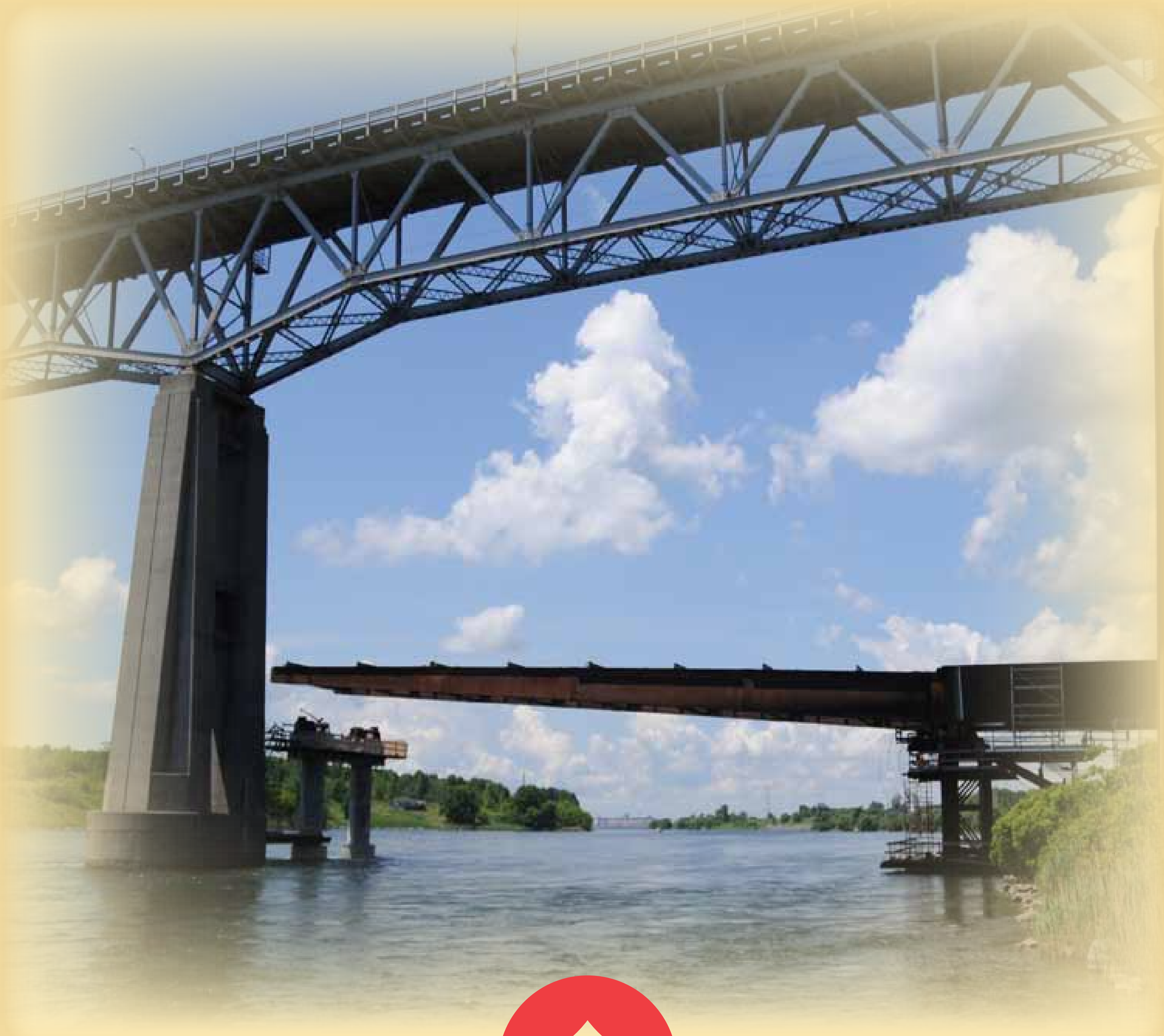

ANNUAL REPORT 2011-12

THE FEDERAL BRIDGE CORPORATION LIMITED

The Jacques Cartier and Champlain Bridges Incorporated

St. Mary's River Bridge Company

The Seaway International Bridge Corporation, Ltd.

"PROFICIENCY AND EXPERTISE IN ENSURING THE SAFETY AND EFFICIENCY OF OUR BRIDGES AND RELATED STRUCTURES "

Canada

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Front Cover Photo: *North Channel Bridge Replacement Project in Cornwall. The low-level bridge is scheduled for opening in the Fall of 2013*

1 Message from the President and Chief Executive Officer

Micheline Dubé

While reflecting on The Federal Bridge Corporation Limited (FBCL) 14th Annual Report, it is necessary to underline the expertise within the Corporation that is demonstrated daily to ensure and maintain the safety and efficiency of our bridges and related structures. The range, diversity and complexity of the multiple challenges faced by FBCL and its subsidiaries in managing capital and rehabilitation projects over all these years are tremendous.

Our overall workforce and engineering staff in particular, have very specialized and sought after expertise and continuously contribute to establish recognized industry standards for the management of bridges and associated structures in all traffic conditions. Throughout the years, since the Jacques Cartier Bridge Deck Replacement Project won the International Precast Design Award in the Best Rehabilitated Bridge category (the only Canadian project to win an award among the 138 submissions) in the early 2000, the Corporation and its subsidiaries have on numerous occasions been recognized for their innovation. In this Annual Report we share those achievements with you.

Accomplishments and Moving Forward

In 2011-12, FCBL and its subsidiaries delivered on an operating and capital budget totalling $216.7M. The expertise of the Corporation was evident in the delivery of major multi-year projects to ensure we continue moving forward with our mandate of bridge safety and infrastructure renewal.

At the Sault Ste. Marie International Bridge, the Canadian customs plaza rehabilitation ($51.4M project) designs were completed and approved by the Canada Border Services Agency (CBSA) with some land acquisitions completed and site preparation works continuing. Our subsidiary, Saint Mary's River Bridge Company (SMRBC) remains engaged in the process of acquiring the remaining properties in order to begin construction.

The first year of construction of the new low-level North Channel Bridge (NCB) in Cornwall ($74.8M project) featured the completion of the piers in the St. Lawrence River. The initiation of the construction phase of the bridge and associated structures began in 2011-12 and is expected to open by 2013. An historic Memorandum of Understanding between FBCL and the Mohawk Council of Akwesasne (MCA) was signed related to the project. The MCA has shown goodwill in seeing the new bridge being built and Mohawk workers will be employed in different facets in the construction. This new bridge project is very exciting for the City of Cornwall and surrounding communities with many positive comments from the public being posted almost daily on our project blog (see Appendix C) which shows the progress and visual updates on a regular basis.

In Montreal, the Honoré Mercier Bridge rehabilitation ($135M project) which was to be completed in 2011-12, has been extended to 2012-13 due to ongoing jurisdictional issues between the Mohawk community and the Province of Quebec as well as unplanned infrastructure issues on the Quebec portion of the bridge which required additional works. The replacement of the deck on the federal portion of the Honoré Mercier Bridge continued to be carried out by way of two contracts and in partnership with the Ministère des Transports du Québec (MTQ). The federal portion of Contract A (original scope) related to the approaches was completed. MTQ has requested additional important repairs to be added into Contract A. In March 2012, the MTQ cancelled its participation in Contract B for the deck-replacement work which may be delayed as impacts on the overall project and existing contracts are being assessed.

The third year of the major repair program of the Champlain Bridge ($212M/10-years) was successfully completed and will need to continue until the completion of its replacement scheduled for 2020–21. Since the funding of the 10-year plan is only until 2018-19, additional funding may be required for the extension of the major repair program to coincide with the completion of the replacement bridge. In the interim, the 10-year major repair program of the existing Champlain Bridge will continue and inspections and rehabilitation works required to ensure the safety of the infrastructure will be delivered.

In addition to these projects, the subsidiary The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) delivered on the first year of the three year $227.6M funding for urgent repairs and asset preservation in Montreal. Works are underway at all locations including Highway 15, the Bonaventure Expressway, the Jacques Cartier Bridge, the Honoré Mercier Bridge, the Melocheville Tunnel and the Champlain Bridge Ice Control Structure. Forecasted expenditures are in line with allocated funding.

One of the major highlights of my years leading FBCL was the announcement of the building of a new bridge across the St. Lawrence to replace the Champlain Bridge. FBCL and its subsidiary JCCBI have been providing in-depth information on the future of the Champlain Bridge and the need for a new structure to ensure the safety and efficiency of the transportation network in Montreal for some time. The new bridge for Montreal brings an important strategic shift for FBCL and its subsidiary JCCBI as the actual bridge corridor project will be led by Transport Canada (TC). Assistance and coordination expertise will be provided to TC in this project.

Corporate Oversight and Finance

FBCL and its subsidiaries are contributing to the government's priorities for improving efficiencies in operations and value for money.

International bridges are operating very well with increased passenger traffic flows that contribute to Canada's economy. However they are experiencing increased financial pressures to meet the self-sufficiency model due to obligations of the *Customs Act* (Section 6) that require the operators to provide facilities for CBSA. The tolls do not generate enough revenue to build reserves to fund major rehabilitation or replacement projects which are currently being funded directly by government appropriation or contributions. For domestic bridges the challenge is that major infrastructures and major repair projects (except Champlain Bridge) have been funded on a short-term basis which limits the ability to bundle long-term works. FBCL is working closely with the government to alleviate these funding pressures by providing solid business cases to demonstrate the most effective and cost efficient options required to keep its bridges and infrastructures safe.

Overall for the future planning horizon, FBCL anticipates stability in its revenue with a short-term increase in parliamentary appropriations, contributions and expenditures as it delivers major capital projects at both international and domestic bridge locations. Dependent on future government policy and funding decisions, this trend is expected to continue for federal domestic bridges in Montreal over the next ten years to address infrastructure risks. FBCL will continue to look forward and investigate new technologies and innovations for achieving safety for its bridges and associated structures.

Fiscal year 2011-12 has brought many challenges and accomplishments for FBCL and its subsidiaries as demonstrated in the successful delivery of some of its major projects. I am extremely proud of the enthusiasm and perseverance shown by the employees of FBCL and its subsidiaries over the past year. FBCL continues to support its mandate and highest priority of building, managing and operating its portfolio of federal bridges and associated structures so they remain safe and efficient for users. It is with pride that I continue to lead FBCL in its commitment to achieve this vision and explore other opportunities to provide its expertise for the benefit of the government and all Canadians.

Micheline Dubé, President and CEO

***Glenn Hewus**, Senior Vice-President, Engineering and Construction at FBCL explains in a CBC television interview how FBCL and the National Research Council of Canada have used their joint expertise to help Dr Daniel Cusson, a senior researcher at the NRC develop a more durable concrete that will increase the average lifespan of bridge decks by more than 20 years .*

The new concrete will be used for certain sections of the New North Channel Bridge currently under construction in Cornwall.

***Glen Carlin**, General Manager at The Jacques Cartier and Champlain Bridges Incorporated participating in a Forum organized by the Montreal Chamber of Commerce on the economic importance of capital transportation projects .*

2 Message from the Chairperson

The 2011 Speech from the Throne communicated the need to invest in the priorities of Canadians, to keep Canada's economy growing strongly and to maintain low interest rates. The Budget also continued its support to strengthening Canada's public infrastructure by providing funding for major projects. Through the continued leadership of the FBCL Board of Directors and its subsidiary Boards strong support of the government's priorities has been demonstrated by ensuring the delivery of major projects on its bridges and associated structures and keeping Canada's economy moving forward. In Budget 2011, the government committed to embark on the next phase of Canada's Economic Action Plan. FBCL's mandate directly supports these objectives by providing essential, safe and efficient bridge corridors allowing the flow of traffic and goods within Canada and across the U.S. border including broader international destinations. It is estimated that these crossings carried approximately 139 million vehicles per year and over $67B of merchandise, making them amongst the busiest in North America.

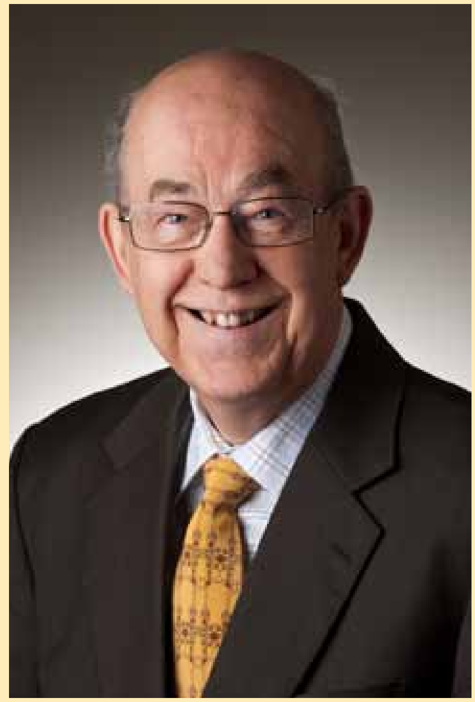
FBCL is continuing to enhance its oversight role and manage its resources carefully. Letters of expectations were sent by the FBCL Board across the portfolio outlining corporate priorities. These priorities included delivery of the first public Quarterly Financial Reports as required by the *Financial Administration Act* (FAA), support of government initiatives of expenditure restraint and continuing the collective focus on strong governance and proper oversight, to address the findings of the OAG's 2008 Special Examination. FBCL has implemented the transition to Public Sector Accounting Standards. These elements form part of the FBCL Enterprise Risk Management framework that is under development by the FBCL Board.

FBCL's highest priorities are ensuring safety at all times on all of its structures and sustainable funding to ensure the safety of the structures and people travelling across them. Fiscal year 2011-12 has proven to be a very successful year for FBCL and its subsidiaries. At the international crossing in Cornwall, the much anticipated new low-level North Channel Bridge construction is underway. The bridges and infrastructures at its other international crossings in Sault Ste. Marie and Thousand Islands are in good condition and are well maintained by our U.S. partners.

Domestically, FBCL and its subsidiary JCCBI's long-standing efforts in regards to the future of the Champlain Bridge have culminated in a key government decision for the building of a new bridge across the St. Lawrence. Discussions with Transport Canada will continue over the long-term to coordinate the requirements for current infrastructure risk management in order to align to the new project. These works are expected to continue into 2012. Also, additional funding for JCCBI was requested and approved by government for three years for urgent repairs and asset preservation for all bridges and associated structures in Montreal.

FBCL has built strong relationships with its partners and stakeholders and is making progress in strengthening its oversight role within its portfolio leading to increased accountability with the processes implemented by the FBCL Board. With the successful execution of its 2011-12 plan, FBCL will continue to deliver on its large key projects. FBCL takes pride in its proven ability to provide the support and expert advice on the future of its bridges and associated structures, to ensure government has the right information to make decisions to ensure the safety of the users of its assets. It is well-positioned to deliver on its large key construction projects responding to bridge safety and rehabilitation and, collectively, with its subsidiaries, has proven to have the expertise to ensure that it can quickly react and adapt to changing requirements.

__Hendrik Saaltink__, Director General at SIBC, is managing a $22M recoating of the South Channel Bridge in Cornwall. This three year project involves the erection of temporary work platforms and enclosure which are maintained at negative air pressure in order to prevent the escape of dust particles. The existing coating, which includes toxic lead paint, is removed by abrasive blasting. Steel grit abrasive is cleaned and recycled. Paint chips and debris are disposed of in accordance with environmental regulations. Steel surfaces are then coated with a four-step system that includes a zinc rich primer, an epoxy barrier layer and a urethane top coat. The new paint system has an estimated service life of 25 years.



J. Keith Robson

J. Keith Robson, Chairperson

3 Governance

3.1 FBCL BOARD

RESPONSIBILITY

As per the FAA, the duties and responsibilities of the FBCL Board are to set corporate objectives and direction, ensure good governance, monitor financial performance, approve consolidated budgets and financial statements, approve policies and by-laws, appoint the directors of subsidiaries, as well as ensure that risks are identified and mitigation measures are in place.

INDEPENDENCE

Directors of the FBCL Board are required to act honestly, diligently, carefully and in good faith, in accordance with the FAA. They are briefed on and operate under the terms of corporate by-laws designed to prevent conflict of interest, and they are required to recuse themselves from decision making related to potential areas of conflict of interest. FBCL requires that each new Director review and acknowledge his or her understanding of the principles expressed in the Conflict of Interest Code for Directors.

COMMITTEES OF THE FBCL BOARD

In accordance with sound governance practices, the standing committee of the FBCL Board, the Audit Committee, ensures that all significant measures and initiatives are reviewed in detail in order to make recommendations to the full FBCL Board on the matters at hand. The Committee is composed of three Directors, one of whom shall be appointed Chair of the Committee by the Board.

Given the size of the FBCL Board (4 members, with 1 position vacant), its members, in 2011, repealed the FBCL Bylaw No. 6 that created the governance committee. All responsibilities related to matters of oversight in the areas of governance, board nominations and human resources have been assumed by the FBCL Board.

AUDIT COMMITTEE

The role of the audit committee is as mandated by section 148 of the FAA. The audit committee is responsible for making recommendations to the Board in matters of oversight in the areas of standards of integrity and behaviour, the reporting of internal and external audits, financial information, management control practices, risk management and insurance needs.

3.2 BOARD OF DIRECTORS REMUNERATION

The Governor-in-Council establishes the remuneration paid to the FBCL Chair, other Board members and the President and CEO. The remuneration of the Chair and other Board members follows the Government's Remuneration Guidelines for Part-time Governor in Council Appointees in Crown Corporations and is pursuant to section 108 of the FAA. The Chair receives an annual retainer of $7,500 and a per diem of $400 for attending meetings of the FBCL and its committees, while other Board members are paid an annual retainer of $3,800 and a per diem of $400 for attending meetings of the FBCL and its committees. Board members are reimbursed for all reasonable out-of-pocket expenses including travel, accommodations, and meals while performing their duties on behalf of FBCL.

The employment conditions of the President and CEO are provided by the Terms and Conditions of Employment for Full-Time Governor-in-Council Appointees. The salary range for the President and CEO position (CEO 3) is $172,900 - $203,400. The President and CEO does not receive a per diem for attending Board meetings. The Governor-in-Council may also grant to the President and CEO performance pay of up to 15 percent of the base salary, according to the achievement of key performance objectives, as determined by the Board of Directors.

Remuneration of senior management at FBCL and its subsidiaries are modeled on government Executive (EX) salary scales.

3.3 CODE OF CONDUCT

The *Public Servants Disclosure Protection Act* (PSDPA) came into force on April 15, 2007. Its purpose is to encourage employees in the public sector including Crown corporations and other public agencies to come forward if they have reasons to believe that serious wrongdoing has taken place and to provide protection to them against reprisal should they do so. One requirement of this Act is to promptly provide public access to certain information respecting founded cases of wrongdoing resulting from a disclosure brought forward under the PSDPA. Specifically, the Corporation must describe the wrongdoing; the recommendations made to the chief executive; and the corrective action taken by the chief executive.

FBCL fully adheres to the spirit of the PSDSA, and has had no complaints since 2007.

3.4 PORTFOLIO MANAGEMENT

Each subsidiary is governed by a Board of Directors who is appointed by the FBCL Board pursuant to section 106 of the CBCA. Subsidiary Boards are also governed by the duties and responsibilities set out in the FAA. In addition, FBCL recommends the Canadian Directors to be appointed by TIBA at the Thousand Islands International Bridge.

