



FEDERAL BRIDGE CORPORATION
SOCIÉTÉ DES PONTS FÉDÉRAUX

QUARTERLY FINANCIAL REPORT

3rd QUARTER (Q3) – UNAUDITED

For the nine months ended December 31, 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 nine-month period ended December 31, 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 FBCL. They involve known and unknown risks, uncertainties and other factors, which may cause the actual results and performance of FBCL to be materially different from any future results and performance expressed or implied by such forward-looking information.

1.2 Materiality

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

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 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*, 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 recognized, 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 prioritization 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 COVID-19 pandemic began, in March of 2020, the organization 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 Canadian border restrictions were eliminated. On May 12, 2023, the final border restriction in place entered the US was removed. These restrictions have affected The FBCL's revenues greatly, and all bridge crossings 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 current fiscal 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:** There were no major capital works in the third quarter as all capital works had been completed by the second quarter.

- b) **Lansdowne:** The design of the Thousand Islands International Bridge 2024 rehabilitation project continues. In addition, paving of the international Rift Bridges started in the second quarter and was finalized in the third quarter.
- c) **Point Edward:** The Span 1 Blue Water Bridge paving and repair construction began in early July and was completed in early October.
- d) **Sault Ste. Marie:** There were no major capital works in the third quarter.

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 third quarter, passenger traffic volumes were approximately 78% of pre-pandemic volumes, whereas at the end of the third quarter in the prior year, these volumes were approximately 62% 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 mitigate the decrease in Tolls revenue with stringent review of all expenses and related processes. 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, \$0.7 million of principal has been repaid.

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, the Seaway International Bridge on April 1, 2019 and Sault Ste. Marie International Bridge were updated on October 1, 2023.

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			For the nine months ending		
	Dec 31 2023 (unaudited)	Dec 31 2022 (unaudited)	Variance	Dec 31, 2023 (unaudited)	Dec 31, 2022 (unaudited)	Variance
Tolls	8,015	7,533	482	24,777	22,603	2,174
Thousand Islands International Bridge	1,730	1,458	272	6,372	4,983	1,389
Leases and permits	1,119	1,015	104	2,851	2,669	182
Interest	254	155	99	636	224	412
Gain on investments	33	(23)	56	142	(3)	145
Other	83	34	49	328	175	153
Total revenue	11,234	10,172	1,062	35,106	30,651	4,455
Government funding	1,324	1,004	320	3,441	2,988	453

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

Traffic volumes

During the third quarter of 2023-24, overall truck volumes have decreased by 5% and passenger car volumes have increased by 16%, when compared to the third quarter of 2022-23. Truck volumes, by bridge, varied between a decrease of 7% to remaining consistent while passenger car volumes, per bridge, varied between an increase of 7% to 30%. From a year-to-date perspective, overall truck volumes have decreased by 6% and passenger car volumes have increased by 26%. While passenger volumes have increased due to pandemic related border restrictions between Canada and the US being removed, they are still only approximately 78% of pre-pandemic levels (62% in 2022-23).

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 approximately 1.9 million toll-exempt passages that depend on the bridge, an increase of 10% in the past 4 years. In the third quarter, as compared to the prior year, paid passenger volumes at these locations have increased by 30% and 21%, respectively (year-to-date 43% and 39%, respectively). Commercial volumes at Sault Ste. Marie have remained consistent, in the quarter, while those at the Seaway International Bridge are down by 5% (year-to-date up 3% and 1%, respectively). The passenger volumes are still only approximately 73% and 82% of pre-pandemic levels, respectively (51% and 59% in 2022-23, respectively).

For the Thousand Islands International Bridge, commercial vehicles typically make up about 20% of the crossing's users and the construction of the new U.S. Customs and Border Protection facilities on Wellesley Island helped with a vital source of cash flow. That project is now complete. The normally strong cross-border tourism industry in this region was considerably affected by the border restrictions. In the third quarter, as compared to the prior year, passenger volumes are up by 14% and commercial volumes are down by 1% (year-to-date passenger volumes are 19% higher while commercial volumes are lower by 2%). The passenger volumes are approximately 89% of pre-pandemic volumes (75% in 2022-23). Many of these crossings are local cross-border traffic that depend on the crossing for day-to-day life, and take advantage of a lower commuter crossing toll rate.

