balance, March 31, 2023	213,672	(9)	213,663
<i>Total Comprehensive Income:</i>			
Net income	688	-	688
<i>Other Comprehensive Income:</i>			
Revaluation gain (loss) on fair value through other comprehensive income investments	-	4	4
Cumulative loss (gain) reclassified to income on sale of fair value through other comprehensive income investments	-	(29)	(29)
Other Comprehensive Income total	-	(25)	(25)
Total Comprehensive Income	688	(25)	663
Balance at June 30, 2023	214,360	(34)	214,326

5.5 Interim Unaudited Condensed Consolidated Statement of Cash Flows

for the three-month period ended June 30, 2023

(in thousands of Canadian dollars)

	June 30, 2023	June 30, 2023
	unaudited	unaudited
	\$	\$
Cash Flows from Operating Activities		
Net (loss) income	688	(1,668)
Adjustments for:		
Amortization of deferred capital funding	(948)	(863)
Depreciation of property and equipment	4,435	4,769
Depreciation of intangible assets	5	6
Depreciation of investment properties	177	205
Loss (gain) on sale of investments	(29)	(22)
Change in employee benefits	130	249
	4,458	2,676
Changes in Non-cash Working Capital:		
Trade and other receivable	69	132
Lessor inducement	2	3
Prepays	334	(143)
Trade and other payables	659	(2,797)
Holdbacks	-	(198)
Deferred revenue	(54)	34
	1,010	(2,969)
Net cash generated by (used for) Operating Activities	5,468	(293)
Cash Flows from Investing Activities		
Payments for property and equipment	(319)	(159)
Payments for investment properties	-	(4)
Proceeds on sale of investments	2,046	492
Purchase of investments	(4,206)	(172)
Net cash (used for) generated by Investing Activities	(2,479)	157
Cash Flows from Financing Activities		
Repayment of loans payable	(100)	(100)
Payment of lease liability	(59)	(61)
Net cash used for Financing Activities	(159)	(161)
Net increase (decrease) in cash and cash equivalents	2,830	(297)
Cash and cash equivalents, beginning of period	7,508	8,802
Cash and cash equivalents, end of period	10,338	8,505

1. AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited (the “Corporation”) is a *Canada Business Corporations Act* (CBCA) corporation listed in Schedule III Part 1 of the *Financial Administration Act* (FAA). It is an agent of Her Majesty, not subject to income tax under the provisions of the *Income Tax Act*. It is a parent Crown Corporation that reports to the Parliament of Canada through the Minister of Transport. The Corporation resulted, on February 1, 2015, from an amalgamation between the legacy The Federal Bridge Corporation Limited (the “legacy FBCL”), which was a parent Crown corporation, with its subsidiary, St. Mary’s River Bridge Company (SMRBC), on January 27, 2015, and with another parent Crown corporation Blue Water Bridge Authority (BWBA). This was done in accordance with the authorities provided by the *Economic Action Plan 2013 Act, No. 2*. The remaining planned amalgamation in this Act, with the Corporation’s wholly owned subsidiary, The Seaway International Bridge Corporation Ltd. (SIBC), has not been 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 per agreement between the Corporation as Canadian owner and The St. Lawrence Seaway Development Corporation (SLSDC) as U.S. owner. As a Crown Corporation, SIBC is also subject to the same authorities as the Corporation. The Corporation is also a party to two other agreements for the operation of the international bridges. In regards to the Sault Ste. Marie International Bridge, this agreement is with the U.S. owner, the Michigan Department of Transportation (MDOT). The bridge oversight is through a joint international entity, Sault Ste. Marie Bridge Administration (SSMBA), and its operation is done by the International Bridge Authority (IBA), an entity of MDOT. The agreement applicable to the operations of the Thousand Islands International Bridge is also with the U.S. owner, the Thousand Islands Bridge Authority (TIBA), an entity of Jefferson County, State of New York. At the crossing between Point Edward, Ontario, and Port Huron, Michigan, the Corporation owns and operates the Canadian portion of the crossing. The U.S. side of the crossing is owned and operated by MDOT.