The relationship of the FBCL Board with its subsidiary Boards balances the legal reality that the parent company and its subsidiaries are distinct legal entities with the need to ensure compliance and strategic alignment of these entities with corporate objectives. Strategic directions are set for FBCL through its mandate, government policies, approvals and letter of expectations from the responsible Minister. The FBCL Board annually issues letters of expectations to the Chairs of the subsidiary Boards to outline their expected roles and responsibilities in line with these strategic directions. The letters will serve as an agreement between the FBCL Board and each organization on the corporate mandate, including high-level performance expectations, public policy issues and strategic priorities. Quarterly reports allow results to be monitored. As the parent Crown, FBCL manages activities throughout the Corporation in support of its wholly-owned subsidiaries.

4 Who We Are

4.1 MANDATE

FBCL was established in 1998 to oversee and be accountable for the bridges under its control and to provide strategic direction to the asset operators under its jurisdiction. Its mandate is to provide the highest level of stewardship so that its bridge structures are safe and efficient for users. The Corporation is also in a position to provide expertise and advice to the federal government with regard to design, building, maintenance and operation of bridges and associated structures.

4.2 ORGANIZATIONAL OVERVIEW

FBCL is a parent Crown corporation operating at arm's length from the federal government. As a Crown corporation, FBCL is subject to the accountability regime set out in Part X of the FAA. It is accountable to Parliament through the Minister of Transport, Infrastructure and Communities with the assistance of the Minister of State (Transport) who are responsible for the Corporation, including the provision of broad policy direction and response to questions in Parliament for FBCL activities.

Headquartered in Ottawa, FBCL owns, manages and operates bridges and associated structures in four geographical locations with a governance model that includes three subsidiaries and three international partners.

1. Cornwall: Responsible for management of the international bridge crossing including the NCB, an international roadway and the South Channel Bridge. The operations are managed by international agreement as a joint venture by an FBCL wholly-owned subsidiary, SIBC on behalf of the assets owners, FBCL and the St. Lawrence Seaway Development Corporation (SLSDC), a federal U.S. entity. Major Canadian capital projects are undertaken directly by FBCL.
2. Sault Ste. Marie: Responsible for the Canadian portion of the Sault Ste. Marie International Bridge. The crossing is managed by the International Bridge Administration (IBA), an entity of the State of Michigan, U.S., through an international agreement between the asset owners, SMRBC, an FBCL wholly-owned subsidiary and the IBA. The bridge operations are overseen by a joint international Board of Directors, the Sault Ste. Marie Bridge Authority (SSMBA – U.S.). Major Canadian capital projects are undertaken directly by SMRBC.
3. Thousand Islands: Responsible for the Canadian portion of the Thousand Islands International Bridge. The crossing is managed by the Thousand Islands Bridge Authority (TIBA), an entity of the State of New York, U.S., under a bi-national agreement between the asset owners, FBCL and TIBA. Major Canadian capital projects are undertaken directly by FBCL.
4. Greater Montreal Area: Responsible for federal domestic bridges including three major bridges and their approaches (Jacques Cartier and Champlain bridges and the federal portion of the Honoré Mercier Bridge), and three associated structures (Bonaventure Expressway, Champlain Bridge Estacade and Melocheville Tunnel). The structures are owned and managed by an FBCL wholly-owned subsidiary JCCBI.

4.3 VISION

FBCL is recognized as being the single "go-to" agency for building, managing and operating its portfolio of federal bridges and associated structures so they remain safe and efficient for users as well as providing facilities for CBSA at its international bridge crossings.

4.4 LEGISLATION AND RESPONSIBILITIES

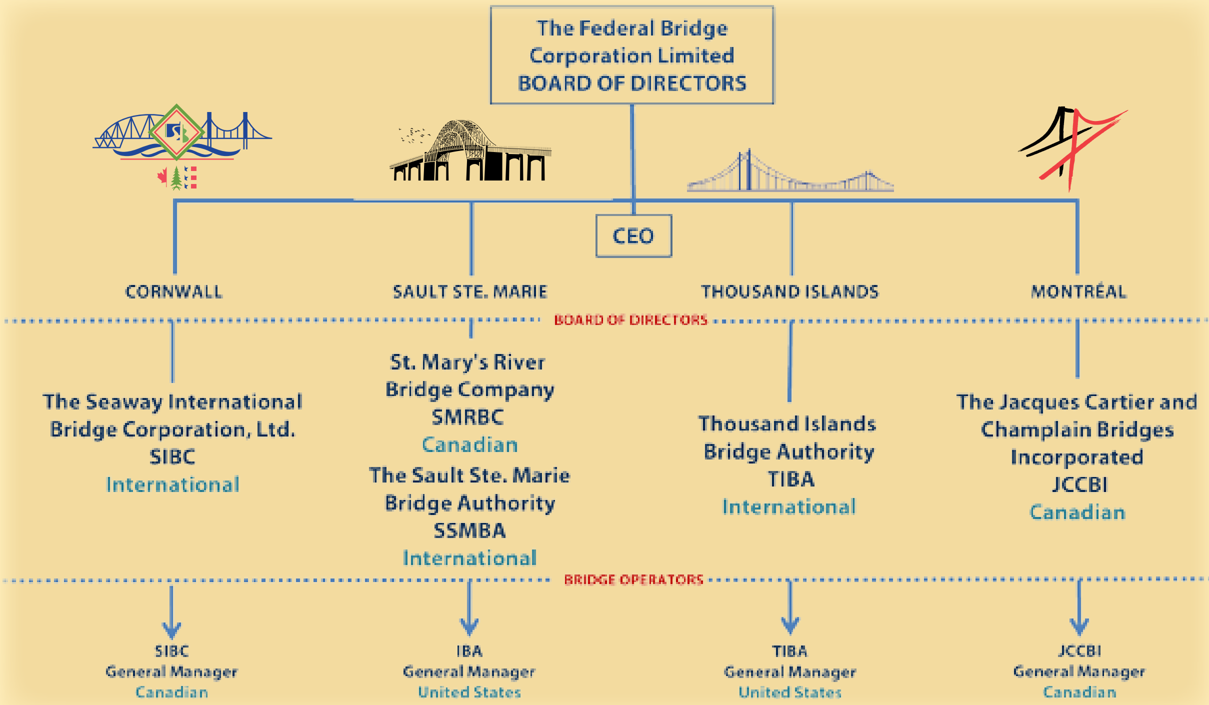
Headquartered in Ottawa, FBCL is an Agent Crown corporation listed under Schedule III-I of the FAA, incorporated in 1998 under the *Canada Business Corporations Act* (CBCA). FCBL's Articles of Incorporation outline that the business shall, in essence, be limited to:

1. acquiring lands for, and constructing, maintaining and operating bridges connecting Canada with the United States, and, as authorized by the *St Lawrence Seaway Authority Act* (SLSAA), acquiring shares or property of any bridge company and operating and managing bridges;
2. acquiring lands for, and constructing or otherwise acquiring, maintaining, managing and operating such works or other property as the Governor in Council may deem necessary;
3. acquiring or becoming the transferee of all or part of The St. Lawrence Seaway Authority (SLSA) property, rights or undertakings transferred by SLSA; and
4. with the approval of the Governor in Council, leasing to any person any lands, property or water-power held in its name/control or in the name of SLSA or held in the name of Her Majesty.

The transfer from SLSA included certain properties and structures, as well as the interests of SLSA in the issued and outstanding shares of its wholly-owned subsidiaries, JCCBI in Montreal and, in a joint venture with its U.S. partner, the SIBC in Cornwall. At the same time, FBCL assumed responsibility for the Canadian portion of the TIBA - a U.S. government organization) being the operating agency. FBCL has ultimate responsibility for all repair and maintenance of the Canadian facilities under a bi-national agreement.

In 2000, FBCL acquired a 90.7% ownership in SMRBC, which acquired the Canadian half of the Sault Ste. Marie International Bridge from the International Bridge Administration (IBA), the U.S. government agency that operates the crossing. IBA reports to a joint international board of directors, the Sault Ste. Marie Bridge Authority (SSMBA). In July 2008, SMRBC was continued under the CBCA (section 187) from which SMRBC derives its borrowing authority. In September 2009, FBCL acquired all of the outstanding shares so that SMRBC is now a Crown corporation and a wholly-owned subsidiary.

4.5 ORGANIZATIONAL STRUCTURE



4.6 PUBLIC POLICY OBJECTIVES

FBCL's strategic outcome; "to provide safe and efficient transit on the infrastructure maintained, operated and managed by the FBCL" is related to its mandate and aligned with one of the strategic outcomes and priorities of the Government of Canada, "strong economic growth". FBCL contributes to Canada's economy by ensuring safe and efficient transit on the domestic and international transportation network. On behalf of the federal government, FBCL and its subsidiaries own and operate three international bridges and associated structures in Ontario and three major domestic bridges and their approaches in the Greater Montreal Area. Its international and domestic bridges are some of the most important fixed-link crossings in Canada. FBCL also provides an important level of employment in construction related industries with major projects and maintenance of its bridges and associated structures.

INTERNATIONAL BRIDGES

FBCL manages the tolling operations, inspections, cyclical maintenance and repairs, security and promotion of the crossing as well as the provision of CBSA customs facilities. The operations are managed through international agreements with the U.S. including bi-national representation on each respective Board of Directors. The funding model is that of self-sufficiency of operations and the net earnings of the operations are shared in accordance with the international agreements. The aim is that net earnings be sufficient to fund, at least partly, the long-term the construction and rehabilitation activities on the bridges.

The FBCL international bridges are:

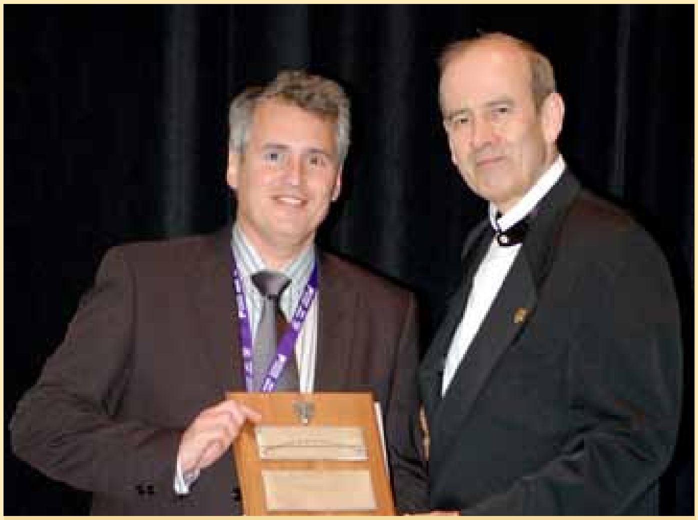
The Seaway International Bridge in Cornwall consists of the North Channel Bridge and the Canadian portion of the South Channel Bridge. They span the Mohawk Territory of Akwesasne and cross at Rooseveltown, New York (NY). It is a main access point to northern NY State for commercial and tourist traffic and also an important link for the Mohawk communities of NY and Ontario.
The Thousand Islands International Bridge consists of the Canadian portion located in Ivy Lea, Ontario and the American portion at Collin's Landing, NY. It is an important crossing for tourist traffic and one of the busier crossings for commercial traffic.
The Sault Ste. Marie International Bridge links the cities of Sault Ste. Marie Ontario and Michigan. It is of major importance to the forestry, manufacturing, tourism and service sectors of the northern Ontario economy.

DOMESTIC BRIDGES

FBCL, through its subsidiary JCCBI is responsible for the operations, inspections, cyclical maintenance and repairs, security, coordination with municipal and provincial stakeholders and management of contaminated sites of all federal domestic bridges and associated structures in Montreal. The operations of this bridge system are primarily funded through parliamentary appropriations with minor revenue generation activities such as revenue from advertising.

The primary domestic federal bridges include:

The Jacques Cartier Bridge is a steel-reinforced five lane bridge with a lane signalling system which allows the reversal of direction of lanes to accommodate rush hours. It runs between Longueuil and Montreal.
The Honoré Mercier Bridge connects the borough of LaSalle, on the Island of Montreal, to the Mohawk Reservation of Kahnawake, on the South Shore. The raised portion of the bridges falls under the jurisdiction of the federal government while the remainder of the bridge is under the Quebec government's jurisdiction.
The Champlain Bridge and Bonaventure Expressway links the boroughs of Brossard and Verdun and is the busiest bridge in Canada and one of the busiest in North America.
The Champlain Bridge Ice Control Structure (Estacade) runs parallel to the upstream portion of the Champlain Bridge and is also used as a bike path. It runs from Nun's Island to the banks of the St. Lawrence Seaway.
The Melocheville Tunnel, an extension of Highway 132, is located in Melocheville near the Beauharnois hydroelectric power station on the southwest shore of Montreal. The Melocheville Tunnel passes directly under the Beauharnois Canal providing one lane of traffic in each direction.



***Guy Mailhot**, Principal Director, Engineering (left) receiving the P.L. Pratley Award, established in 1987 in honour of P.L. Pratley, a distinguished bridge engineer. The award is granted annually for the best paper in the field of bridge engineering.*

4.7 SUMMARY OF OPERATIONS

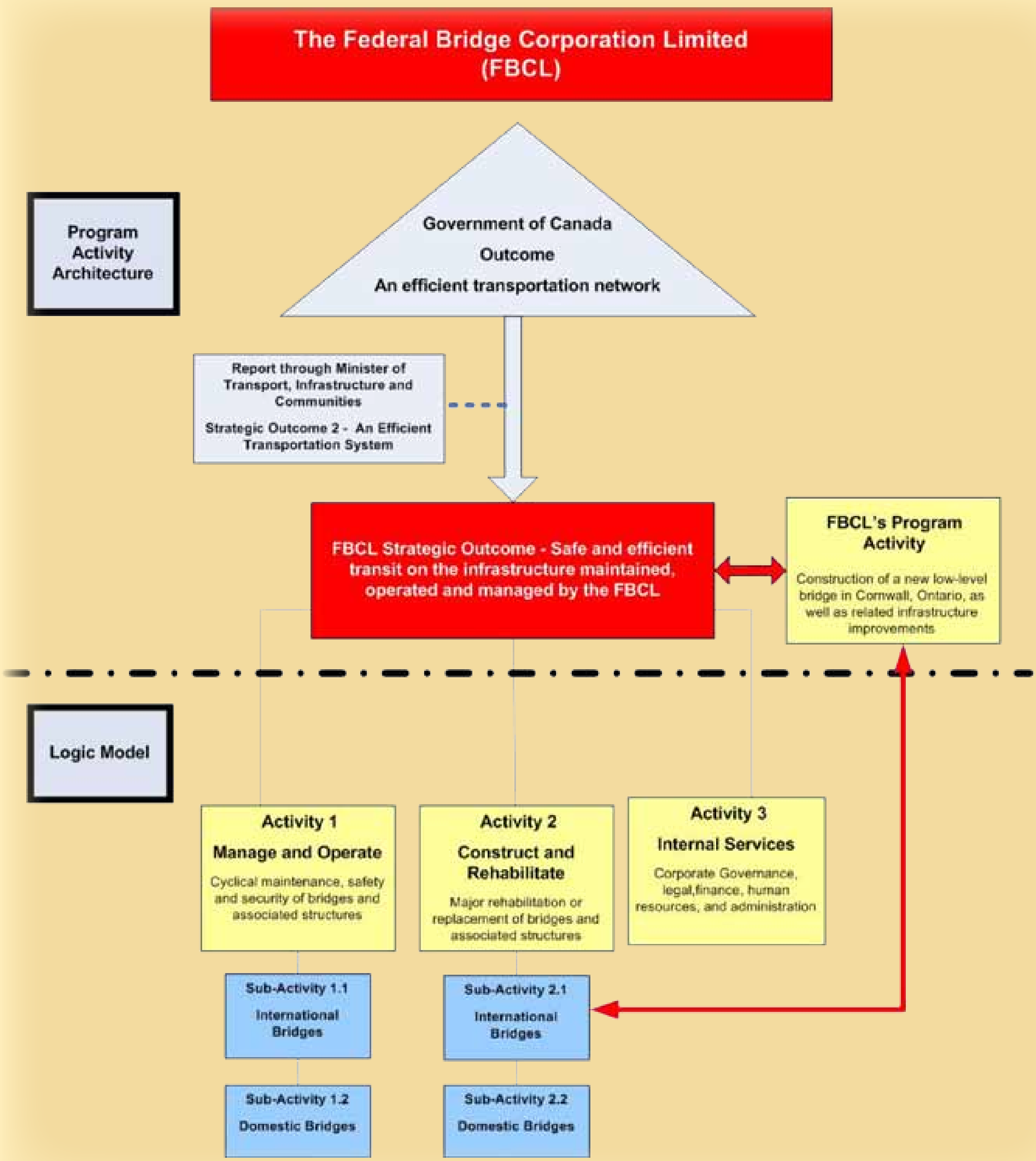
NAME	FBCL (HEADQUARTERS)	THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (SIBC)	THOUSAND ISLANDS BRIDGE AUTHORITY (TIBA)	ST. MARY'S RIVER BRIDGE COMPANY (SMRBC)	THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED (JCCBI)
Classification		International	International	International	Domestic
Established	1998 under the CBCA	1962 under the *Canada Corporations Act*, continued in 1979 under the CBCA	International agreement originating in 1976	1955 as a not-for-profit organization; continued in 2008 under the CBCA	1978 under the CBCA
Status within FBCL	Parent Company	Wholly-owned subsidiary. Joint venture between FBCL and the St. Lawrence Seaway Development Corporation –SLSDC (U.S.).	U.S. bridge operating agency managed by international agreement	Wholly-owned subsidiary	Wholly-owned subsidiary
Board of directors	Four Directors appointed by Governor in Council.	Each venturer nominates four Directors in accordance with the bi-national agreement. All eight Directors are appointed by FBCL, with the U.S. Directors appointed on the recommendation of SLSDC.	Headed by a U.S. Chair, assisted by six Authority Directors, three U.S. and three Canadian. All seven Directors are appointed by the Jefferson County Board of Legislators, the Canadian Directors being appointed on the recommendation of FBCL.	Nine Directors, appointed by FBCL. Joint owners of Sault Ste. Marie International Bridge (SMRBC and MDOT). Each owner nominates four Directors to The Sault Ste. Marie Bridge Authority (SSMBA) in accordance with the bi-national agreement.	Five to seven Directors appointed by FBCL.
Primary responsibility	100% ownership of JCCBI, SIBC and SMRBC. Owner of Canadian bridges and associated structures at international crossings in Cornwall, Sault Ste. Marie and Thousand Islands. Responsible for oversight and major rehabilitation.	Operation of international crossing at Cornwall, including a land corridor across Cornwall Island (Akwesasne Reserve) and two bridges: The North Channel Bridge located in Canada and owned 100% by FBCL; and The South Channel Bridge, which spans the international border and is owned 32% by FBCL (portion in Canada) and 68% by its U.S. counterpart, SLSDC.	Oversight of international crossing consisting of separate Canadian and U.S. bridges plus small jointly owned bridges in the middle.	Owner of Canadian half of the international bridge and associated structures in Sault Ste. Marie. Appointment of Canadian Directors to SSMBA. Responsible for the rehabilitation of Canadian Customs facilities.	Ownership and management of six major bridges and associated infrastructures in the Greater Montreal Region including: • Jacques Cartier Bridge • Champlain Bridge • Honoré Mercier Bridge - Federal section (Kahnawake Reserve • Melocheville Tunnel • Bonaventure Expressway (section) • Champlain Bridge Estacade

4.8 USE OF FUNDS

FBCL (HEADQUARTERS)	SIBC	SMRBC	TIBA	JCCBI
Operating costs are covered by: lease revenues (i.e. TIB Duty Free Store) and publicity panels in Montreal (up to 95% of which is returned to JCCBI to fund security and traffic flow expenditures). Minor expenditures for CBSA facilities (and if necessary, FBCL operating costs) are funded from Canada's share of net earnings at international bridges. Appropriations are required to fund large capital expenditures (e.g., rehabilitation or replacement of bridges) and/or contributions for CBSA rehabilitation.	Toll revenues cover operating, maintenance and minor capital costs. Each owner is allocated 50% of the remaining revenues to fund their capital expenditures. Canada's share of net earnings funds capital on the Canadian structure and the 32% Canadian ownership of the international bridge. Any unused amount is held for future repairs. Major capital projects (e.g. new North Channel Bridge) are funded through parliamentary appropriations.	Toll revenues cover operating, maintenance and most capital expenses. SMRBC's 50% share of profit is held in trust by IBA to fund future capital repairs. Major capital projects (e.g., Customs Plaza) are funded through parliamentary appropriations.	Toll revenues cover operating, maintenance and minor capital costs. Each owner is allocated 50% of the remaining revenues to fund their capital expenditures. Capital on the Canadian structure is funded by FBCL from Canada's share of net earnings. Any unused amount is held to fund future repairs. Major rehabilitation would require parliamentary appropriations.	Primarily (97%) dependant on parliamentary appropriations for operating and capital expenses, plus minor revenues. Major rehabilitation is funded from project specific parliamentary appropriations.