Within the portfolio, the Blue Water Bridge was uniquely positioned to deal with the pandemic's impacts. As Canada's second busiest commercial border crossing, it benefits from a user base that is generally 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 third quarter, as compared to the prior year, passenger volumes are up by 7% and commercial volumes are down by 7% (year-to-date passenger volumes are 19% higher and commercial volumes are 9% lower). Both passenger and commercial crossings in the third quarter were lower than anticipated, in part due to the closure of one of the spans of the bridge for planned repairs works and the processing capacity of the border agencies on the westbound span. For the current year-to-date, passenger volumes were approximately 66% of pre-pandemic levels at this location (56% in 2022-23).

Canadian vs. U.S. dollar exchange rate

The exchange rate for the third quarters of 2023-24 and 2022-23 was 1.36 on average. 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 minimize any foreign currency loss on toll revenues.

Changes in toll rates

An update of toll rates occurred at Blue Water Bridge (for USA-bound traffic) on April 1, 2023, Thousand Islands International Bridge on March 1, 2023, the Seaway International Bridge on April 1, 2019, and the Sault Ste. Marie International Bridge on October 1, 2023.

Leases and permits: Usually, the most significant leases are from the Duty Free stores in Point Edward, Thousand Islands, and Sault Ste. Marie, of which a significant portion of these lease revenues are based on a percentage of sales of goods. With increased volumes, there is an increase in leasing revenues, yet overall leases continue to be approximately 28% less than pre-pandemic values.

Interest and Gain on investments: Interest rates have increased which provides better returns on cash and cash equivalents as well as investments.

Other: There are no significant changes when compared to the prior year.

Government funding: The government funding recognized in revenues consists of a mortization of deferred capital funding in the amount of \$1.0 million and operating funding of \$0.3 million for the third quarter of 2023-24 (\$0.9 million and \$0.1 million for the third quarter of 2022-23, respectively). From a year-to-date perspective, a mortization of deferred capital funding and government funding for operations is \$2.9 million and \$0.5 million respectively (\$2.6 million and \$0.4 million respectively in 2022-23). In the current year, the Canadian Government provides funding to eliminate the deficit for the Seaway International Bridge, while in the prior fiscal year the U.S. 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			For the nine month ending		
	Dec 31 2023 (unaudited)	Dec 31 2022 (unaudited)	Variance	Dec 31, 2023 (unaudited)	Dec 31, 2022 (unaudited)	Variance
Operations	2,489	2,243	246	7,231	7,129	102
Thousand Islands International	1,567	1,777	(210)	5,023	5,228	(205)
Maintenance	3,702	3,574	128	10,790	10,478	312
CBSA & CFIA operations	2,121	2,046	75	5,973	5,879	94
Administration	1,926	1,791	135	5,462	5,513	(51)
Additional funding of SIBC operations	150	-	150	253	-	253
Total expenses	11,955	11,431	524	34,732	34,227	505
Interest expense	581	692	(111)	1,803	2,142	(339)

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. For the third quarter, there is slight increases in salaries and benefits, technology equipment purchases and bank fees relating to higher tolls being collected. From a year-to-date perspective these additional costs are offset by a amortization being lower by \$0.3 million.

Thousand Islands International Bridge: The expenses represent FBCL's share of expenses as a result of the international agreement pertaining to the crossing at the Thousand Islands. Accrual adjustments in the year resulted in marginally lower realized expenses in the current year, combined with a decrease in a amortization recognized.

Maintenance: Maintenance expenses relate to the maintenance, upkeep and repairs of FBCL's assets. From a quarter and a year-to-date perspective, there are a variety of incremental maintenance projects that were accelerated post-pandemic across the portfolio.

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

Administration: Administration expenses relate to the management and oversight of the operations of the individual crossings and the Corporation. There is no significant variance in expenses.