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

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Corporation’s interim unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and do not include all of the information required for a full annual consolidated financial statements. The interim unaudited condensed consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended March 31, 2023. These interim unaudited condensed consolidated financial statements follow the same accounting policies and methods of application as disclosed in Note 2 of the Corporation’s audited consolidated financial statements for the year ended March 31, 2023.

3. SEASONALITY

Traffic on the FBCL's portfolio of bridges has traditionally experienced seasonal variations. From a revenue perspective, the period of May to October has a greater number of transits. In the November to April timeframe, there are historically a lower number of transits resulting in lower toll revenues. This demand pattern is principally a result of leisure travellers, favourable weather and a preference for travel between the late spring and early fall months. However, revenues from April 1, 2020, onwards are significantly lower due to COVID-19, albeit rising since border restrictions have been removed since fiscal 2022-23 but remain below pre-pandemic volumes.

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

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

4. USE OF JUDGMENTS AND ESTIMATES

The preparation of the interim unaudited condensed consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that can significantly affect the amounts recognised in the consolidated financial statements. Actual results may differ from these estimates. Where these differ, the impact will be recorded in future periods. Significant judgments and estimates as at June 30, 2023, were consistent with those disclosed in Note 3 of the Corporation's audited consolidated financial statements for the year ended March 31, 2023.

5. FUTURE CHANGES IN ACCOUNTING POLICIES

There were no new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) during the three month period that would affect the Corporation in the future other than those disclosed in Note 4 of the Corporation's audited consolidated financial statements for the year ended March 31, 2023.

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

6. PROPERTY AND EQUIPMENT

Cost	Land \$	Bridges and roads \$	Vehicles and equipment \$	Buildings \$	Property Improvements \$	Right-of-use Assets \$	Projects in progress \$	Total \$
Balance, April 1, 2022	14,838	270,532	35,174	144,462	36,042	1,629	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 31, 2023	14,908	273,900	36,781	144,703	36,042	1,537	1,765	509,636
Additions	-	-	277	-	-	-	54	331
Disposals	-	-	-	-	-	(12)	-	(12)
Transfers	-	-	-	-	-	-	-	-
Balance, June 30, 2023	14,908	273,900	37,058	144,703	36,042	1,525	1,819	509,955

Accumulated depreciation	Land \$	Bridges and Roads \$	Vehicles and Equipment \$	Buildings \$	Property Improvements \$	Right-of-use Assets \$	Projects in Progress \$	Total \$
Balance, April 1, 2022	-	92,685	15,905	35,884	14,575	630	-	159,679
Eliminated on disposal of assets	-	-	(2,587)	-	-	-	-	(2,587)
Depreciation	-	9,429	2,532	4,134	1,494	191	-	17,780
Balance, March 31, 2023	-	102,114	15,850	40,018	16,069	821	-	174,872
Eliminated on disposal of assets	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Depreciation	-	2,359	621	1,036	373	46	-	4,435
Balance, June 30, 2023	-	104,473	16,471	41,054	16,442	867	-	179,307
Net book value, June 30, 2023	14,908	169,427	20,587	103,649	19,600	658	1,819	330,648
Net book value, March 31, 2023	14,908	171,786	20,931	104,685	19,973	716	1,765	334,764

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

7. FINANCIAL INSTRUMENTS

Fair Value

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

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

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

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

As at June 30	2023		
	Value \$	Cost \$	Level
As at June 30			
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	6,333	6,333	Level 2
Financial instruments measured at amortised costs			
Investments - amortised cost	2,346	2,346	Level 2
Loans payable	9,467	9,467	Level 2
Bonds payable	36,111	34,094	Level 2
As at March 31			
	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 costs			
Investments - amortized cost	2,346	2,346	Level 2
Loans payable	9,567	9,567	Level 2
Bonds payable	36,290	34,094	Level 2