5 Corporate Performance

5.1 FBCL PROGRAM ACTIVITY ARCHITECTURE (PAA) / LOGIC MODEL



5.2 PERFORMANCE HIGHLIGHTS

5.2.1 ACTIVITY 1 - MANAGE AND OPERATE

ENSURE THE ONGOING SAFETY OF BRIDGES AND ASSOCIATED STRUCTURES THROUGH CYCLICAL INSPECTIONS, MAINTENANCE AND REPAIRS

- Inspection reports completed for international and domestic bridges
- Toll increases reviewed on all international bridges and adjusted where required
- Overall transits on international bridges increased nearly 3% and specifically in Cornwall by over 8% as it continues its recovery from the 2009 closure and disruptions
- Third year completion of Champlain Bridge major repair program ($212M /10 years)
- JCCBI is delivering on the first year of the three year $227.6M funding for urgent repairs and asset preservation in Montreal
- Approval 5-year (2011-12 to 2015-16) $26M plan for JCCBI from Environment Canada through the Federal Contaminated Sites Action Plan (FCSAP) to address contaminated land issues at the Technoparc

5.2.2 ACTIVITY 2 - CONSTRUCT AND REHABILITATE

DELIVER KEY FUNDED REHABILITATION PROJECTS ON TIME AND ON BUDGET

- New North Channel Bridge, Cornwall ($74.8M) completed first year of construction
- Sault Ste. Marie International Bridge Canadian customs plaza rehabilitation ($51.4M) project is delayed to allow for the continued negotiations for final property acquisitions
- The Honoré Mercier Bridge Rehabilitation project ($135M), Completed Contract A however Contract B is delayed due to impact of Quebec government decisions on its portion of the bridge

5.2.3 ACTIVITY 3 – INTERNAL SERVICES

CORPORATE GOVERNANCE, FINANCE, ADMINISTRATION, LEGAL SERVICES AND OTHER INTERNAL SERVICES

- Quarterly financial reporting implemented
- Transition to Public Service Accounting Standards was successfully completed
- Letters of expectations for all subsidiaries in place
- Corporate-wide multi-year audit plan developed with two audits completed
- Enterprise Risk Management including first Corporate Risk Profile being developed for FBCL Board

5.3 ACTIVITIES AND MAJOR PROJECTS

In delivering its mandate, FBCL and its subsidiaries are currently engaged in a number of significant infrastructure projects. The primary risks in each of these projects are the ability to deliver the established scope of work on time and on budget using a sustainable philosophy and environmental sensitivity.

INTERNATIONAL BRIDGES

SAULT STE. MARIE

Bridge condition and planned projects - An annual inspection of the bridge was carried out in August 2011. No items which require immediate attention and remedial measures to ensure public safety and structural integrity were identified. The annual inspection concluded that the overall condition of the bridge is good, due to the strength of the ongoing maintenance program. Regular maintenance activities consistent with the recommendations from the inspection report were carried out this year. Fracture critical member inspection of the Canadian spans of the Sault Ste. Marie International Bridge was also carried out in August 2010. No major deficiencies were discovered and all inspected fracture critical members are in good structural condition throughout. Major works planned for the next five years is the repainting of the Bridge in 2015-16.

Canadian Customs Plaza Rehabilitation - This project is governed by a contribution agreement of $44.1 M originating from the Gateways and Border Crossings Fund managed by Transport Canada and is in the tender ready phase. Efforts continue to be focused on the necessary land acquisitions to realize the project. Funding for additional property acquisitions is not included in the project budget and is being financed through a commercial loan of $5M, in accordance with the financial capacity of this location. Timelines are being adjusted to allow for the continued negotiations for the property acquisitions. Currently the project is approximately one year behind the original completion date of 2014.

CORNWALL

In the context of the replacement of the North Channel Bridge in Cornwall, an agreement was signed with the Mohawk Council of Akwesasne to ensure support for the new bridge. As part of the agreement contract provisions were developed to support participation from the Mohawk community *(front left to right: SIBC General Manager, Hendrik Saaltink, FBCL Senior Vice-President Engineering Glenn Hewus, MCA Grand Chief Mike Mitchell, Chief Larry King. Back left to right: FBCL Director of Engineering, Thye Lee, Chief Brian David, Chief Louise Thompson, Chief William Sunday, Chief Florence Philips, DTS Director Jay Benedict, FBCL Communications Andre Girard, FBCL Corporate Secretary Jacques Pigeon)*

Bridge condition and planned projects - The South Channel Bridge is considered to be in good condition according to inspection reports for the Canadian and American portions of the bridge. The application of a new corrosion protection coating system is expected to be completed by 2013 at a total budgeted cost of $22M ($7M Canadian portion). Contract provisions support hiring labour from the Mohawk community. The new NCB is starting its second year construction in 2012-13 with a completion target of spring 2013 and demolition of the current bridge by 2015 -16. The concrete deck of the existing NCB is rated in poor condition based on annual inspections however; repairs and maintenance will continue to ensure that the bridge can be operated safely until its replacement is completed.

New Low Level North Channel Bridge - Construction of this new bridge was initiated in 2011-12 with the in-water works being completed in November 2011. The contract for the construction of the bridge itself and the approaches in the amount of $32.5M was awarded in October 2011 and planned works were immediately initiated. This construction continues to have a positive impact on the local economy with the sourcing of materials and participation of the Mohawk community in the works. This project is progressing well and within the allocated $74.8 M. A comprehensive communication strategy including a live blog site has been established to keep the local community and stakeholders well informed of the project progress.

In addition to these works, permanent tolling facilities will also be constructed in Cornwall. Options for the location of CBSA facilities as of the new bridge opening are also being developed. Additional federal funding will be required for the CBSA facilities at this crossing.

THOUSAND ISLANDS

Bridge condition and planned projects – This year marks the 50th consecutive annual inspection and continues to demonstrate the good condition of the bridge. Major maintenance and capital projects planned in the next five years are as follows:

- rehabilitation of concrete piers at the Canadian bridge;
- installation of new safety cables; and
- asphalt replacement at the Canadian maintenance garage.

DOMESTIC BRIDGES IN MONTREAL

Domestic bridges and associated structures in Montreal are managed by the subsidiary, JCCBI. Most of the assets are significantly aged and are in need of major repairs or rehabilitation essentially coming due at the same time. This results in significant pressure on financial and human resources to concurrently plan and manage a large number of major projects requiring multiple phases such as consultation with stakeholders, formal agreements with partners, engineering studies, investigations and designs, detailed environmental assessments and public consultations. JCCBI focuses its construction methods and strategies for its major projects so as to reduce the impact on traffic as much as possible on its bridges which are amongst the most heavily travelled in Canada.

HONORÉ MERCIER BRIDGE REHABILITATION

The replacement of the deck on the federal portion of the Honoré Mercier Bridge continued to be carried out by way of two contracts and in partnership with the Ministère des Transports du Québec (MTQ). The federal portion of Contract A (original scope) related to the approaches was completed. MTQ has requested additional important repairs to be added into Contract A. These works are expected to continue into 2012.

The second phase of this project, Contract B, consisting of the complete replacement of the bridge deck has progressed only with works off the Mohawk territory. This contract has been delayed due the cancellation of the provincial contract in March 2012 by the Quebec Transport Minister. The deck replacement work will be delayed as impacts on the overall project and existing contracts are being assessed. The federal portions of the work are scheduled to continue through 2012 and be completed by 2014.

CHAMPLAIN BRIDGE

2011-12 was the third year of delivery of the 10-year, $212M Champlain Bridge major repair program. Safety and security risks are being managed through this program. A total of $32M has been invested for the current fiscal year, following the award in 2011 of new contracts and the continuation of multi-year contracts previously awarded.

Also as part of the $227.6M 3-year funding for urgent repairs paving and median replacements were completed on the south end of the Champlain Bridge and project identified for the Bonaventure Expressway was also completed.

The subsidiary JCCBI completed a pre-feasibility study in partnership with MTQ in early 2011 examining options for the Champlain Bridge corridor. In October 2011, the federal government announced the construction of a new bridge across the St. Lawrence within 10 years, replacing the existing Champlain Bridge. The project will be managed by TC Parliamentary appropriation levels of the subsidiary JCCBI will need to be reviewed with TC to ensure to align the funding per project responsibilities.

NUNS' ISLAND BRIDGE REPLACEMENT

The Nuns' Island Bridge that links Nuns' Island to the Island of Montreal and is one of the main approaches to Champlain Bridge is quickly approaching the end of its useful service life. The structure will require replacement within the next few years due to its deteriorated condition. It will also be widened in order to meet current needs. In 2010 JCCBI had a feasibility study carried out to look at replacement options. This project is part of the overall Champlain Bridge corridor improvement strategy.

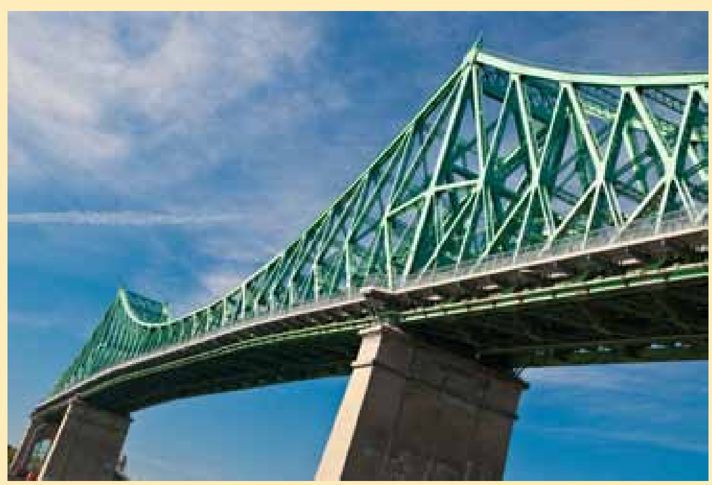
JCCBI is presently examining various maintenance strategies and risk mitigation measures for the current bridge. These strategies must ensure that the crossing between Nuns' Island and the Island of Montreal remains safe until it is replaced.

HIGHWAY 15

For safety reasons the lane configuration for Highway 15 was changed permanently to a four (4) lane divided highway. This section of highway will undergo a major rehabilitation; the concrete foundation needs to be reconstructed, the pavement dates back to 1994 and the overpasses along the highway are in need of reconstruction. The highway needs to be widened given the decision regarding the new bridge to replace the Champlain Bridge. Viaduc Principal is an important overpass that forms part of the Highway 15 corridor that leads traffic to and from Champlain Bridge. This 1960's structure has deteriorated rapidly over the past decade due to the infiltration of salt water into the beams and abutments and will require demolition and reconstruction within the next two years. JCCBI took measures to extend the remaining life of the structure but it will still need replacement. Design for the new overpass is underway.

However, before works of this important nature can be implemented and funding is secured, temporary/interim pavement works will continue to address safety issues in connection with important rutting. Such rutting led to partial paving works in 2003 and similar works will be needed for the remaining sections before the year 2016.

JACQUES CARTIER BRIDGE



The Corporation tendered an Request for Proposal in September 2011 and a three-year annual inspection contract was awarded on in November 2011. On-site inspection has begun and a preliminary inspection report is expected in May 2012. A special inspection contract was also awarded to carry out follow-up non-destructive testing of selected critical pins at the tie down piers of the main span. Works have been completed for steel repairs and the catwalk repairs. However, repair works to the piers planned for 2011-12 have been delayed to 2012-13 to allow an increase of the investments for steel repairs and replacement of bearings for 2011-12.

For the first time on the Champlain Bridge in Montreal, a steel form was used in the rehabilitation of one of the piers underneath the deck.

Modern monitoring techniques have been in place on the Champlain Bridge in Montreal for over five years to collect and analyze important data on the state of the structure and how it reacts to growing traffic.

Data collected allows JCCBI to better plan and prioritize regular maintenance and repairs.

JCCBI Communications organize special presentations to Montreal media and traffic reporters in order to announce upcoming construction projects in the Spring or to perform post mortems and consultations in the Fall.

5.4 FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

(Unaudited - for the year ending on March 31)

(thousands of dollars)	**2012**	2011	2010	2009	2008
Revenues					
Tolls	**5,535**	5,278	4,160	5,013	5,118
Leases and permits	**4,566**	4,534	4,626	4,754	4,799
Thousand Islands Bridge operating revenue	**3,490**	3,590	3,528	4,071	4,157
Interest	**390**	320	173	661	1,032
Other	**207**	280	77	84	129
	14,188	14,002	12,564	14,583	15,235
Expenses					
Maintenance	**72,059**	60,589	30,096	16,053	21,748
Operations	**5,739**	5,567	5,511	5,132	4,991
Administration	**10,570**	10,238	9,438	8,201	7,166
Thousand Islands Bridge operating expenses	**3,414**	3,512	2,339	3,219	2,358
Provision for environmental obligation	**27,100**	-	-	-	-
Amortization *	**-**	-	6,597	6,695	6,601
	118,882	79,906	53,981	39,300	42,864
Deficit before government funding	**(104,694)**	(65,904)	(41,417)	(24,717)	(27,629)
Parliamentary appropriations for operating expenses	**64,076**	57,900	36,661	20,327	25,963
Amortization of deferred capital funding	**7,598**	5,573	4,628	4,418	4,409
Non-controlling interest	**-**	-	13	60	(12)
Extraordinary gain	**-**	-	138	-	-
Annual surplus (deficit)	**(33,020)**	(2,431)	23	88	2,731

* Starting with year 2011 the amortization expense has been allocated on a proportionate basis to each program.

PROFICIENCY AND EXPERTISE IN ENSURING THE SAFETY AND EFFICIENCY OF OUR BRIDGES AND RELATED STRUCTURES

6 Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) assesses the operations and financial condition of the Corporation for the fiscal year ended March 31, 2012, compared with the corresponding periods. This MD&A should be read in conjunction with our consolidated financial statements and related notes. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Corporation's annual consolidated financial statements prepared in accordance with Canadian Public Sector Accounting Standards.

FBCL's consolidated results are made up of the results of the head office in Ottawa including the Canadian share of operations at Thousand Islands, its wholly-owned subsidiaries, JCCBI in Montreal, SMRBC in Sault Ste. Marie as well as its 50% share of its interest in its joint venture, SIBC in Cornwall.

6.1 CORE BUSINESS AND STRATEGY

FBCL's Strategic Outcome is the safe and efficient transit on the infrastructure maintained, operated and managed by FBCL. To achieve this outcome FBCL has two main activities; to manage and operate and to construct and rehabilitate its international and domestic bridges and associated structures.

FBCL's strategy to deliver on its priorities of bridge safety and financial sustainability is to mitigate risks through regular bridge inspections and identify and prioritize long-term major rehabilitation requirements on all its bridges and associated structures. FBCL with its subsidiaries and international partners continues to ensure safe and secure passage at all international crossings and promoting the efficient flow of traffic. It also ensures the provision of all required strategic information to government regarding infrastructure needs for federal domestic bridges in Montreal and associated structures.

6.2 OPERATING CONTEXT

6.2.1 FEDERAL GOVERNMENT PRIORITIES

The 2011 and 2012 Budgets communicated the need to invest in the priorities of Canadians to keep Canada's economy growing strongly and to maintain low interest rates. The Budgets also continued government's support to strengthening Canada's public infrastructure by providing funding for major projects. FBCL's subsidiary, JCCBI received 3-year funding for 2011-12 to 2013-14 for repairs and major maintenance to ensure that federal bridges in the Greater Montreal Area continue to remain safe, contributing directly to Canada's economy. The government also announced the funding and construction of a new bridge over the St. Lawrence which will be managed directly by Transport Canada.

Budget 2011 also looked to achieve the goal of preserving Canada's fiscal advantage by instituting measures for a rapid decline in the federal deficit by completing a comprehensive review of direct program spending in 2011–12 to increase efficiency and reduce overall costs for the federal government.

Border Plan

In 2012, the governments of Canada and the U.S. issued the Declaration on a Shared Vision for Perimeter Security and Economic Competitiveness. The department of Public Safety and the U.S. department of Homeland Security have been developing a border action plan. The plan sets out a range of initiatives to promote security and support trade and economic growth, by improving the shared border, by addressing security threats and by supporting prosperity through improved cross-border trade. FBCL will explore the impact that this initiative may have on costs associated with FBCL's responsibilities under the *Customs Act* (Section 6) at its CBSA facilities on International Bridges.

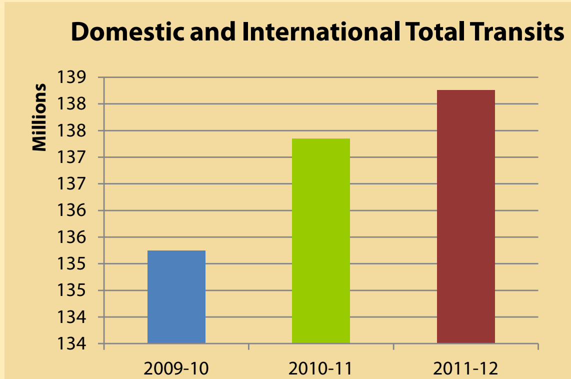
6.2.2 EXPENDITURE RESTRAINT

FBCL and its subsidiaries remain committed to vigilance in regards to the use of public funds and are respecting expenditure restraint. As such, FBCL and its subsidiaries focused on the following:

- Freezing operating budgets for 2011-12 and 2012-13 at the 2010-11 level
- FBCL and its subsidiary SIBC adopted the changes to severance benefits and the subsidiary JCCBI Board will report on the matter after negotiations of collective agreements.
- Aligning with Government compensation trends on salaries and other benefits
- Information Technology - discussions on the available opportunities for shared systems and services.

