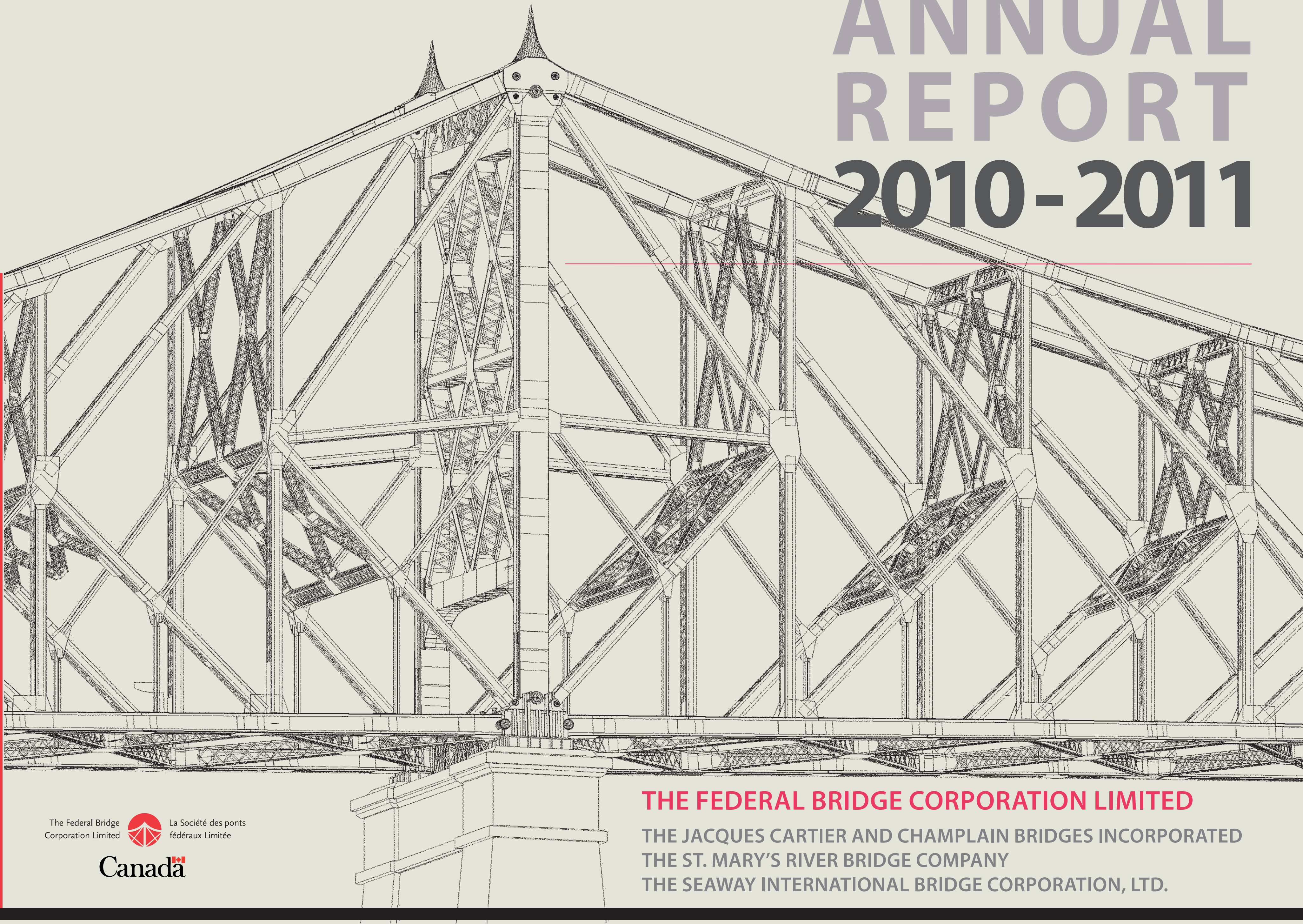
ANNUAL REPORT 2010 - 2011



THE FEDERAL BRIDGE CORPORATION LIMITED

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED
THE ST. MARY'S RIVER BRIDGE COMPANY
THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

The Federal Bridge Corporation Limited | La Société des ponts fédéraux Limitée

Canada

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J. Keith Robson
Chairperson

1.0 MESSAGE FROM THE CHAIRPERSON

The 2010 Speech from the Throne outlined the need for "the broadest possible market for Canada's goods and services" in support of Canada's economic growth. Federal Bridge Corporation Limited's (FBCL) bridges and associated structures directly support 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. FBCL structures play a vital role in connecting Canada's transportation and economic network with the world. In 2010, it was estimated that these crossings carried an average around 1.5 million vehicles per year and over $67 billion of merchandise making them amongst the busiest in North America.

In 2010-2011, the FBCL Board held a series of strategic discussions with its subsidiaries and senior management to discuss key business drivers such as strong international partnerships, key federal partner's requirements, the growing transportation network complexity in Montreal, the strong aboriginal interest at certain bridges in Montreal and Cornwall, the economic climate of Canada and the government's guidance on expenditure restraint. Progress on major projects and key risks were also identified and acted upon.