Additional funding of SIBC operations: Historically, FBCL recognizes 50% of revenues and expenses of the Seaway International Bridge in accordance with international agreements. In 2023-24, the remaining 50% of the deficit is being 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 U.S. Government and therefore that additional funding was recorded in revenues as Funding with respect to operating expense.

Interest expense: As 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)			
	December 31	March 31	
	2023	2023	
	(Unaudited)	(Audited)	Variance
Assets			
Financial assets	26,442	16,138	10,304
Non-financial assets	345,228	353,814	(8,586)
Total assets	371,670	369,952	1,718
Liabilities			
Current liabilities	17,374	16,379	995
Non-current liabilities	138,652	139,910	(1,258)
Total liabilities	156,026	156,289	(263)
Total equity	215,644	213,663	1,981

Financial Assets: Financial assets consist of cash and cash equivalents, investments, and receivables. During the year, cash flow from operations is \$13.0 million before considering changes in working capital. The change in working capital provides an additional \$1.6 million when excluding changes in trade and other receivables. This is offset by debt principal payments of \$3.8 million and internally funded capital asset acquisitions of \$0.5 million.

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 asset purchases are \$6.1 million while depreciation of \$13.8 million has been recorded.

Current Liabilities: The increase is primarily due to increase in trade and other payables of \$0.8 million with nearly 40% of the December 31, 2023, balance relating to accrued interest on the bonds payable, which is payable at the beginning of January 2024. There is a slight decrease in employee benefits offset by slight increases in the current portion of the bonds payable and deferred government funding.

Non-current Liabilities: Deferred government funding has increased by \$5.6 million for new capital project funding offset by \$2.9 million amortized to revenue and \$0.2 million being reclassified to current portion. In addition, one bond payment was made in July 2023 lowering the long-term portion by \$3.5 million, regular loan principal payments of \$0.3 million, and lease liability of \$0.2 million. Employee benefits have increased by \$0.4 million due to recognition of current service and interest costs related with post employment benefits.

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 ('000s)

	December 31 2023 (9 months)	Corporate Plan (12 months)	Percentage
Tolls	24,777	31,563	79%
Thousand Islands International Bridge	6,372	6,860	93%
Leases and permits	2,851	3,662	78%
Interest	636	109	583%
Other	470	283	166%
Total revenue	35,106	42,477	83%
Government funding	3,441	5,393	64%

With the removal of the final border restrictions in May 2023, higher than budgeted traffic volumes have occurred.

Operating and interest expense ('000s)

	December 31, 2023 (9 months)	Corporate Plan (12 months)	Percentage
Operations	4,400	6,922	64%
Thousand Islands International Bridge	3,871	6,021	64%
Maintenance	4,709	7,626	62%
CBSA & CFIA	2,855	4,599	62%
Administration	4,854	7,807	62%
Additional funding of SIBC operations	253	713	35%
Depreciation	13,790	18,543	74%
Total expense	34,732	52,231	66%
Interest expense	1,803	2,450	74%

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 62% and 64% (excluding depreciation) 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* (Main Estimates), which passed as legislation by the House of Commons on June 21, 2023, \$7.4 million was granted to the FBCL under vote 1. Of this amount, the FBCL has claimed \$0.5 million in appropriations for operating expenses in the three quarters and \$5.6 million for capital. Capital funding is expected to be fully utilised in the fiscal year and operating appropriations will be used to recover 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 claimed \$4.2 million in the second and third quarters of 2022-23.

5.0 FBCL INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2023

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

5.1 Statement of Management Responsibility

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

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

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



Natalie Kinloch
Chief Executive Officer



Richard Iglinski
Chief Financial Officer

Ottawa, Canada
January 25, 2024

5.2 Interim Unaudited Condensed Consolidated Statement of Financial Position

as at December 31, 2023

(in thousands of Canadian dollars)