6.2.3 ECONOMIC IMPACT ON TRAFFIC PATTERNS

The Bank of Canada's analysis of Canada's economic situation highlights the influence of worldwide trends such as the ongoing European debt crisis, potential recessions in some markets and ongoing socio-political changes worldwide. Global equity commodity prices and financial market volatility have increased. This volatility is predicted to continue over the next few years, will likely have an impact on Canadian net exports, reflecting more modest global demand and ongoing competitiveness challenges. The uncertainty in Canadian exports has had a direct impact on cross-border trade, traffic volume and by extension, toll revenue at international bridges. The transits on domestic bridges increased by an estimated 0.6% and at international crossings increased by 2.9%, combining for an overall increase of 0.7% in transits on FBCL and its subsidiaries' bridges.



International Bridges

At international crossings, fluctuations in the value of the Canadian dollar continued to impact traffic patterns. During the year, the Canadian dollar fluctuated in a range of $1.05 to $0.95. As the dollar rose, there was an increase in passenger vehicle traffic to the U.S. and lower export volumes, thus a decrease in commercial traffic; as the dollar declined the opposite occurred however, at a much slower pace. Other factors, such as variations in gas prices and the decrease in consumer spending, affected tourism and traffic patterns in the planning period. The overall transits at FBCL's international crossings increased by 2.9% but commercial transits decreased by 0.4%. However, at the Cornwall crossing overall transits increased by 8.1% and commercial transits increased by 2.1% due to ongoing recovery from 2009 closure. FBCL must continue to review its plans to ensure long-term financial sustainability of its operations at all international crossings.

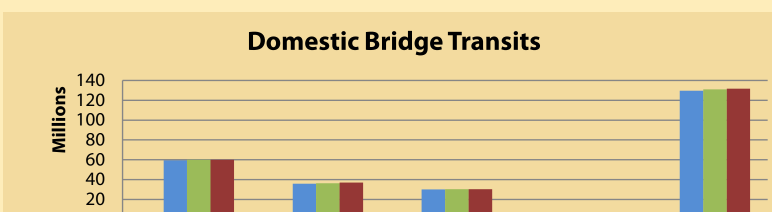
	Commercial	All traffic	Commercial	All traffic	Commercial	All traffic	Commercial	All traffic Total
	Sault Ste Marie International Bridge		Thousand Islands Bridge		Seaway International Bridge		International Bridges Total	
2009-10	141,249	1,697,582	354,621	2,007,658	59,099	1,735,273	554,969	5,440,513
2010-11	144,331	1,878,159	358,437	2,067,324	74,095	2,302,566	576,863	6,248,049
2011-12	140,875	2,022,584	353,410	2,058,098	80,116	2,351,334	574,401	6,432,016

Domestic Bridges

The Greater Montreal Area transportation network is fully integrated. Important population shifts to the South Shore creates additional commuter traffic and a continuous extension of the rush-hour traffic. The network is in many areas operating beyond capacity with major infrastructure that is aged and in some cases showing advance signs of deterioration. Any disruption due to planned works or a specific incident has significant repercussions across the entire region and requires extensive planning and coordination.

In 2011, the south bound lanes and the bus transit lanes of the Honoré Mercier Bridge were closed to traffic, due to the requirement of significant emergency works on the provincial section. The deck-replacement will be delayed due the cancellation of the contract in March 2012. The delay will impact traffic flow on the whole transportation network. Both of these incidents resulted in extreme congestion throughout the network and rerouting of traffic specifically onto the Champlain Bridge. This added further congestion to this bridge that is already the busiest per lane in North America and that is operating beyond capacity and, imposed further constraints and coordination for the realization of critical planned works.

The federal government announcement in October 2011 of the construction of a new bridge across the St. Lawrence within 10 years (replacing the Champlain Bridge) will renew the aged infrastructure and provide additional capacity and stability to the transportation network.



	Champlain Bridge	Jacques Cartier Bridge	Honoré Mercier Bridge	Melocheville Tunnel	Domestic Bridges Total
2009-10	59,400,000	35,800,000	30,000,000	4,600,000	129,800,000
2010-11	59,994,000	36,158,000	30,300,000	4,646,000	131,098,000
2011-12	59,994,000	36,881,000	30,300,000	4,646,000	131,821,000

PROFICIENCY AND EXPERTISE IN ENSURING THE SAFETY AND EFFICIENCY OF OUR BRIDGES AND RELATED STRUCTURES

6.2.4 STAKEHOLDER RELATIONSHIPS

FBCL has a variety of stakeholders that add a layer of complexity for its operations, in the establishment of its policies and delivery of its projects on an ongoing basis. These include federal partners such as TC, CBSA and PWGSC, provincial and municipal governments and agencies, U.S. governments and agencies, and law enforcement agencies.

International

There are various ownership and management models for international bridges that place some geographical crossings at an advantage versus others due to a variety of factors such as operations limited to Canada or financial participation of another federal entity. Decisions in regards to toll rates in particular are affected including the costs paid by toll revenues which differ at certain crossings.

Montreal

The biggest challenge for stakeholder relationships is the complex integration of the Greater Montreal Area transportation network. The level of coordination required to ensure the lowest level of traffic disruptions during repair and maintenance work has grown exponentially as each organization manages the risks of its own aging infrastructure and to meet the public's expectations for a safe, effective and reliable transportation network. The replacement of the Champlain Bridge, in particular, will require a high degree of coordination will be required to manage the new project and mitigate the infrastructure risk on the current structures.

Aboriginal Communities

Bridges and associated structures in both Cornwall and Montreal are located on, adjoin or cross the Mohawk reserves of Akwesasne and Kahnawake, which adds to the complexities of operating these crossings. FBCL must satisfy the Crown's "duty to consult" aboriginal groups whose actual or potential rights could be affected by government actions.

In Cornwall, the current construction of a new NCB has required extensive liaison with the Mohawk community to ensure the project progresses smoothly. In August 2010, FBCL and the MCA signed an historical MOU, to express the concurrence of the Mohawks of Akwesasne to the Bridge Project and to provide them assurance of opportunities to maximize the economic benefits flowing from the Bridge Project for its community. However, unresolved issues have also continued to impact the daily operations of the current bridge.

In Montreal, Mohawk contractors and skilled Mohawk steel workers are participating in the major rehabilitation of the Honoré Mercier Bridge infrastructure that crosses the Kahnawake reserve. As project lead, the subsidiary JCCBI has navigated jurisdictional issues between union and non-union labour and the Quebec government.

6.2.5 ENVIRONMENTAL OBLIGATIONS

FBCL must respect all applicable environmental legislation including where required, the completion of environmental assessments in the delivery of its projects. At the International Bridges, a harmonized environmental assessment for the replacement of the existing NCB and associated work in the corridor was conducted by FBCL, in cooperation with MCA. An environmental assessment (EA) for the modernization of the Canadian Customs Plaza in Sault St. Marie was commissioned by FBCL in July 2007 and completed in June 2008. An Environmental Screening Report conforming to the requirements of the *Canadian Environmental Assessment Act* (CEAA) was prepared in May 2009, signed off by FBCL and TC (responsible authority) in June 2009.

At the domestic bridges in Montreal, the subsidiary, JCCBI is participating in the Federal Contaminated Sites Action Plan (FCSAP) administered by Environment Canada to address mitigation measures required to contain and treat contaminated groundwater on lands that border the Bonaventure Expressway in Montreal and the St Lawrence River.

6.3 KEY PERFORMANCE DRIVERS

6.3.1 RISK MANAGEMENT

The 2008 Special Examination by the OAG and ongoing strategic analysis of FBCL have identified three broad subject matters considered to be strategic issues or risks for FBCL: safety of bridges, financial sustainability and corporate structure. The FBCL Board continues to set strategic directions and oversee operations based on the most recent letter of expectations and focuses its efforts on addressing these interrelated strategic issues and risks.

The revised FBCL Enterprise Risk Management (ERM) is in its development phase and the Corporate Risk Profile has been developed. The FBCL Board is accountable for the ERM corporate framework to assist in its role of reporting to Parliament through the Minister on key risk areas.

The following section identifies critical strategic issues and risks faced by FBCL over the past year and remain the focus for the future. The risks identified further validated the findings of the 2008 Special Examination by the OAG, as well as provided a comprehensive view of these risks and the controls and action plans to mitigate them.

6.3.2 STRATEGIC ISSUES/ KEY RISK AREAS

The following sections describe how each strategic issue /key risk area affects FBCL's Strategic Outcome. Each of these key risk areas or issues is interrelated, as to achieve the safety of bridges; FBCL must have sustainable funding and a strong corporate structure in place.

Bridge Safety

There is a delicate balance between preserving the existing bridges and ensuring their safety at all times. There is a critical point where regular maintenance and repairs are no longer sufficient and decisions on major rehabilitation or replacement of structures is required. At that point, until replacement, the risk to safety of the bridges and associated structures is higher and the operating costs increase.

FBCL's first priority is ensuring safety at all times on all of its structures. Specific assets, the Champlain and Honoré Mercier Bridges in Montreal and the NCB in Cornwall are undergoing extensive works or replacement as they are in a state of advanced deterioration due to many factors such as age, corrosion from salt and the weather elements of Canada. FBCL has received approval for the major rehabilitation of the Honoré Mercier Bridge in 2009, replacement of the NCB in 2010 and the replacement of the Champlain Bridge being managed by TC, in 2011. In addition, the majority of other roadway and bridge assets throughout the Greater Montreal Area are also requiring major rehabilitation or replacement works.

FBCL maintains its International bridges and associated structures in accordance with the *International Bridges and Tunnels Act* (IBTA) together with related regulations and codes under which specific and timely reporting to the Minister must be provided. The inspection reports completed for the international crossings at Sault Ste. Marie, Thousand Islands and South Channel Bridge in Cornwall evaluated them as being in good condition. In Cornwall, the replacement of the NCB has been initiated and is expected to be completed with demolition of the old structure by 2015-16. The domestic bridges and associated structures in Montreal have detailed annual inspections that are supplemented with special state of the art non-destructive inspection techniques. Also, state of the art instrumentation has been deployed on the Champlain Bridge in order to monitor the behavior of critical bridge elements as part of its risk mitigation strategy.

FBCL will continue to focus on funded works and to monitor the condition of the bridges and associate structures closely and examining all available funding options. FBCL will plan for the longer term and communicate the issues and resource requirements and keep the Minister informed of its progress in the management of the issue of bridge safety.

Sustainable Funding

Identified by the OAG in its 2008 Special Examination, financial sustainability is an essential component to the delivery of FBCL's mandate. The funding model and financial challenges for international crossings and domestic bridges in Montreal differ. At issue is the inability of FBCL to finance major capital projects and CBSA requirements at international crossings as well as the absence of sufficient and long-term funding to maintain the federal domestic bridges in Montreal.

International bridges are experiencing increased financial pressures to meet the self-sufficiency model under which they are intended to operate. The premise is that toll revenues would cover operating and maintenance expenditures and capital expenditures would be funded by the accumulated share of net earnings. The tolls do not generate enough revenue to build reserves to fund major rehabilitation or replacement projects which are currently being funded directly by government appropriation ($74.8M for the new NCB in Cornwall) or contribution agreements ($44.1M for the Sault St. Marie Canadian Customs Plaza Rehabilitation).

A primary factor is that FBCL international bridge operators are facing large funding requirements due to obligations of the *Customs Act* (Section 6) that require the operators to provide facilities for CBSA. Where in the U.S., customs facilities are provided and maintained by a separate agency with distinct funding, Canada through the *Customs Act* (Section 6) places the responsibility on bridge operators to fund through tolling revenues. This has resulted in fundamental policy differences between Canadian and U.S. bridge operators. FBCL is being further challenged in its ability to fund CBSA facilities with the operations and maintenance costs historically funded by PWGSC now becoming the responsibility of FBCL. With current obligations and existing funding models, it will not be possible for FBCL's international crossings to fund capital requirements and rehabilitation to the structures during their lifecycle, or replace them at the end of their lifecycle. Presently, these are being funded on an individual basis through fiscal framework requests or specific applications to special funds.

Since the findings of the OAG report, FBCL's subsidiary, JCCBI in Montreal has received substantial investments for specific asset needs or short-term operating requirements. In each case, these amounts represent temporary funding. There is essentially no mid or long-term funding for operations and capital requirements for the domestic bridge operations in Montreal, with the exception of $6.7M as of 2015-16 that is insufficient to operate. There is a direct impact on the value for Canadians as bridge users and from an economic perspective. Bridge users have to endure traffic chaos when emergency works are required. Economically, urgent works result in lost opportunities for long-term planning and optimization through multi-year works awards. Also, Montreal's very tight engineering and construction labour market make it difficult to secure the required contractors at a reasonable price. Internally, corporate resources are continuously focused on the next funding plan taking away from the delivery of the mandate.

Corporate Structure

FBCL's corporate structure involving a head office in Ottawa, three wholly-owned subsidiaries and two joint international boards of directors, including U.S. directors and U.S. bridge operators is quite complex. The primary issues, outlined within the Auditor General's 2008 Special Examination, are that the current model does not allow the FBCL Board to provide effective oversight for the affairs of the Corporation as a whole or to obtain the information it requires on timely basis and at regular intervals. This issue does not provide the FBCL President and CEO the authority and accountability for the performance of all of FBCL, including its subsidiaries.

The introduction of the *Federal Accountability Act* obligated the split of CEO and President's position and that of the Chairman of the Boards of Directors (previously the same position for FBCL and its subsidiaries with direct executive accountability and reporting). Each subsidiary now operates as a distinct Crown corporation with its own Board of Directors to whom subsidiary General Managers responsible for day-to-day operations report with no reporting accountability to the FBCL President and CEO.

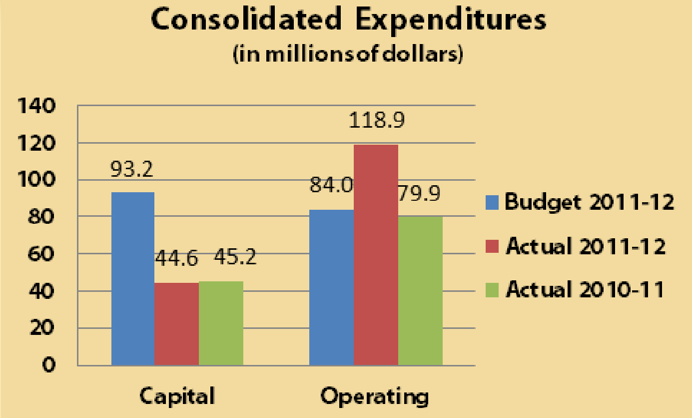
Key steps were undertaken to address some of the issues identified. These included the implementation of letters of expectations from the FBCL Board to each subsidiary to ensure communication of corporate direction, the implementation of key corporate-wide internal audits on international agreements and in the areas of finance. FBCL endeavours to continue strengthening the relationships with its subsidiaries. The FBCL Board had developed a proposal to improve the corporate governance structure which was shared with the government. In the interim, it has made appointments to its International Boards.

6.3.3 FINANCIAL

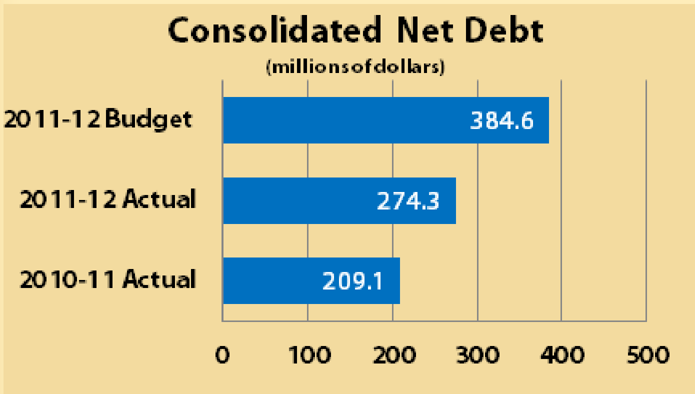
The condition of the FBCL bridges and associated structures are largely driven by age and climate conditions. In recent years, FBCL and its subsidiaries have been delivering on an important number of large capital projects. Key to the delivery of these projects is available funding. In 2011-12, the subsidiary, JCCBI was able to initiate major works with the funding of $227.6M over 3 years allocated as part of Budget 2011.

Capital expenditures totalled $44.6M in 2011-12 ($45.2M in 2010-11) and their value less depreciation at March 31, 2012 is $300.3M ($268.5M at March 31, 2011). Major investments include the new North Channel Bridge construction project, the Honoré Mercier Bridge rehabilitation project, Champlain Bridge 10-year maintenance program and the Canadian Customs Plaza rehabilitation in Sault Ste. Marie.

In its operations, FBCL revenue levels at international bridges have been sustained and exceeded the prior year. Maintenance works have reached a historical high at $72.1M ($60.6M in 2010-11) largely due to the important repairs on the Champlain Bridge in Montreal ($23.5M) and for the South Channel Bridge painting project in Cornwall ($2.9M). A $28.1M provision for an environmental obligation related to contaminated lands owned by the subsidiary JCCBI has also been recorded. As a result, FBCL reports a consolidated deficit of $33M for the year ended March 31, 2012, compared to the consolidated deficit of $2.4M for the year ended March 31, 2011.



The consolidated statement in net debt of FBCL increased to $274.3M by the end of fiscal year due to the continued major investments in tangible capital assets.



6.4 CAPABILITY TO DELIVER RESULTS

In this year of transition to Public Sector Accounting Standards (PSAS), comparative numbers have been provided within the Statement of Financial Position for the year ended March 31, 2012, the year ended March 31,2 011 and the opening balance as at April 1, 2010. For the Consolidated Statement of Operations and the Consolidated Statement of Net Debt, budgeted amounts for the years presented have also been included as per PSAS.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Financial Assets

Total financial assets increased to $58.2M at March 31, 2012 (2011 - $48.3M; April 1, 2010 - $43.7M).

The net cash position of FBCL increased to $38.8M at March 31, 2012 (2011 - $28.5M; April 1, 2012 - $16.8M). The cash position is closely linked to the timing of payment of federal funding principally for domestic bridges in Montreal and the North Channel Bridge construction project in Cornwall. At March 31, 2012 the receivable Due from Canada increased to $13.6M (2011 - $5M; April 1, 2010 – 13.1M). Also impacting the cash balance are variations in investment activities that decreased by $9.9M by year-end (2011 – increase of $0.2M) and variations in receivables with an increase of $1M (2011 – increase of $0.7M) attributable mainly to timing in activity levels.

Non-Financial Assets

Continued large investments in assets were made through the realization of the four multi-year infrastructure projects. Tangible capital assets have increased by $31.8M or 12% over the prior year (2011 – increase of $35.9M or 15%) with major investments in the ongoing construction of the new low-level North Channel Bridge in Cornwall ($16.7M), the continued major rehabilitation works on the Honoré Mercier Bridge ($8.1M), capital works on the Champlain Bridge ($8.5M) and the Canadian Customs Plaza rehabilitation in Sault Ste. Marie ($1.7M).

These expenditures are funded either directly through parliamentary appropriations of $41.6M (2011 -$26.2M), or through a contribution agreement with the Government of Canada with payments of $1.7M this year (2011 - $1.1 M). FBCL is also carrying a $15.9M asset and corresponding asset retirement obligation related to the construction of a new North Channel Bridge and the intended demolition of the existing bridge. This obligation will be amortized on a straight line basis over the estimated useful life of the bridge and expected to span an additional four years.

Liabilities

FBCL and its subsidiaries receive federal funding to source major infrastructure projects. The deferred capital funding of $249.5M as at March 31, 2012 (2011 - $213.8M; April 1, 2010 - $192.2M) is the results of the ongoing four major projects. These sums will be amortized over the estimated useful life of the funded asset to which it relates.

A provision for environmental obligation associated with contaminated lands in Montreal as described in note 11 to the financial statements. These lands require multi-owner involvement to clean up and negotiations are ongoing. The asset retirement obligation relating to the North Channel Bridge in Cornwall totalled $15.9M at March 31, 2012 (2011 - $15.4M; April 1, 2010 – nil).

In completing major projects, FBCL and its subsidiary JCCBI, have entered into construction contracts that include a portion of payment not payable until certain works are completed and meet the performance requirements. These holdbacks have increased to $5.3M at March 31, 2012 (2011 - $2.3M; April 1, 2010 $1M) as a part of the Honoré Mercier Bridge and the North Channel Bridge projects. These amounts will become payable once the works are completed over the next several years.

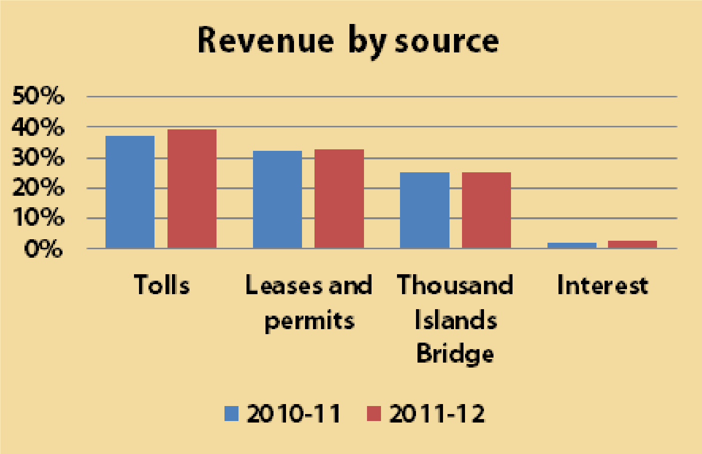
The $5M loan to SMRBC for the purchase of land not funded through the government contribution agreement was drawn down in full and will be converted within one-year to a twenty-year loan once all properties are acquired. The loan will be repaid from surplus toll revenues.

Lastly, accounts payable increased by $3.6 M this year (2011 – increase of $5M), which can be attributed to the timing of payments of large invoices payable per contractual obligations related to the four major projects.

CONSOLIDATED STATEMENT OF OPERATIONS

Consolidated Revenue

FBCL's consolidated revenue in 2011-12 totalled $14.2M (2011 - $14M). This level of revenue is due to sustained traffic volume on international bridges throughout the summer months along with stable revenue through leases and permits throughout the fiscal year.



Tolls and Thousand Island Bridge Operating Revenue

The revenue level from international bridges of $9M in 2011-12 (2011 - $8.9M) have been sustained mainly due to a higher Canadian dollar and its positive impact on cross-border shopping at the Thousand Islands, Cornwall and St Mary's bridge locations. This trend is offset by lower commercial traffic due to a decline in Canadian exports to the United States. The results are $0.3M lower than budget due to slightly lower traffic at the Thousand Island Bridge crossing.

Leases and Permits

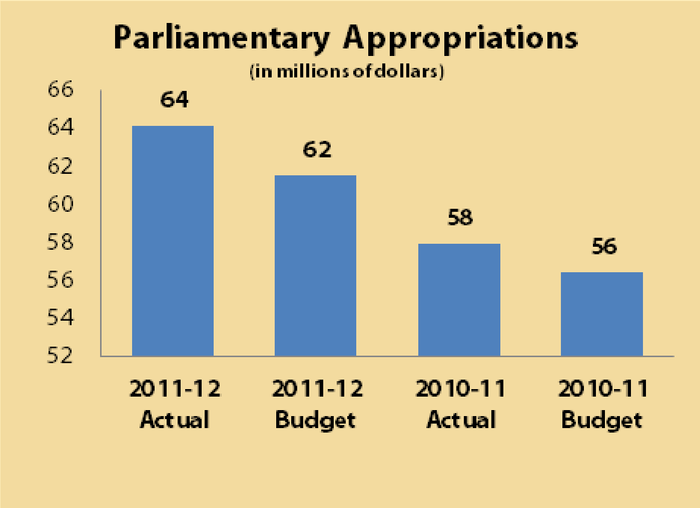
Revenues from leases and permits remained stable in 2011-12 at $4.6M, (2011 - $4.5M). Leases and permits revenue was budgeted to reach $5M this fiscal year, this did not occur due to revenue levels of Duty Free operations being lower than planned.

Federal Funding

Parliamentary appropriations for operating expenses totalled $64.1M in 2011-12 (2011 - $57.9 M). This is directly attributable to the additional funding received by the subsidiary, JCCBI, for its operations as part of Budget 2011.

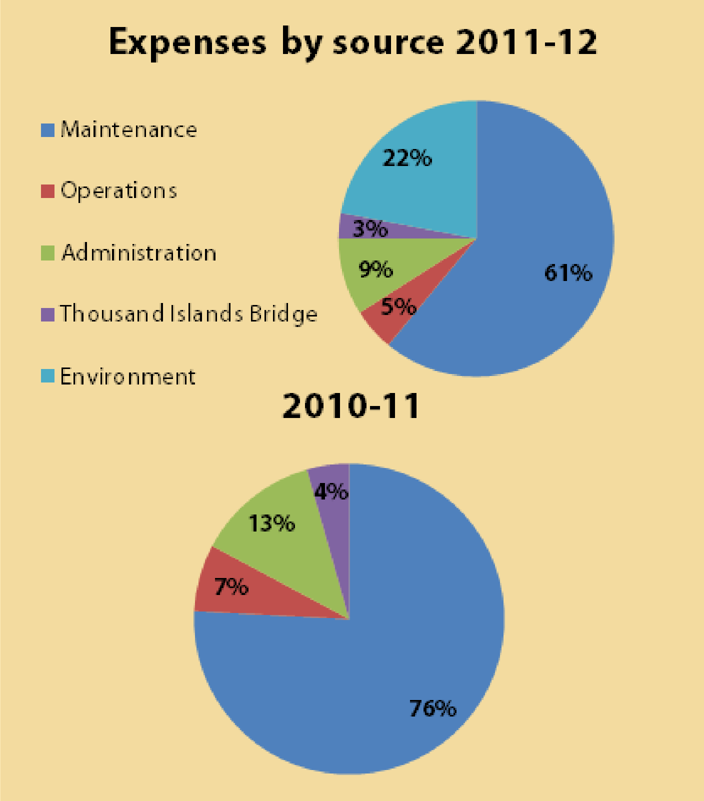
Parliamentary appropriations for capital expenses for the year ending March 31, 2012 totalled $41.6M (2011 - $26.2M) and includes capital funding for the new North Channel Bridge ($16.7M), the Honoré Mercier Bridge rehabilitation project ($8.1 M), the Champlain Bridge maintenance ($8.5M) and for the subsidiary JCCBI's ongoing capital program .

The Sault Ste. Marie Customs Plaza Rehabilitation project is funded through a contribution agreement with the Government of Canada totalling $1.7M (2011 - $1.1M).



Consolidated Expenses

FBCL 2011-12 consolidated expenses totalled $118.9M, (2011 - $79.9M). The increase of $39M is primarily due to additional investment in maintenance activities particularly in Montreal, an increase in the provision for environmental obligation of $27.1M and an increased amortization expense of $3.4M. Operational and administrative expenses remained stable.



Maintenance

Maintenance expenses account for 61% of expenses at the end of 2011-12 reaching a historical high of $72.1M (2011 – 76% or $60.6M). The increase of $11.5M is due to an increase of $1.3M related to the 10-year maintenance program for Champlain Bridge, $5M related to additional maintenance on Montreal bridges, $3.4M related to the allocation of amortization to the maintenance program, additional expenses of $1.6M related to the multi-year painting project on the South Channel Bridge in Cornwall and $0.2M in smaller projects. Maintenance expenses were $8.2M over budget due to an unbudgeted items related to the asset retirement obligation amortization of $2.3M, additional amortization for the Honoré-Mercier rehabilitation project $2M and the nature of expenditures planned as capital items and incurred as operating expenses.

Operations

Expenses for operations totalled $5.7M in 2011-12 or 5% of total expenses for the year, (2011 - $5.6M or 7%). The costs of operations remained constant across the portfolio with minimal variation throughout the year and in line with budget.

Administration

Administration expenses equalled $10.6M in 2011-12, which made up 9% of the annual expenses and was just below the budgeted amount for 2011-12, (2011 - $10.2M or 13%). The slight increase of $0.4M is attributed to an unbudgeted increase in provision for employee benefits costs at the subsidiary, JCCBI.

Thousand Islands Bridge Operating Expenses

Operating expenses at the Thousand Islands Bridge totalled $3.4M in 2011-12 (2011- $3.5M) representing 3% of total expenses and are in line with budget.

Provision for environmental obligation

FBCL increased its provision for environmental obligations by $27.1M in 2011-12, this expense relates to an in-depth assessment done on the east and west sectors of the contaminated lands in Montreal as described in note 11 to the consolidated financial statements. This provision represents the subsidiary, JCCBI's estimated share of expenditures for projects to be completed together with other land owners from various jurisdictions. These projects will span a number of years and JCCBI will require additional funding in order to enter into contracts to realize the necessary works.

A summary of financial results of FBCL subsidiaries has been included in Appendix B.

CONSOLIDATED STATEMENT OF CASH FLOW

FBCL's cash flow is primarily dependent on the timing of receipt of federal funding for major project expenditures. The funding is received only once the expenditures are incurred. At the end of 2011-12, the amount Due from Canada has fluctuated by some $8.6M to $13.6M (2011 - $5 M). Also related to the major projects is the amount for construction holdbacks and the deferred capital funding that have increased by $3M and $35.6M respectively.

ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies of FBCL are described in note 2 to the consolidated financial statements. The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of financial and non-financial assets, liabilities, revenue and expenses, and the disclosure of contingent liabilities. Actual results could differ from those estimates.

The accounting estimates described below require particular complex or subjective judgments about matters that are inherently uncertain or where it is likely that materially different amounts could be reported under different conditions or using different assumptions.

Tangible capital assets

Tangible capital assets, comprising bridges, roadways and related structures with finite useful lives are amortized over their useful life. Useful lives are based on management's estimates of the period of service provided by the assets and are outlined in note 2 and note 15 of the consolidated financial statements. The useful lives of these assets are periodically reviewed for continued appropriateness. Due to the long lives of many of the assets, changes to the estimates could result in a material impact on the consolidated financial statements. Long-lived assets are tested for impairment when events or circumstances indicate that the carrying value is not recoverable from future cash flows. If future conditions were to adversely differ from management's best estimate of key economic assumptions and associated cash flows were to materially decrease, FBCL could potentially experience future material impairment charges in respect of its tangible capital assets.

Asset retirement obligation

The Company's asset retirement obligation consists of long-term asset retirement costs for the North Channel Bridge as described in note 12 of the consolidated financial statements. The asset retirement obligation is determined based on the Corporation's estimate of bridge demolition costs. The undiscounted estimate of this liability is $17.1M reflecting payments likely to be made in 2014 and 2015. This estimate was discounted at a rate of 2.92% and 3.04%. The asset retirement obligation accrual has required management to make significant estimates and assumptions. Actual results could differ from these estimates.

Deferred capital funding

Government assistance received to finance the acquisition of amortizable tangible capital assets is accounted for as deferred capital funding and amortized on the same basis as the related fixed assets based on their useful life. The useful lives of the fixed assets are periodically reviewed for continued appropriateness. Any changes to the estimates could result in a material impact on the consolidated financial statements.

Accrued liabilities for major maintenance repairs

FBCL and its subsidiaries incur expenditures related to the maintenance of its tangible capital assets. Many of these expenditures are incurred as part of major multi-year infrastructure projects. In accounting for these expenditures, important management estimates on the progress of works and on related construction claims must be made in order to assess the liability at year-end. A change in the percentage of completion estimate or in the assessment of probability of payment and timing of a claim could have a significant impact on the estimate of the value of the accrued liability, the related maintenance or capital expenditure. The cash position of the corporation could also be impacted and for government funded projects, the amounts Due from Canada and the deferred capital funding.

Employee future benefits obligations

FBCL and its subsidiaries provide pension benefits to its employees through a defined contribution plan or as part of the Public Service Pension Plan as defined in note 2 and note 10 of the consolidated financial statements. The employer contributions to the pension plan represent the total pension obligations and are charged to operations on a current basis. The subsidiary and the joint venture are not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan. Changes to the Public Service Pension Plan and its assumptions may have a material impact on the consolidated financial statements in future years.

Prior to January 1, 2012, employees of FBCL and its subsidiaries, JCCBI and SIBC, were entitled to specified benefits provided for under conditions of employment, through a severance benefit plan. FBCL and SIBC, have eliminated these benefits as of January 1, 2012 for all employees and any outstanding payments due as at year-end have been accrued. Employees of JCCBI continue to be entitled to these benefits however as part of its collective bargaining negotiations it is expected to eliminate these benefits. It is assumed that the severance benefits will be payable to all JCCBI employees within the next fiscal year. Any changes to this assumption may have a material impact on the consolidated financial statements in future years.

Environmental obligations

JCCBI has significant liabilities related to contaminated lands and remediation of contamination related to activities of its predecessors as described in note 11 of the consolidated financial statements. Estimates making up this liability include the number of owners and participants on the contaminated lands, the long-term nature of the required remediation activities and the potential impact of environmental laws and regulations and interpretation by regulated authorities that could change over time. The magnitude of estimated costs changes in any or all of these estimates could have a material impact on the consolidated financial statements. A liability in the amount of $28.1M has been recorded based on the assessment of, JCCBI's management. It is possible that changes to these estimates could have a material impact on the consolidated financial statement in future years.

Contingencies

Contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of loss is reasonably estimable. Disclosure is required when the occurrence of the confirming event is likely but the amount of the loss is not estimable or if there is a reasonable possibility that the ultimate loss will exceed the recorded provision. In the normal course of business, FBCL and its subsidiaries is the claimant or defendant or is involved in certain pending claims or lawsuits. These contingent liabilities are often resolved over long time periods. Further information on FBCL's contingencies is outlined in note 19 to the consolidated financial statements. Any changes to the likelihood of settlement and the estimates payment amounts may have a material impact on the consolidated financial statements in future years.

CHANGES IN ACCOUNTING POLICY

The Public Sector Accounting Board has published an amendment to the Public Sector Accounting (PSA) Handbook which eliminates the "government business-type organization" category. The Corporation has determined that it is an "other government organization (OGO)".

The Corporation has concluded that Public Sector Accounting Standards ("PSA Standards") is the most appropriate framework for reporting purposes, based on the needs of the users of the financial statements. The Corporation has implemented a plan for transition to the new accounting standards on a retrospective basis for the current fiscal year beginning on April 1, 2011.

As a result of adopting the PSA Standards, FBCL was required to make minor adjustments to its opening balance sheet and comparative results that include the recording of a liability for sick leave benefits that accrue but do not vest. The adjustments are outlined in note 3 of the audited consolidated financial statements.

Due to timing difference in the preparation of budgetary documents, FBCL's 2011-12 operating and capital budget was prepared according to GAAP of the Canadian Institute of Chartered Accountants' (CICA's) Handbook Part V. In completing the transition analysis, FBCL reviewed its budgets and determined that there are no material adjustments to the operating and capital budgets for 2011-12.

6.5 OUTLOOK

Overall sustainability continues to be the focus for all of our international bridges. At the Cornwall crossing, the construction of a new North Channel Bridge, which is well under way, together with a resolution regarding the permanent location of CBSA facilities, will contribute greatly to the efficiency of the crossing. At the Sault Ste. Marie crossing the planning for the rehabilitation of the CBSA Customs Plaza is advancing. The resulting improvement in traffic flow at both locations will assist in attracting much needed commercial traffic. In addition, the Canada/Us Border Action Plan has identified the Thousand Islands border facilities as a priority for investment. FBCL has and will continue to engage with CBSA in regards to future plans to renew this crossing.

The complexity for domestic bridges in Montreal is that the Greater Montreal Area transportation network is aging and at capacity. The Government of Canada has recognized that the condition of the Champlain Bridge is of concern and has recently announced the replacement of this bridge within the next 10 years. Meanwhile funding is in place to maintain the structures safe and reliable while the new bridge is constructed. The contaminated lands at the site known as Technoparc will also require important investments. Discussions are underway with partners regarding containment solutions. It is expected that investments totalling on average $100M per year will be required in Montreal over the next decade in order to renew the existing tangible capital assets.

7 Audited Financial Statements

TABLE OF CONTENTS

Management's Responsibility for Financial Statements

The consolidated financial statements contained in this Annual Report have been prepared by FBCL (parent) management in accordance with Canadian Public Sector Accounting Standards. The integrity and objectivity of the data in these consolidated financial statements is the responsibility of FBCL (parent) management and the management of each of its wholly-owned subsidiaries, JCCBI, SIBC and SMRBC, who report directly to an independent Board of Directors. In compiling the consolidated financial statements, FBCL (parent) management relies on the audited financial statements of each of its wholly-owned subsidiaries and on representations made by management of each of the subsidiaries.

It is necessary for management to make assumptions and estimates based on information available at the date of the financial statements. Areas where FBCL (parent) management and management of each of its wholly-owned subsidiaries have made significant estimates and assumptions include the estimated useful life of tangible capital assets, accrued liabilities for major maintenance repairs and estimates pertaining to claims received from suppliers as well as employee future benefits obligations, environmental obligations, asset retirement obligation and contingencies. FBCL (parent) management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated financial statements.

In support of its responsibility, FBCL (parent) management completed the consolidation of the financial statements. FBCL (parent) management and the management of each of its wholly-owned subsidiaries have developed and maintain books of account, records, financial and management controls, information systems and management practices for their respective financial statements. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the *Act to incorporate St. Mary's River Bridge Company*, the Canada Marine Act and regulations and the articles and by-laws of FBCL (parent) and its wholly-owned subsidiaries.