	Notes	December 31, 2023	March 31, 2023
		unaudited	
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		13,457	7,508
Investments		9,605	6,515
Trade and other receivables		3,380	2,115
Prepays		645	1,570
Total Current Assets		27,087	17,708
Non-Current Assets			
Property and equipment	6	327,651	334,764
Investment properties		16,750	17,273
Intangible assets		20	37
Lessor inducement		162	170
Total Non-Current Assets		344,583	352,244
Total assets		371,670	369,952
Liabilities			
Current Liabilities			
Trade and other payables		2,459	1,703
Employee benefits		928	1,128
Holdbacks		65	163
Deferred revenue		2,287	2,207
Loans payable		400	400
Bonds payable		6,960	6,737
Lease liability		219	218
Deferred government funding		4,056	3,823
Total Current Liabilities		17,374	16,379
Non-Current Liabilities			
Deferred revenue		798	912
Loans payable		8,867	9,167
Bonds payable		23,821	27,357
Lease liability		456	644
Deferred capital funding		96,859	94,404
Employee benefits		7,851	7,426
Total Non-Current Liabilities		138,652	139,910
Equity			
Share capital - 2 shares @ no par value		-	-
Retained earnings		215,684	213,672
Accumulated other comprehensive income		(40)	(9)
Total Equity		215,644	213,663
Total Equity and Liabilities		371,670	369,952

5.3 Interim Unaudited Condensed Consolidated Statement of Comprehensive Income

for the three and nine month periods ended December 31, 2023

(in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	\$
Revenue				
Tolls and services	8,015	7,533	24,777	22,603
Thousand Islands International Bridge revenue	1,730	1,458	6,372	4,983
Leases and permits	1,119	1,015	2,851	2,669
Interest	254	155	636	224
Gain on investments	33	(23)	142	(3)
Other	83	34	328	175
Total Revenue	11,234	10,172	35,106	30,651
Expenses				
Operations	2,489	2,243	7,231	7,129
Thousand Islands International Bridge expenses	1,567	1,777	5,023	5,228
Maintenance	3,702	3,574	10,790	10,478
Canada Border Security Agency & Canadian Food Inspection Agency operations	2,121	2,046	5,973	5,879
Administration	1,926	1,791	5,462	5,513
Additional funding of SIBC operations	150	-	253	-
Total Expenses	11,955	11,431	34,732	34,227
Operating Gain (Loss) Before Government Funding	(721)	(1,259)	374	(3,576)
Government Funding				
Amortization of deferred capital funding	1,024	865	2,935	2,589
Funding with respect to operating expense	300	139	506	399
Total Government Funding	1,324	1,004	3,441	2,988
Non-Operating Items				
Interest expense	(581)	(692)	(1,803)	(2,142)
Total Non-Operating Items	(581)	(692)	(1,803)	(2,142)
Net Income (loss)	22	(947)	2,012	(2,730)
Other Comprehensive Income				
Items that may be reclassified subsequently to statement of income (loss)				
Investments revaluation gain (loss) on available-for-sale investments	78	(3)	111	(45)
Cumulative loss (gain) reclassified to income on sale of available-for- sale investments	(33)	23	(142)	3
Total Other Comprehensive Income	45	20	(31)	(42)
Total Comprehensive Income (Loss) for the Period	67	(927)	1,981	(2,772)

5.4 Interim Unaudited Condensed Consolidated Statement of Changes in Equity

for the nine month period ended December 31, 2023

(in thousands of Canadian dollars)

	Retained Earnings (unaudited)	Accumulated Other Comprehensive Income (unaudited)	Total (unaudited)
	\$	\$	\$
Balance, April 1, 2022	216,584	12	216,596
<i>Total Comprehensive Income:</i>			
Net loss	(2,730)	-	(2,730)
<i>Other Comprehensive Income:</i>			
Revaluation gain on fair value through other comprehensive income investments	-	(45)	(45)
Cumulative gain reclassified to income on sale of fair value through other comprehensive income investments	-	3	3
Other Comprehensive Income total	-	(42)	(42)
Total Comprehensive Income	(2,730)	(42)	(2,772)
Balance at December 31, 2022	213,854	(30)	213,824
Balance, April 1, 2023	213,672	(9)	213,663
<i>Total Comprehensive Income:</i>			
Net income	2,012	-	2,012
<i>Other Comprehensive Income:</i>			
Revaluation loss on fair value through other comprehensive income investments	-	111	111
Cumulative loss reclassified to income on sale of fair value through other comprehensive income investments	-	(142)	(142)
Other Comprehensive Income total	-	(31)	(31)
Total Comprehensive Income	2,012	(31)	1,981
Balance at December 31, 2023	215,684	(40)	215,644