The FBCL Board of Directors is composed of directors who are not employees of FBCL. The FBCL Board of Directors and the Board of Directors of each of its wholly-owned subsidiaries are responsible for ensuring that each corporation's management fulfils their responsibilities for financial reporting and internal control. The Board of Directors of the wholly-owned subsidiaries report directly to the FBCL Board of Directors. The FBCL Board of Directors and the Board of Directors of each of its wholly-owned subsidiaries exercises their responsibilities through the own Audit Committees comprised of Board of Directors members. Each Audit Committee meets with management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls, and other relevant financial matters. The Audit Committee of FBCL's wholly-owned subsidiaries have reviewed their respective financial statements with their external auditors and the subsidiaries Board of Directors have approved and submitted these financial statements together with the external auditor's report to the FBCL Board of Directors. The FBCL Audit Committee has reviewed the consolidated financial statements with the external auditor and has submitted its report to the FBCL Board of Directors. The FBCL Board of Directors has reviewed and approved the consolidated financial statements.

The Auditor General of Canada, audits the financial statements of the wholly-owned subsidiaries, JCCBI and SIBC. KPMG LLP audits the financial statements of the wholly-owned subsidiary, SMRBC. FBCL's external auditor, the Auditor General of Canada, audits the consolidated financial statements and reports to the Minister responsible for the Corporation.

Micheline Dubé
President and Chief Executive Officer

Natalie Kinloch
Chief Financial and Administrative Officer

June 26, 2012

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport, Infrastructure and Communities

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of The Federal Bridge Corporation Limited, which comprise the consolidated statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the consolidated statements of operations, consolidated statements of change in net debt and consolidated statements of cash flow for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Federal Bridge Corporation Limited as at 31 March 2012, 31 March 2011 and 1 April 2010, and the results of its operations, changes in its net debt, and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied, after giving retroactive effect to the adoption of the new standards as explained in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of The Federal Bridge Corporation Limited and its wholly-owned subsidiaries, that have come to my notice during my audits of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the *Act to incorporate St-Mary's River Bridge Company*, the *Canada Marine Act* and regulations and the articles and by-laws of The Federal Bridge Corporation Limited and its wholly-owned subsidiaries.

Maurice Laplante

Maurice Laplante, CA
Assistant Auditor General
for the Auditor General of Canada

26 June 2012
Ottawa, Canada

THE FEDERAL BRIDGE CORPORATION LIMITED
Consolidated Statement of Financial Position
as at March 31
(in thousands of dollars)

	2012	2011	April 1, 2010
FINANCIAL ASSETS			
Cash and cash equivalent	**38,780**	28,475	16,801
Investments (Note 5)	**3,343**	13,206	12,968
Accounts receivable	**2,370**	1,394	735
Accrued interest receivable	**81**	137	86
Due from Canada (Note 6)	**13,612**	5,042	13,119
TOTAL FINANCIAL ASSETS	**58,186**	48,254	43,709
LIABILITIES			
Accounts payable and accrued liabilities (Note 7)	**24,614**	20,989	16,029
Due to a government partner (Note 8)	**2,075**	1,845	1,414
Client deposits	**140**	100	110
Holdback (Note 9)	**5,309**	2,266	1,041
Employee future benefits (Note 10)	**1,271**	1,370	1,401
Environmental obligation (Note 11)	**28,100**	1,000	1,000
Asset retirement obligation (Note 12)	**15,885**	15,433	-
Credit facility (Note 13)	**5,000**	-	-
Deferred revenue	**610**	496	861
Deferred capital funding (Note 14)	**249,472**	213,843	192,225
TOTAL LIABILITIES	**332,476**	257,342	214,081
NET DEBT	**(274,290)**	(209,088)	(170,372)
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 15)	**300,347**	268,538	232,635
Prepaid expenses	**1,118**	745	363
TOTAL NON-FINANCIAL ASSETS	**301,465**	269,283	232,998
ACCUMULATED SURPLUS	**27,175**	60,195	62,626

Commitments (Note 18) and Contingencies (Note 19)

APPROVED BY THE BOARD OF DIRECTORS

Director

D. A. Ropea

Director

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

THE FEDERAL BRIDGE CORPORATION LIMITED

Consolidated Statement of Operations

for the year ended March 31
(in thousands of dollars)

	2012 Budget	**2012 Actual**	2011 Budget	2011 Actual
REVENUE				
Tolls	5,372	**5,535**	3,916	5,278
Leases and permits	5,089	**4,566**	4,893	4,534
International Thousand Islands Bridge operating revenue (Note 17)	3,938	**3,490**	3,675	3,590
Interest	250	**390**	212	320
Other	76	**207**	70	280
TOTAL REVENUE	14,725	**14,188**	12,766	14,002
EXPENSES (Note 20)				
Maintenance	63,819	**72,059**	55,248	60,589
Operations	5,778	**5,739**	5,628	5,567
Administration	10,874	**10,570**	9,746	10,238
International Thousand Islands Bridge operating expenses (Note 17)	3,549	**3,414**	3,671	3,512
Provision for environmental obligation	-	**27,100**	-	
TOTAL EXPENSES	84,020	**118,882**	74,293	79,906
DEFICIT BEFORE GOVERNMENT FUNDING	(69,295)	**(104,694)**	(61,527)	(65,904)
Parliamentary appropriations for operating expenses	61,548	**64,076**	56,418	57,900
Amortization of deferred capital funding (Note 14)	5,342	**7,598**	4,610	5,573
ANNUAL DEFICIT	(2,405)	**(33,020)**	(499)	(2,431)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	60,101	**60,195**	60,600	62,626
ACCUMULATED SURPLUS, END OF YEAR	57,696	**27,175**	60,101	60,195

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

THE FEDERAL BRIDGE CORPORATION LIMITED

Consolidated Statement of Change in Net Debt

for the year ended March 31
(in thousands of dollars)

	2012 Budget	**2012 Actual**	2011 Budget	2011 Actual
ANNUAL DEFICIT	(2,405)	**(33,020)**	(499)	(2,431)
Acquisition of tangible capital assets	(93,137)	**(44,552)**	(99,527)	(45,240)
Amortization of tangible capital assets	7,286	**12,743**	6,460	9,337
	(88,256)	**(64,829)**	(93,566)	(38,334)
Acquisition of prepaid expenses	(163)	**(2,787)**	-	(1,878)
Use of prepaid expenses	74	**2,414**	135	1,496
	(89)	**(373)**	135	(382)
INCREASE IN NET DEBT	(88,345)	**(65,202)**	(93,431)	(38,716)
NET DEBT, BEGINNING OF YEAR	(296,269)	**(209,088)**	(202,838)	(170,372)
NET DEBT, END OF YEAR	(384,614)	**(274,290)**	(296,269)	(209,088)

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

THE FEDERAL BRIDGE CORPORATION LIMITED

Consolidated Statement of Cash Flow

for the year ended March 31
(in thousands of dollars)

	2012	2011
OPERATING TRANSACTIONS		
Annual deficit	**(33,020)**	(2,431)
Non-cash items		
Amortization of tangible capital assets	**12,743**	9,337
Amortization of deferred capital funding	**(7,598)**	(5,573)
Increase in accounts receivable	**(976)**	(659)
(Increase) decrease of accrued interest receivable	**56**	(51)
(Increase) decrease in due from Canada	**(8,570)**	8,077
(Increase) decrease of client deposit	**40**	(10)
Accretion expense	**452**	262
Increase of holdback	**3,043**	1,225
Increase in accounts payable and accrued liabilities	**3,623**	4,939
Increase (decrease) in deferred revenue	**114**	(365)
Decrease of employee future benefits	**(99)**	(8)
Increase in environmental obligation	**27,100**	-
Increase in deferred capital funding	**35,629**	21,618
Increase of prepaid expenses	**(373)**	(382)
CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES	**32,164**	35,979
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	**(36,954)**	(24,496)
CASH APPLIED TO CAPITAL ACTIVITIES	**(36,954)**	(24,496)
INVESTING TRANSACTIONS		
Acquisition of investments	**(2,212)**	(12,825)
Disposal of investments	**12,075**	12,587
CASH PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES	**9,863**	(238)
FINANCING TRANSACTIONS		
Increase in amount due to government partner	**232**	429
Increase in credit facility	**5,000**	-
CASH PROVIDED BY FINANCING ACTIVITIES	**5,232**	429
NET INCREASE IN CASH AND CASH EQUIVALENT	**10,305**	11,674
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	**28,475**	16,801
CASH AND CASH EQUIVALENT, END OF YEAR	**38,780**	28,475

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

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

1. AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited (Corporation), incorporated on September 2, 1998 under the *Canada Business Corporations Act*, is a Crown corporation listed under Schedule III Part I of the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*.

In accordance with a directive issued by the Minister of Transport, Infrastructure and Communities under the *Canada Marine Act*, the St. Lawrence Seaway Authority transferred its assets on October 1, 1998. Specifically, the responsibility for The Jacques Cartier and Champlain Bridges Incorporated (JCCBI), for The Seaway International Bridge Corporation, Ltd. (SIBC), and for the operations of the International Thousand Islands Bridge were transferred to the Corporation. The responsibility for the Melocheville Tunnel and the Honoré Mercier Bridge were also transferred to JCCBI at that time.

On October 17, 2000, the Corporation acquired 90.67% of the outstanding voting and participating shares of St. Mary's River Bridge Company (SMRBC) from the province of Ontario. On September 1, 2009, the Corporation acquired the remaining 9.33% of the outstanding voting and participating shares.

The Corporation's primary activities involve the management and operation of bridges, installations and other assets. Moreover, the Corporation may acquire land and build structures or other assets and acquire shares or interests in any other bridge management corporation.

JCCBI depends on the federal government funding for its operations. FBCL (parent), SMRBC and SIBC are financed using their own operating income.

FBCL (parent), JCCBI and SMRBC receive federal government funding for capital asset acquisitions.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

The Corporation reports all revenues and expenses on an accrual basis. Assets are carried at the lower of cost and net realizable value. Liabilities are recorded at the estimated amount ultimately payable.

Both financial and non-financial assets are reported on the Consolidated Statement of Financial Position. Non-financial assets are charged to expense through amortization or upon utilization. Non-financial assets are not taken into consideration when determining the net debt of the Corporation, but rather are deducted from the net debt to determine the accumulated surplus (deficit).

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of consolidation

The consolidated financial statements include the accounts of FBCL (parent), its wholly owned subsidiaries, JCCBI and SMRBC and its proportionate share (50%) of its interest in its government partnership, SIBC. The fiscal year-end of JCCBI and SIBC is March 31, while that of SMRBC is December 31. All inter-company transactions and balances have been eliminated on the consolidated financial statements.

c) Parliamentary appropriations

Parliamentary appropriations used to cover the excess of expenses over operating revenues and non-depreciable assets are reflected in the Consolidated Statement of Operations. The portion of the parliamentary appropriations used to finance the acquisition of tangible capital assets is accounted for as deferred capital funding on the Consolidated Statement of Financial Position and amortized on the same basis as the related tangible capital assets. Any portion of the parliamentary appropriations to which the Corporation is entitled but has not received at year-end is recognized under the Due from Canada.

d) Cash and cash equivalent

Cash and cash equivalents include cash on hand and bank balances.

e) Investments

Temporary investments, which are transitional or current in nature, are recorded at the lower of cost and market value.

f) Tangible capital assets

Tangible capital assets are recorded at cost. Replacements and major improvements which extend the useful service lives of existing assets are capitalized. Costs that permit the extension of the lifespan of the Corporation's assets, increase their capacity, safety or effectiveness, or are committed to reduce or prevent environmental contamination, are capitalized. Repairs and maintenance are charged to operations as incurred.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Tangible capital assets (continued)

Amounts included in projects in progress are transferred to the appropriate tangible capital assets classification upon completion and are then amortized according to the Corporation's amortization policy. Tangible capital assets transferred from related parties are accounted for at fair market value, when determinable.

Tangible capital assets are amortized over their estimated useful lives using the straight-line method, at the following rates:

Bridges and roads	2% - 7%
Bridge and infrastructure betterments	5% - 10%
Vehicles and equipment	3% - 33%
Buildings	2% - 10%

g) Employee future benefits

Post-employment benefits and compensated absences

FBCL (parent) and SIBC employees are entitled to accumulating but non-vesting sick leave benefits provided for under conditions of employment. SMRBC recognizes the share of its government partner's, the International Bridge Authority, employees sick leave benefits that accumulate but do not vest. The Corporation recognizes the cost of future sick leave benefits over the periods in which the employees render services to the entity and the liability for these benefits is recognized as the benefits accrue to employees based on the probability of payment established per historical data.

JCCBI employees are entitled to sick leave benefits and are paid on an annual basis. These costs are recognized in the Consolidated Statement of Operations.

Severance benefits

FBCL (parent), JCCBI and SIBC employees are entitled to specified benefits provided for under conditions of employment, through a severance benefit plan. The cost of future severance benefits was recognized over the periods in which the employees rendered services to the entity and the liability was recognized in future benefits to employees. FBCL (parent) and SIBC have eliminated these benefits as of January 1, 2012. All outstanding amounts at year-end have been accrued.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Employee future benefits (continued)

Pension plan

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

FBCL (parent) employees participate in a defined contribution private pension plan and the cost of this plan is shared by the employees and FBCL (parent). Its contributions are expensed when employees have rendered service and represent the total pension obligation of FBCL (parent). The terms of payment of past service contributions are set by the application purchase conditions, generally over the number of years of services remaining prior to retirement.

h) Asset Retirement Obligation

Asset retirement obligations reflect the liability associated with retiring certain tangible long-lived assets such as a bridge structures and related assets. The asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Fair value is estimated based on the present value of the estimated future cash outflows to dispose of the asset, discounted at the Corporation's credit-adjusted risk-free interest rate. The associated asset retirement costs are capitalized as part of the cost of the long-lived asset and then amortized on a straight line basis over its estimated useful life. Subsequent to the initial measurement of the asset retirement obligation, the obligation may be adjusted at the end of each period to reflect the passage of time and changes in estimated future cash flows underlying the obligation. Actual costs incurred to dispose of the asset will reduce the asset retirement obligations. A gain or loss may be incurred upon settlement of the liability.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Environmental obligations

The Corporation records a provision for environmental cleanup in situations where contamination exceeds environmental standards if it is obligated or likely to be obligated to incur costs related to the management and remediation of contaminated sites, and the cost can be reasonably estimated. Estimated future costs are recognized as a liability and based on the present value of the estimated cash flows of costs that are most likely to be incurred. If the likelihood of the Corporation's obligation to incur these costs is high but the amount of the loss is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the consolidated financial statements. Other expenses associated with environmental measures are recorded as expenditures as incurred.

j) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is recognized and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the consolidated financial statements.

k) Revenue recognition

Tolls revenue is recognized when tolls are collected as vehicles pass through toll booths. Leases and permit revenue is recognized when services are rendered. Interest income is recognized when earned.

Revenue from tolls, leases and permits relating to services that have not been rendered is deferred and recognized in income as the services are provided. Proceeds received relating to toll tickets that are still unredeemed at year end are recorded as toll revenue based on the average redemption rate of prior year balances.

l) Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rate at the end of each year. Gains and losses resulting from foreign currency translation are reported on the Consolidated Statement of Operations.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Measurement uncertainty

The preparation of consolidated financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the consolidated financial statements date and the reported amounts of revenues and expenses during the reporting period. The estimated useful life of tangible capital assets, accrued liabilities for major maintenance repairs, claims received from suppliers, employee future benefits, environmental obligations, asset retirement obligations and contingencies are the most significant items where estimates are used. Actual results could differ significantly from those estimates.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Prior to 2010, the Corporation classified itself as a Government Business-Type Organization (GBTO) and followed the recommendations of the *Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Part V*. For fiscal years ending on or after January 1, 2011, that category ceased to exist and the Corporation had to reclassify itself in accordance with PSAS.

The adoption of PSAS is accounted for by retroactive application. Although minor quantitative balances have changed, the following is a summary of the main qualitative differences for the Corporation between its previous and current consolidated financial statements:

- The Consolidated Balance Sheet has been replaced by the Consolidated Statement of Financial Position, segregating financial and non-financial assets as well as the net debt (liabilities less financial assets) of the Corporation; and accumulated surplus (deficit) at the Consolidated Statement of Financial Position date.
- The Consolidated Statement of Operations and Comprehensive Income has been replaced by the Consolidated Statement of Operations, reporting both revenue and expenses.
    - Expenses are disclosed by function; and
    - A comparison of the current year results with the original comparative budget is disclosed.
- The Consolidated Retained Earnings has been replaced by the Consolidated Statement of Change in Net Debt, which represents the annual surplus (deficit) adjusted for capital transactions and prepaid expenses, to explain the change in net debt for the period. A comparison of the current year results with the original comparative budget is also required and disclosed.
- The Statement of Cash Flow has been modified to conform to the new presentation format of the Statement of Financial Position, where the short and long-term portions of the investments were re-classified to investments.

The following tables present the reconciliation of account balances and transactions from the previous reporting framework to the current method of presentation:

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Continued)

a) PSA Opening Consolidated Statement of Financial Position as at April 1, 2010

Balance Sheet items

(in thousands)	CICA Accounting Handbook – Part V	Adjustments	Classification	PSA Standards
Assets				
Cash	16,801	-	-	16,801
Short-term investments	12,587	-	381	12,968
Accounts receivable	735	-	-	735
Accrued interest receivable	86	-	-	86
Prepaid expenses (g)	354	9	(363)	-
Due from Canada (short-term)	12,078	-	1,041	13,119
Due from Canada (long-term)	1,041		(1,041)	-
Long-term investments	381		(381)	-
Fixed assets (d)	230,306	2,329	(232,635)	-
Total Assets	**274,369**	**2,338**	**(232,998)**	**43,709**
Liabilities				
Accounts payable and accrued liabilities	16,246	-	(217)	16,029
Deferred revenue	861	-	-	861
Client deposit	110	-	-	110
Due to government partner	1,445	(31)	-	1,414
Holdback	1,041	-	-	1,041
Employee future benefits (e)	1,141	43	217	1,401
Environmental obligation (f)	1,000	-	-	1,000
Deferred capital funding	192,225	-	-	192,225
Total Liabilities	**214,069**	**12**	**-**	**214,081**
Shareholder's Equity				
Capital Stock	-	-	-	-
Contributed capital	53,664	-	(53,664)	-
Retained earnings	6,636	-	(6,636)	-
Total Shareholder's Equity	**60,300**	**-**	**(60,300)**	**-**
Non-Financial Assets				
Tangible capital assets (d)	-		232,635	232,635
Prepaid expenses (g)	-	-	363	363
Total Non-Financial Assets	**-**	**-**	**232,998**	**232,998**
Accumulated Surplus	**-**	**2,326**	**60,300**	**62,626**

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statement

(in thousands of dollars)

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Continued)

b) Reconciliation of the March 31, 2011 Consolidated Statement of Financial Position

Balance Sheet items

(in thousands)	CICA Accounting Handbook – Part V	Adjustments	Classification	PSA Standards
Assets				
Cash	28,475	-	-	28,475
Short-term investments	12,075	-	1,131	13,206
Accounts receivable	1,394	-	-	1,394
Accrued interest receivable	137	-	-	137
Prepaid expenses (g)	730	15	(745)	-
Due from Canada (short-term)	2,789	-	2,253	5,042
Due from Canada (long-term)	2,253	-	(2,253)	-
Long-term investments	1,131	-	(1,131)	-
Fixed assets (d)	266,209	2,329	(268,538)	-
Total Assets	**315,193**	**2,344**	**(269,283)**	**48,254**
Liabilities				
Accounts payable and accrued liabilities	21,185	-	(196)	20,989
Deferred revenue	496	-	-	496
Client deposit	100	-	-	100
Due to government partner	1,874	(31)	2	1,845
Holdback	2,266	-	-	2,266
Employee future benefits (e)	1,133	43	194	1,370
Environmental obligation (f)	1,000	-	-	1,000
Asset retirement obligation	15,433	-	-	15,433
Deferred capital funding	213,843	-	-	213,843
Total Liabilities	**257,330**	**12**	**-**	**257,342**
Shareholder's Equity				
Capital stock				
Contributed capital	53,664	-	(53,664)	-
Retained earnings	4,199	-	(4,199)	-
Total Shareholder's Equity	**57,863**	**-**	**(57,863)**	**-**
Non-Financial Assets				
Tangible capital assets (d)	-	-	268,538	268,538
Prepaid expenses (g)	-	-	745	745
Total Non-Financial Assets	**-**	**-**	**269,283**	**269,283**
Accumulated Surplus	**-**	**2,332**	**57,863**	**60,195**

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Continued)

c) Reconciliation of the Consolidated Statement of Operations for the year ended March 31, 2011

Statement of Operations items

	CICA Accounting Handbook – Part V	Adjustments	Classification	PSA Standards
Revenue				
Tolls	5,278	-	-	5,278
Leases and permits	4,534	-	-	4,534
International Thousand Island Bridge operating revenue	3,590	-	-	3,590
Interest	320	-	-	320
Other	280	-	-	280
Total Revenue	**14,002**	**-**	**-**	**14,002**
Expenses				
Maintenance	52,290	-	8,299	60,589
Operations	5,457	-	110	5,567
Administration	10,124	(8)	122	10,238
International Thousand Island Bridge operating expenses	2,706	-	806	3,512
Amortization of tangible capital assets	9,337	-	(9,337)	-
Total Expenses	**79,914**	**(8)**	**-**	**79,906**
Annual Surplus (Deficit) before government funding	**(65,912)**	**8**		**(65,904)**
Parliamentary appropriations for operating expenses	57,900	-	-	57,900
Amortization of deferred capital funding	5,573	-	-	5,573
Annual Surplus (Deficit)	**(2,439)**	**8**	**-**	**(2,431)**

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Continued)

The following discussion explains the significant differences between the Corporation's previous GAAP accounting policies and those applied under PSAS. PSAS have been retroactively applied. The descriptive notes below correspond to the adjustments presented in the preceding reconciliations.

d) Tangible Capital Assets

Contributions of tangible capital assets are recorded at fair value as of the date of transfer. In assessing its contributed tangible capital assets, JCCBI recorded an adjustment of $3,329 in its opening consolidated statement of financial position related to tangible capital assets. A reduction of $1,000 related to contaminated lands was also recorded.

e) Employee Future Benefits - Sick leave

Under previous GAAP, benefits that accumulated but did not vest were not recorded as liabilities. PSAS require that a liability be recognized for these types of arrangements. The Corporation recognizes the cost of future sick leave benefits over the period during which the employees render services and the liability is based on the probability of payment established per historical data. The Corporation recognized a liability for sick leave benefits of $43 in its opening consolidated statement of financial position. The sick leave liability of SIBC also includes an adjustment to reflect the portion of $31 assumed by The St. Lawrence Seaway Development Corporation, the government partner at the Cornwall location.

JCCBI employees are entitled to sick leave benefits provided under conditions of employment that are paid on an annual basis. JCCBI recognizes the cost of the sick leave benefits within its Consolidated Statement of Operations.

f) Liability for contaminated sites

PSAB has recently issued section 3260 (Liability for Contaminated Sites.) This new section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites. This guidance specifies that a liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage; a liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination. The adoption of this guidance did not result in any changes in the transition to PSAS.

This section is effective for fiscal periods beginning on or after April 1, 2014 and its early adoption is permitted. The Corporation has opted to adopt this new section in advance for the consolidated financial statements ending March 31, 2012.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (Continued)

g) Foreign Currency

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. For the subsidiary, SMRBC, the application of these rates has resulted in an opening balance sheet adjustment to prepaid expenses of $9 and for the twelve months ended March 31, 2011, an adjustment of $6.

h) Classification

The classification of short and long-term is not required per PSAS resulting in adjustments to investments and Due from Canada. Other amounts owing to employees that were previously included within accounts payable and accrued liabilities have been reclassified to employee future benefits. Fixed assets previously recorded under “Assets” have been reclassified under “Non-Financial Assets”.

4. FUTURE ACCOUNTING CHANGES

PSAB has recently issued new sections that are required to be applied concurrently to fiscal years beginning on or after April 1, 2012. The Corporation is currently analyzing the impact of these new standards on its consolidated financial statements:

a) Financial Instruments

The new section 3450 (financial instruments) establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Items within the scope of the section are assigned to one of two measurement categories: fair value, cost or amortized cost. Fair value measurement will apply to portfolio investments in equity instruments that are quoted in an active market. Other financial assets and financial liabilities will generally be measured at cost or amortized cost. Until an item is derecognized, gains and losses arising as a result of fair value remeasurement will be reported in the Consolidated Statement of Remeasurement Gains and Losses.

b) Foreign Currency Translation

The revised section 2601 (foreign currency translation) requires that remeasurement gains and losses on foreign currency translation be reported in a new Consolidated Statement of Remeasurement Gains and Losses until such time as the financial instrument is derecognized, at which point, the accumulated remeasurement gain and loss is recognized in the Consolidated Statement of Operations.

c) Financial Statement Presentation

The revised section 1200 (presentation of financial statements) establishes the general principles and information standards applicable to consolidated financial statements. It requires that remeasurement gains and losses be reported in a new statement. Also, the accumulated surplus or deficit will be presented as the total of the accumulated operating surplus or deficit and the accumulated remeasurement gains and losses.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

4. FUTURE ACCOUNTING CHANGES (continued)

d) Portfolio Investments

The new section 3041(Portfolio Investments) removes the distinction between temporary and portfolio investments. It also specifies that any interests in pooled investment funds will need to be assessed in accordance with the rights associated with those interests rather than the funds' underlying value. This guidance specifies that when temporary investments are not cash equivalents, they are accounted for as portfolio investments.

e) Transfer Payments

PSAB has also recently modified section 3410 (transfer payments). This revised section establishes standards on the accounting and presentation of transfer payments issued from a transferor's and a recipient's perspective. According to the revised Standards, the recipient should recognize as revenue a transfer payment received without eligibility criteria or stipulations. A recipient should also recognize as revenue a transfer payment subject to eligibility criteria but without stipulations when a transfer is authorized and that all the eligibility criteria are met.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

5. INVESTMENTS

Investments are mainly composed of term deposits and deposit certificates. These investments have a rate of return varying between 1.25% to 2.90% as at March 31, 2012 (2011 - 0.23% to 4.40%; April 1, 2010 - 0.16% to 4.40%). On average, the term to maturity is 178 days (2011 - 174 days; April 1, 2010 - 153 days).

	March 31, 2012	
	Market Value	Carrying Value
Deposit certificates	3,323	3,323
	3,323	**3,323**

	March 31, 2011	
	Market Value	Carrying Value
Term deposits	11,995	11,931
Deposit certificates	1,275	1,275
	13,270	13,206

	April 1, 2010	
	Market Value	Carrying Value
Term deposits	1,918	1,875
Deposit certificates	11,093	11,093
	13,011	12,968

6. DUE FROM CANADA

This amount represents parliamentary appropriations receivable of $13,612 for JCCBI operating expenditures, amounts owed to FBCL (parent), JCCBI and SMRBC for major capital projects.

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statement

(in thousands of dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2012	March 31, 2011	April 1, 2010
Accounts payable and accrued liabilities to related parties	**1,033**	268	393
Salaries and benefits payable	**716**	631	441
Accounts payable and accrued liabilities to external parties	**22,830**	20,061	15,167
Other	**35**	29	28
	24,614	20,989	16,029

8. DUE TO A GOVERNMENT PARTNER

The amount owed to The St. Lawrence Seaway Development Corporation, the government partner, bears interest at a rate which varies between 1.25% and 1.68% (2011 – 1.47% and 2.35%; April 1, 2010 – 2.27% and 3.10%) and is payable on demand. The carrying amount approximates its fair value.

9. HOLDBACK

FBCL (parent) and JCCBI temporarily retain an amount on the total due to contractors invoices to ensure that the latter fulfills its obligations pertaining to warranty, rectification and correction of defects in work. Per contractual agreements, the works are typically segregated in phases and the warranty period for each phase begins when the interim certificate of acceptance for the specific work has been issued. The contracts call for the Corporation to pay holdbacks upon expiration of the warranty period. In some instances, interest will be applied to holdbacks as of the dates of issue of the interim certificates of acceptance. Such holdbacks are applicable to current works on the Honoré Mercier Bridge, the Champlain Bridge, other structures in Montreal as well as the North Channel Bridge in Cornwall.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

10. EMPLOYEE FUTURE BENEFITS

a) Post-employment benefits and compensated absences

Prior to January 1, 2012, FBCL (parent), JCCBI and SIBC provided severance benefits to their employees based on years of service and final salary. FBCL (parent) and SIBC eliminated this benefit as of January 1, 2012 and the amounts owed will be paid upon termination. These benefit plans are not funded. The JCCBI accrued severance benefits are expected to be paid from parliamentary appropriations within the next fiscal year.

Accumulating sick leave benefits are also provided to the employees of FBCL (parent) and SIBC at a rate of 15 days per year.

The employee post-employment benefits liability includes the following components:

	March 31, 2012	March 31, 2011	April 1, 2010
Balance, beginning of year	1,370	1,401	1,536
Current service cost	160	160	249
Benefits paid	(259)	(191)	(384)
Balance, end of year	1,271	1,370	1,401

b) Pension benefits

Substantially all JCCBI and SIBC employees are covered by the public service pension plan (the “Plan”), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the subsidiaries. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees’ required contribution. The general contribution rate effective at year end was 6.2% (2011 - 5.8% and 1 April 2010 – 5.5%).

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

FBCL (parent) employees participate in a defined contribution plan. The employer’s effective contribution rate was 12.5% (2011 - 14.7% and 1 April 2010 – 11.72%).

Total employer contributions of $1,145 (2011 - $1,046) were recognized as expense in the current year.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

11. ENVIRONMENTAL OBLIGATION

The Corporation has reviewed all of its properties to determine their environmental condition. The land considered to be contaminated will require additional investigation in the coming years. Certain of this land may eventually require decontamination or mitigation measures.

The most pressing environmental issue facing FBCL (parent) and JCCBI relates to the land situated in the Bonaventure sector in Montreal (Technoparc sector). The land managed by JCCBI since 1978, is located on a portion of a former waste fill site operated by the City of Montreal between 1866 and 1966. This old landfill site covers several properties belonging to various owners. Since 2003, JCCBI has carried out investigations and ground-water toxicity tests of this land. The tests have shown groundwater toxicity rates that contravene the *Fisheries Act*. Feasibility studies have also been conducted to determine the mitigation measures required. Given the complexity of the issue, the involvement of numerous owners and the significant costs involved, a comprehensive solution to the environmental issues at this site is being pursued.

The estimate of the liability is based on two preliminary studies for the East and Western sectors of the land. The East sector preliminary design study assessed JCCBI's share of total discounted costs could range from $13,700 to $41,100. The West sector preliminary study on decontamination costs assessed JCCBI's share of total estimated discounted costs could range from $14,400 to $21,600. As at March 31, 2012, the studies had not yet been finalized and negotiations with other owners are ongoing. JCCBI has estimated that the total cost of the project will be at the lower end of both ranges representing a total discounted cost of $28,100 (2011- $1,000; April 1, 2010 - $1,000).

The liability is based on key assumptions and estimates made by JCCBI's management, as follows:

- The total undiscounted estimated cash flows required to settle the liability as March 31, 2012 for the East sector is $21,000 to $63,000 and for the West sector is $17,000 to $26,200.
- JCCBI's share of the costs for the East and West sectors will be one-third and one-half, respectively.
- The East sector project will be initiated in 2018 with the construction of a damp-proof course and longer-term pumping and treatment system and decontamination operations will follow and span 25 years.
- The West sector project will be initiated in 2014 with the construction of a damp-proof course and decontamination plant. Approximately one-half of the plant decontamination costs will be distributed over an approximate 15-year period.

Such estimates are subject to adjustments based on changes in laws and regulations and as new information become available. The estimate of the liability could be materially different if the key assumptions used by management for determination of the estimate vary from those planned.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

12. ASSET RETIREMENT OBLIGATION

The Corporation has initiated the construction of a new low-level North Channel Bridge. Subsequently, once this new bridge is open for circulation, the Corporation intends to proceed with the demolition of the existing bridge. An asset and related retirement obligation has been recorded for the costs associated with the demolition of the existing bridge. The estimation of this asset retirement obligation costs depends on engineering estimates of timing, inflation, site conditions, availability of specialized workforce and commodity prices for the recycling of material. The estimated cash flows of $17,100 required to settle the asset retirement obligation have been discounted using a credit-adjusted risk-free rate of 2.92% to 3.04%.

Per the current project schedule, cash payments for the disposal of the existing North Channel Bridge are expected to occur in 2014 and 2015. The present value of the Corporation's asset retirement obligation at March 31, 2012 totalled $15,885. These cash flows will be funded from parliamentary appropriations to be received at the time of demolition.

	March 31, 2012	March 31, 2011	April 1, 2010
Balance, beginning of year	15,433	-	-
Asset retirement obligation incurred		15,171	-
Accretion expense	452	262	-
Balance, end of year	15,885	15,433	-

13. CREDIT FACILITIES

SMRBC has a non-revolving term credit facility with a major Canadian bank totaling $5,000 which has received approval from the Minister of Finance regarding the transaction terms and approval of the Governor in Council of the corporate plan of FBCL (parent), as per Section 127 of the Financial Administration Act. The credit facility will be used to finance property acquisitions relating to the Canadian Plaza Rehabilitation Project at the Sault Ste Marie international bridge.

This credit facility carries an interest rate of prime plus 0.9%, to be converted within one-year to a twenty-year loan once all properties are acquired, and to be repaid from surplus toll revenues. As at March 31, 2012, the full amount of the credit facility had been drawn (2011 – nil, 1 April 2010 – nil).

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statements
(in thousands of dollars)

14. DEFERRED CAPITAL FUNDING

	March 31, 2012	March 31, 2011
Balance, beginning of year	**213,843**	192,225
Parliamentary appropriations to finance the acquisition of amortizable tangible capital assets	**43,227**	27,191
Amortization expense	**(7,598)**	(5,573)
Balance, end of year	**249,472**	213,843

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

15. TANGIBLE CAPITAL ASSETS

As at March 31, 2012

	Cost					
	Opening Balance	Acquisitions	Disposals	Transfers	Write-downs	Closing Balance
Land	8,611	-	-	-	-	8,611
Bridges and roads	324,195	10,031	-	71,501	-	405,727
Vehicles and equipment	7,525	622	54	-	-	8,093
Buildings	6,900	1,519	-	-	-	8,419
Bridge and infrastructure betterments	1,109	-	-	-	-	1,109
Projects in progress	78,475	32,380	-	(71,501)	-	39,354
Asset retirement obligation	15,171	-	-	-	-	15,171
Equipment under capital lease	53	-	-	-	-	53
TOTAL	442,039	44,552	54	-	-	486,537

	Accumulated Amortization					
	Opening Balance	Amortization Expense	Disposals	Transfers	Write-downs	Closing Balance
Land	-	-	-	-	-	-
Bridges and roads	161,029	8,933	-	-	-	169,962
Vehicles and equipment	5,780	314	54	-	-	6,040
Buildings	3,606	184	-	-	-	3,790
Bridge and infrastructure betterments	1,109	-	-	-	-	1,109
Projects in progress	-	-	-	-	-	-
Asset retirement obligation	1,924	3,312	-	-	-	5,236
Equipment under capital lease	53	-	-	-	-	53
TOTAL	173,501	12,743	54	-	-	186,190

	Net Book Value 2012
Land	8,611
Bridges and roads	235,765
Vehicles and equipment	2,053
Buildings	4,629
Bridge and infrastructure betterments	-
Projects in progress	39,354
Asset retirement obligation	9,935
Equipment under capital lease	-
TOTAL	300,347

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

15. TANGIBLE CAPITAL ASSETS (continued)

As at March 31, 2011

	Cost					
	April 1, 2010 Opening Balance	Acquisitions	Disposals	Transfers	Write-downs	Closing Balance
Land	7,885	726	-	-	-	8,611
Bridges and roads	307,026	3,900	-	13,269	-	324,195
Vehicles and equipment	7,484	420	154	-	225	7,525
Buildings	5,502	1,398	-	-	-	6,900
Bridge and infrastructure betterments	1,109	-	-	-	-	1,109
Projects in progress	68,108	23,636	-	(13,269)	-	78,475
Asset retirement obligation	-	15,171	-	-	-	15,171
Equipment under capital lease	53	-	-	-	-	53
TOTAL	397,167	45,251	154	-	225	442,039

	Accumulated Amortization					
	April 1, 2010 Opening Balance	Amortization Expense	Disposals	Transfers	Write-downs	Closing Balance
Land	-	-	-	-	-	-
Bridges and roads	154,054	6,975	-	-	-	161,029
Vehicles and equipment	5,924	224	143	-	225	5,780
Buildings	3,404	202	-	-	-	3,606
Bridge and infrastructure betterments	1,097	12	-	-	-	1,109
Projects in progress	-	-	-	-	-	-
Asset retirement obligation	-	1,924	-	-	-	1,924
Equipment under capital lease	53	-	-	-	-	53
TOTAL	164,532	9,337	143	-	225	173,501

	Net Book Value 2011	Net Book Value April 1, 2010
Land	8,611	7,885
Bridges and roads	163,166	152,972
Vehicles and equipment	1,745	1,560
Buildings	3,294	2,098
Bridge and infrastructure betterments	-	12
Projects in progress	78,475	68,108
Asset retirement obligation	13,247	-
Equipment under capital lease	-	-
TOTAL	268,538	232,635

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

15. TANGIBLE CAPITAL ASSETS (continued)

The cost of the Bonaventure Autoroute, the initial cost of the Jacques Cartier Bridge, the cost of the Cornwall South Channel Bridge and the initial cost of the Canadian portion of the International Sault Ste. Marie Bridge, included in bridges and roads above, are fully amortized.

Bridge and infrastructure betterments represent the cost of major rehabilitation projects, which maintain the reliability of the North and South Channel of the Seaway International Bridge in Cornwall.

16. CAPITAL STOCK

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

17. INTERNATIONAL THOUSAND ISLANDS BRIDGE

These revenues and expenses represent the Corporation's share of the income and expenses from operations of the Canadian portion of the International Thousand Islands Bridge in accordance with a management agreement between the Corporation and the Thousand Islands Bridge Authority.