5.5 Interim Unaudited Condensed Consolidated Statement of Cash Flows

for the three and nine month periods ended December 31, 2023

(in thousands of Canadian dollars)

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$			
Cash Flows from Operating Activities				
Net income (loss)	22	(947)	2,012	(2,730)
Adjustments for:				
Amortization of deferred capital funding	(1,024)	(865)	(2,935)	(2,589)
Depreciation of property and equipment	4,432	4,622	13,250	13,798
Depreciation of intangible assets	6	6	17	17
Depreciation of investment properties	168	223	523	604
(Gain) loss on disposal of investments	(33)	(50)	(142)	3
Change in employee benefits	195	(43)	225	(64)
	3,766	2,946	12,950	9,039
Changes in Non-cash Working Capital:				
Trade and other receivable	1,472	3,229	(1,265)	(698)
Lessor inducement	3	3	8	9
Prepays	442	487	925	771
Trade and other payables	(1,934)	(1,355)	756	(1,739)
Holdbacks	(100)	2	(98)	(74)
Deferred revenue	10	28	(34)	27
	(107)	2,394	292	(1,704)
Net Cash Generated by Operating Activities	3,659	5,340	13,242	7,335
Cash Flows from Investing Activities				
Payments for property and equipment	(542)	(1,124)	(6,137)	(4,938)
Payments for investment properties	-	-	-	(4)
Payments for intangible assets	-	-	-	-
Government funding related to acquisitions of property and equipment	371	1,090	5,623	4,184
Proceeds from disposal of property and equipment	-	-	-	-
Proceeds on sale of investments	2,052	4,260	4,409	5,038
Purchase of investments	(3,141)	(2,738)	(7,388)	(2,886)
Net Cash (Used for) Generated by Investing Activities	(1,260)	1,488	(3,493)	1,394
Cash Flows from Financing Activities				
Repayment of loans payable	(100)	(100)	(300)	(300)
Repayment of bonds payable	-	-	(3,313)	(3,103)
Repayment of lease liability	(58)	(60)	(187)	(181)
Net Cash Used for Financing Activities	(158)	(160)	(3,800)	(3,584)
Net increase in cash and cash equivalents	2,241	6,668	5,949	5,145
Cash and cash equivalents, beginning of period	11,216	7,279	7,508	8,802
Cash and Cash Equivalents, end of period	13,457	13,947	13,457	13,947

1. AUTHORITY AND ACTIVITIES

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

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

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

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

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Corporation’s interim unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and do not include all of the information required for a full annual consolidated financial statements. The interim unaudited condensed consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended March 31, 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 judgements and estimates as at December 31, 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 nine 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	-	-	403	-	-	-	5,759	6,162
Disposals	-	-	-	-	-	(25)	-	(25)
Transfers	-	5,976	-	-	-	-	(5,976)	-
Balance, December 31, 2023	14,908	279,876	37,184	144,703	36,042	1,512	1,548	515,773

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	-	6,995	1,894	3,104	1,118	139	-	13,250
Balance, December 31, 2023	-	109,109	17,744	43,122	17,187	960	-	188,122
Net book value, December 31, 2023	14,908	170,767	19,440	101,581	18,855	552	1,548	327,651
Net book value, March 31, 2023	14,908	171,786	20,931	104,685	19,973	716	1,765	334,764

7. FINANCIAL INSTRUMENTS*Fair Value*

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

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

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

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

As at September 30	2023		
	Value	Cost	Level
	\$	\$	
Financial instruments measured at fair value on a recurring basis			
Investments (fair value through other comprehensive income)	7,434	7,434	Level 2
Financial instruments measured at amortised costs			
Investments - amortized cost	2,171	2,171	Level 2
Loans payable	9,267	9,267	Level 2
Bonds payable	32,897	30,781	Level 2
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 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