18. COMMITMENTS

a) Operations

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 2012 is $3,600 on an annual basis (31 March 2011 - $3,500, 1 April 2010 - $3,500). This agreement is renewable at maturity unless either party gives notice to the contrary.

b) Suppliers

The Corporations has commitments principally for major repairs, supply contracts, maintenance contracts, professional service and rental agreements for amounts totaling $134,288 (31 March 2011 - $112,636 and $68,618 as at 1 April 2010). Minimum payments over the next years are as follows:

2013	$ 100,560
2014	31,190
2015	1,808
2016	574
2017 and subsequent years	156

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statement

(in thousands of dollars)

19. CONTINGENCIES

In the normal course of its activities, the Corporation is the claimant or defendant or is involved in certain pending claims or lawsuits. To the extent that a future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the consolidated financial statements. It is the opinion of management that the settlement of such matters will not result in any material liabilities to the Corporation.

On May 15, 2012, JCCBI received a claim from a contractor regarding work that had been performed on its behalf and that of a partner, for which expenses were shared. This claim mainly relates to project delays and the withdrawal of some work. The current claim is for approximately $10,400. Given the complexity of the issues, experts have been engaged to evaluate the merits of the claim. Subsequent analyses and discussions will be required to determine JCCBI's liability, if any. At this time, the JCCBI management cannot estimate the financial impact of this claim.

20. SUMMARY OF EXPENSES BY MAJOR CLASSIFICATIONS

	2012	2011
Repairs and maintenance	**56,141**	48,257
Provision for environmental obligations	**27,100**	-
Amortization	**12,743**	9,337
Salaries and employee benefits	**10,364**	9,744
Professional services	**5,365**	5,192
Miscellaneous	**3,331**	3,198
Utilities, material and supplies	**1,507**	1,619
Insurance	**984**	914
Rentals	**696**	620
Payments in lieu of taxes	**574**	522
Information	**269**	371
Communication	**189**	145
Management fees	**129**	164
Transportation	**120**	82
Other	**131**	121
Recovered expenses	**(761)**	(380)
	118,882	79,906

21. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These operations are measured at fair value. During the year, the Corporation recovered costs totalling $3,209 (2011 - $839) from related parties. The Corporation recorded accounts receivable of $3,149 at March 31, 2012 (2011 - $773; April 1, 2010 - $1,883) from related parties.

THE FEDERAL BRIDGE CORPORATION LIMITED
Notes to the Consolidated Financial Statement
(in thousands of dollars)

22. INTEREST IN A GOVERNMENT PARTNERSHIP - SIBC

Since 1956, FBCL and its predecessors have been party to an international agreement representing a government partnership with the St. Lawrence Seaway Development Corporation. This partnership is for the operation of toll bridges across the St. Lawrence River between the City of Cornwall, Ontario, Canada and Rooseveltown, New York, United States of America. The consolidated financial statements of FBCL include 50% of the assets, liabilities, revenues and expenses of the government partnership SIBC.

	March 31, 2012	March 31, 2011	April 1, 2010
Financial Assets	**3,326**	2,675	2,717
Liabilities	**3,519**	2,910	3,058
Net Debt	**193**	235	341
Non-Financial Assets	**197**	239	345
Accumulated Surplus (Deficit)	**4**	4	4
Operations			
Revenues	**2,055**	1,837	
Expenses	**1,511**	1,599	
Annual surplus before special funding	**544**	238	
Special funding	**-**	132	
FBCL share of government partnership annual surplus	**544**	370	
Cash flows			
Operating activities	**769**	750	
Investment activities	**(262)**	(55)	
Financing activities	**(228)**	(389)	
Capital activities	**23**	-	

Appendix A

2011-12 PERFORMANCE REPORT

In setting its plan for 2011-12, FBCL developed its logic model to clearly focus on the performance of its three key priorities, namely bridge safety, sustainable funding and corporate structure.

Activity 1- Manage and Operate

This activity consists of the daily direction and control of operations at all FBCL bridges and associated structures including cyclical maintenance and repairs which ensures the ongoing safety and security of these assets and revenue generation activities. This activity is similar across all locations however funding models differ significantly and add complexity.

2011-12 Performance Measures	Performance Indicators	Status
1. Enhance the role of the corporate engineering task force to share intelligence and best practices for undertaking critical maintenance and further develop risk management reporting.	Identification of key risks.	Partially Met -Risk assessments completed by FBCL and its subsidiaries. Formal risk reporting on bridge safety being integrated as part of Quarterly Reports.
2. Seek approval of the 5-year funding proposal to address major risks for domestic bridges and associated structures in Montreal.	Allocation of multi-year funding for JCCBI.	Met - Approved three year $227.6M funding for urgent repairs and asset preservation in Montreal. First year completed.
3. Ensure safety of existing NCB in Cornwall while new bridge being built.	Completion of work plan based on annual inspection and daily operational review.	Met
4. Ensure bridge safety of full portfolio by continuing review of inspection reports and reporting on high-risk areas.	Results of inspection program.	Met - Reported annually.
	Safety incidences on structures.	Met - Reported annually.

Activity 2 – Construct and Rehabilitate		
This activity includes all major rehabilitation and new construction projects as well as other major capital expenditures associated with ensuring the safety and security of FBCL bridges and associated structures.		

2011-12 Performance Measures	Performance Indicators	Status
1. Deliver funded projects on time and on budget	NCB - $74.8M.	Met – On budget, Contract 1 – In-water works and piers completed Contract 2 – Construction of bridge and approaches awarded and work started.
	Honoré Mercier Bridge - $135M.	Partially Met – Contract A completed on federal sections however MTQ requested additional important repairs to be added into Contract A to continue into 2012. Contract B has a one year delay due to labour issues related to the application of Quebec law on Mohawk workers however it was resolved in July 2011. However, MTQ has cancelled its participation in the existing contract for the replacement of the deck. The deck-replacement work will be delayed as impacts on the overall project and existing contracts are being assessed. JCCBI's section of the bridge is to be started in 2012 and completed in 2013.
	Sault Ste. Marie Customs Plaza Rehabilitation - $44.1M.	Partially Met – Some land acquisitions completed and preparatory work as well as designs completed. Timelines are being adjusted to allow for the continued negotiations for the property acquisitions. Currently the project is approximately one year behind the original completion date of 2014 and a request for an extension of the contribution agreement will be required.
2. Review revenue generation opportunities in Montreal and at international crossings, to assist in funding long-term capital requirements.	International Crossings – review with U.S. partners	Met – Tolls reviewed regularly by responsible authorities at each international crossing.
	Provision of financial analysis and supporting documents for government consideration.	Met – Revenue generation options explored for new Bridge project. The project is now being led by TC.
3. Obtain project approval for construction of CBSA facilities in Cornwall and secure funding for remainder of project.	CBSA decision on location pending.	Partially met – Options for locations completed by FBCL and presented to CBSA. Communications by CBSA to the media indicated the permanent location option chosen would be Massena, New York . In March 2012 CBSA communicated the need to move their temporary facilities to align with the new bridge and approaches. CBSA also announced their plans to enhance the structure, as the move to Massena may take upwards of 5 years.
	Allocation of funding.	Partially met - $40M set aside by TC but allocation will be dependent on CBSA decisions. Temporary options being developed to align to new bridge.
4. Seek approval of new funding for the Champlain Bridge corridor.	Completion of Champlain Bridge condition study and pre-feasibility study on replacement delivered.	Met - Reports completed.
	Approval of Champlain Bridge replacement project.	Met - October 2011 , the Minister announced the construction of the new bridge over the St. Lawrence to replace the Champlain Bridge. Project lead assumed by Transport Canada.
5. Develop business case for consideration by government for the rehabilitation of the Thousand Islands CBSA facility.	Agreement with CBSA on requirements and costs	Partially Met - The initial options have been prepared and accepted by CBSA.
	Present business case to government	Partially Met – Discussions with TC have been initiated regarding the funding and other requirements of the rehabilitation project

Activity 3- Internal Services

Internal services at FBCL are groups of related activities and resources that support the needs of programs and other corporate obligations. These services include governance, management support, and resource management services including finance, strategic planning and reporting, communications and human relations. This professional expertise is integrated in all program activities to appropriately manage risks, deliver projects as planned and complete liaison with external federal agencies.

2011-12 Performance Measures	Performance Indicators	Status
1. Continue to clarify with subsidiaries roles, responsibilities, accountabilities including reporting requirements to achieve appropriate level of corporate oversight.	Letters of expectations were issued by the Chair of FBCL Board to subsidiary Boards and initial subsidiary reporting in place.	Met
	Project clarifying roles and responsibilities nearing completion.	Partially Met – Roles and responsibilities have been defined however not yet completed as FBCL Board presently has only three members.
2. Continue to provide information including business case as to the optimal corporate structure for FBCL.	Report on progress of corporate structure challenges.	Partially Met – Business case has been submitted to the Minister and is under government consideration and review. FBCL has appointed two of its executive members to SIBC and to TIBA. An FBCL Executive has also been appointed to SMRBC.
3. Manage corporate risk systematically and consistently and ensure all relevant information is made available and mitigation plans are in place.	Enterprise Risk Management (ERM) approved by FBCL Board.	Partially Met –ERM under review by FBCL Board. A joint risk assessment with subsidiaries was completed which was used as input for the Corporate Risk Profile and Corporate Plan.
4. Ensure consistent and coordinated framework for corporate communication activities by reporting on new projects.	Blog and Twitter accounts for North Channel Bridge replacement.	Met –Social media is active since start of project and is being well received by users.
	Blog and Twitter accounts for Sault Ste. Marie.	Partially Met – Site is developed but on hold pending initiation of construction phase of the project.

Activity 3- Internal Services		
Internal services at FBCL are groups of related activities and resources that support the needs of programs and other corporate obligations. These services include governance, management support, and resource management services including finance, strategic planning and reporting, communications and human relations. This professional expertise is integrated in all program activities to appropriately manage risks, deliver projects as planned and complete liaison with external federal agencies.		
5. Comply with legislative and regulatory requirements.	Complete PSAS.	Partially Met – Much of the work is completed and will be finalized as part of the fiscal year end.
	Publish consolidated quarterly financial reports per FAA.	Met - Reports delivered as per requirements.
	Deliver corporate planning and reporting documents.	Met – All documents submitted on time.
	Report progress of Internal Audit Plan.	Met - Two of the internal audits from the Plan have been completed: Audit of International Agreements and Audit of Budget Process at the FBCL and subsidiaries.

Appendix B

FINANCIAL SUMMARY OF RESULTS OF FBCL SUBSIDIARIES

SIBC Financial summary Year ended March 31

(thousands of dollars)	2012	2011
Statement of Operations		
Revenue		
Tolls	**3,859**	3,373
Rentals	**159**	174
Interest	**76**	96
Other	**16**	30
	4,110	3,673
Expenses		
Maintenance	**1,048**	1,151
Tolls collection	**1,052**	1,087
Administration	**922**	960
	3,022	3,198
Annual surplus before special funding	**1,088**	475
Contribution from the FBCL	**-**	266
Annual surplus	**1,088**	741
Statement of Financial Position		
Financial assets	**6,652**	5,351
Liabilities	**7,038**	5,821
Net debt	**386**	470
Non-financial assets	**394**	478
Accumulated surplus	**8**	8
Statement of Cash Flow		
Operating transactions	**1,538**	1,500
Capital transactions	**(46)**	-
Investing transactions	**(523)**	(111)
Financing transactions	**(457)**	(778)
Net increase in cash	**512**	611

SMRBC Financial Summary Year ended December 31

(thousands of dollars)	2011	2010
Statement of Operations		
Revenue		
Tolls	**3,625**	3,493
Leases and permits	**226**	228
Interest	**39**	23
Other	**95**	101
	3,985	3,845
Expenses		
Maintenance	**1,612**	1,744
Tolls collection	**770**	820
Administration	**1,178**	934
	3,560	3,498
Annual surplus before government funding	**425**	347
Amortization of deferred capital funding	**58**	58
Annual surplus	**483**	405
Statement of Financial Position		
Financial assets	**4,391**	3,394
Liabilities	**4,201**	3,130
Net debt	**190**	264
Non-financial assets	**10,318**	9,761
Accumulated surplus	**10,508**	10,025
Statement of Cash Flow		
Operating transactions	**564**	833
Capital transactions	**(1,172)**	(1,913)
Investing transactions	**144**	(164)
Financing transactions	**1,221**	1,168
Net increase (decrease) in cash	**757**	(76)

JCCBI Financial summary Year ended March 31

(thousands of dollars)	2012	2011
Statement of Operations		
Revenue		
Leases and licences	**808**	800
Interest	**152**	114
Others	**34**	36
	994	950
Expenses		
Maintenance	**63,124**	54,633
Operations	**3,920**	3,885
Administration	**6,640**	6,047
Provision for environmental obligation	**27,100**	-
	100,784	64,565
Annual deficit before government funding	**(99,790)**	(63,615)
Parliamentary appropriations for operating expenses	**64,076**	57,635
Funding from FBCL	**2,585**	2,260
Amortization of deferred capital funding	**7,540**	5,515
Annual surplus (deficit)	**(25,589)**	1,795
Statement of Financial Position		
Financial assets	**28,492**	24,052
Liabilities	**280,824**	233,060
Net debt	**(252,332)**	(209,007)
Non-financial assets	**242,182**	224,446
Accumulated surplus (deficit)	**(10,150)**	15,439
Statement of Cash Flow		
Operating transactions	**12,234**	29,444
Capital transactions	**(13,785)**	(19,354)
Net increase (decrease) in cash	**(1,551)**	10,090

Appendix C

BOARD OF DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

THE FEDERAL BRIDGE CORPORATION LIMITED (AS OF MARCH 31, 2012)

BOARD OF DIRECTORS

J. Keith Robson [1]
Chairperson

Deborah Tropea [2]
Vice-chairperson

Claude Francoeur [3]
Director

Vacant
Director

OFFICERS AND SENIOR MANAGEMENT

Micheline Dubé
President and CEO

Jacques E. Pigeon, Q.C.
Vice-President Legal Affairs and Corporate Secretary

Glenn W. Hewus
Senior Vice-President, Engineering and Construction

Natalie Kinloch
Chief Financial and Administrative Officer

André Girard
Vice-President, Communications

Gérard Lalonde
Director, Administrative Services and Treasurer

Thye Lee
Director, Engineering and Construction

Pierre Rochon
Director, Strategic Planning and Policy

COMMITTEES OF THE FBCL BOARD OF DIRECTORS

AUDIT COMMITTEE

Deborah Tropea
Chairperson

J. Keith Robson
Member

Claude Francoeur
Member

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED (AS OF MARCH 31, 2012)

BOARD OF DIRECTORS

Paul Kefalas
Chairperson

Denise Hébert
Vice-Chairperson

Yvon Bourget
Director

Serge Martel
Director, Corporate Secretary

OFFICERS AND SENIOR MANAGEMENT

Glen P. Carlin
General Manager

Claude Lachance
Senior Director, Administration

Sylvie Lefebvre
Counsel

Guy Mailhot
Senior Director of Engineering

COMMITTEES OF THE JCCBI BOARD OF DIRECTORS

AUDIT COMMITTEE

Denise Hébert
Chairperson

Serge Martel
Member

Yvon Bourget
Member

GOVERNANCE COMMITTEE

Paul Kefalas
Chairperson

Yvon Bourget
Member

Denise Hébert
Member

STEERING COMMITTEE FOR THE HONORÉ MERCIER BRIDGE DECK REPLACEMENT

Yvon Bourget
Chairperson

Paul Kefalas
Member

HUMAN RESOURCES COMMITTEE

Denise Hébert
Chairperson

Serge Martel
Member

ST. MARY'S RIVER BRIDGE COMPANY
(AS OF MARCH 31, 2012)

BOARD OF DIRECTORS

James McIntyre
President

Alexander Harry
Vice-President

Lorie Bottos
Director and Secretary-Treasurer

Helen Gillespie
Director

Glenn W. Hewus
Director

Rick Talvitie
Director

Mary Trbovich
Director

AUDIT COMMITTEE

Helen Gillespie
Director

Glenn W. Hewus
Director

OFFICERS AND SENIOR MANAGEMENT

Micheline Dubé
President and CEO

Glenn W. Hewus
Senior Vice-President, Engineering and Construction

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (AS OF MARCH 31, 2012)

BOARD OF DIRECTORS

Micheline Dubé
President & Director

Salvatore Pisani
Vice-President & Director

Guy Berthiaume
Director

Roger Forgues
Director

Carrie-Mann Lavigne
Director

Jacques E. Pigeon, Q.C.
Director

André Poirier
Director

Marsha Sienkiewicz
Director

OFFICERS AND SENIOR MANAGEMENT

Hendrik H. Saaltink
General Manager

Jacques E. Pigeon, Q.C.
General Counsel

Carrie Mann-Lavigne
Deputy General counsel

Gérard Lalonde
Treasurer

COMMITTEES OF THE SIBC BOARD OF DIRECTORS

MANAGEMENT COMMITTEE

Micheline Dubé
Chairperson

Salvatore Pisani
Member

Roger Forgues
Member

Carrie Mann-Lavigne
Member

GOVERNANCE COMMITTEE

Jacques E. Pigeon, Q.C.
Chairperson

Salvatore Pisani
Member

Roger Forgues
Member

André Poirier
Member

AUDIT COMMITTEE

Roger Forgues
Chairperson

Marsha Sienkiewicz
Member

Guy Berthiaume
Member

Jacques E. Pigeon, Q.C.
Member

SECURITY COMMITTEE

André Poirier
Chairperson

Salvatore Pisani
Member

Micheline Dubé
Member

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Fax: (705) 759-5405

BLOGS

cornwallbridge.ca
champlainbridge.ca
jacquescartierbridge.ca
mercierbridge.ca

Appendix D – List of Abbreviations

CBCA	CANADA BUSINESS CORPORATIONS ACT
CBSA	CANADA BORDER SERVICES AGENCY
CEO	PRESIDENT AND CHIEF EXECUTIVE OFFICER
FAA	FINANCIAL ADMINISTRATION ACT
FBCL	THE FEDERAL BRIDGE CORPORATION LIMITED
FCSAP	FEDERAL CONTAMINATED SITES ACTION PLAN
IBA	INTERNATIONAL BRIDGE ADMINISTRATION
IBTA	INTERNATIONAL BRIDGES AND TUNNELS ACT
JCCBI	THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED
MDOT	MICHIGAN DEPARTMENT OF TRANSPORTATION
MTQ	QUEBEC MINISTRY OF TRANSPORTATION
OAG	OFFICE OF THE AUDITOR GENERAL
PAA	PROGRAM ACTIVITY ARCHITECTURE
PSA	PUBLIC SECTOR ACCOUNTING
PSAS	PUBLIC SECTOR ACCOUNTING STANDARDS
SIBC	THE SEAWAY INTERNATIONAL BRIDGE CORPORATION LIMITED
SLSA	THE ST. LAWRENCE SEAWAY AUTHORITY
SLSDC	ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION
SMRBC	ST. MARY'S RIVER BRIDGE COMPANY
SOR	STRATEGIC AND OPERATIONAL REVIEW
SSMBA	SAULT STE. MARIE BRIDGE AUTHORITY
TBS	TREASURY BOARD SECRETARIAT
TIBA	THOUSAND ISLANDS BRIDGE AUTHORITY