FBCL's corporate structure is very complex with three subsidiaries including a joint venture, international partnerships and joint international boards of directors. These complexities lead to the strategic issue of corporate governance which was highlighted in the Office of the Auditor General's (OAG) 2008 Special Examination of FBCL. At issue is the effective oversight for the affairs of the organization as a whole, the availability of timely and regular information and the ability to provide the President and CEO the authority and accountability for the performance of FBCL and its subsidiaries. Much work has been done in regards to the clarification of roles and responsibilities with subsidiaries as well as improvements in the flow of information. In 2010-2011, I participated with the FBCL Board and the President and CEO in establishing key steps to address these issues. Measures included letters of expectations for every entity, implementation of a quarterly reporting framework and a corporate-wide multi-year internal audit plan focused on areas such as financial reporting, international agreements and budgeting control systems. The FBCL Board also reviewed the committee structure and by-laws, completed the Board self-assessment and communicated the competency profile to the responsible Minister.

The second strategic issue highlighted in the OAG's 2008 Special Examination of FBCL was financial sustainability. In essence, the FBCL 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 to meet the Canada Border Service Agency (CBSA) requirements at international crossings as well as sufficient and longer-term funding required to maintain the federal domestic bridges in Montreal. In 2010-2011, FBCL obtained critical authorities and is successfully moving forward on the construction of the new North Channel Bridge in Cornwall, a project valued at $74.8 million. FBCL with its subsidiary, JCCBI, also received special funding from Canada's Economic Action Plan and Infrastructure Stimulus Fund for bridges in Montreal and multi-year funding for its operations supplementing important maintenance and rehabilitation funds previously allocated for the Champlain Bridge and the federal portion of the Honoré Mercier Bridge. It also maintained all of its assets and continued to manage risks while communicating rehabilitation options to government and delivered key studies in support of major future projects, such as a thorough assessment of the existing condition of Champlain Bridge. A pre-feasibility study examining the Champlain Bridge corridor was conducted as well as urgent repairs for other bridges and infrastructures in Montreal. As part of Budget 2011, a 3-year $227.6 million funding announcement for bridges in Montreal was made and approvals were obtained following the federal election.

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. It is well-positioned to deliver on its large key construction projects responding to bridge safety and rehabilitation and, collectively with its subsidiaries have proven that it can quickly adapt to changing requirements.

J. Keith Robson, Chairperson

Micheline Dubé
President and Chief Executive Officer

2.0 MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

2010-2011 was a key delivery year for FBCL and its subsidiaries. In managing its critical bridges and associated structures, FCBL successfully delivered on funding of $104.4 million while providing full-time employment for 88 people within its portfolio. This is achieved through the quality and professionalism of all the employees working together for the betterment of the whole organization. Bridge safety and infrastructure renewal have been the priority with the delivery of four critical multi-year bridge infrastructure projects; namely the Sault Ste. Marie customs plaza rehabilitation ($49.1 million), the new low-level North Channel Bridge in Cornwall ($74.8 million), the second year of the 10-year maintenance of the Champlain Bridge ($212.0 million/10-years) and the largest bridge rehabilitation in Canadian history, that of the Honoré Mercier Bridge ($135.0 million) in Montreal. FBCL also directly participated in achievement of Canada's Economic Action Plan and Infrastructure Stimulus Fund through the delivery of key projects for the Champlain Bridge and urgent repairs on other bridges and infrastructures in Montreal ($60.9 million).

In June 2010, FBCL signed a new 10-year agreement with Thousand Islands Bridge Authority (TIBA), extending its successful partnership in maintaining and operating the Thousand Islands crossing. In August 2010, the Government House Leader announced the construction of the new low level North Channel Bridge in Cornwall. FBCL has awarded the contract for in-water works with construction of the piers due to start this spring. FBCL continued to make every effort possible to maintain the existing North Channel Bridge structure to ensure its safety while the new structure is erected, albeit with a very prudent fiscal approach given its pending replacement. However, FBCL is awaiting CBSA decisions for the location of their new facilities to finalize the project design. International bridges are facing increasing financial pressure due to border security requirements and obligations primarily stemming from the *Customs Act* (Section 6) that require international bridge 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 Section 6 has shifted the responsibility on bridge operators to fund through tolling revenues. Design plans for the Sault Ste. Marie customs plaza rehabilitation project are progressing well and FBCL continues to place every effort in securing key land acquisitions prior to the start of construction works.

At the domestic bridges in Montreal, the challenge is that many of the assets are operating beyond their intended lifecycle. The Champlain Bridge and its approaches necessitated increased monitoring, inspection and maintenance efforts given their more advanced state of deterioration. A December 2010 draft report on the future of the Champlain Bridge crossing prepared by an independent professional engineering firm concluded that the deficiencies, associated risks and cost analysis were such that the current Champlain Bridge should be replaced by a new crossing and an expedited process should be implemented. In the interim, they recommended that the current rehabilitation program continue. The pre-feasibility study examining its replacement was completed in partnership with Quebec and options were presented to government for consideration. Adding to the problems on the Champlain Bridge, a temporary ban on heavy truck traffic was announced in December 2010 on the Honoré Mercier Bridge for an undetermined period due to concerns following recent safety inspections of the rails on the Quebec portion of the bridge. The truck traffic has been re-directed mostly to the Champlain Bridge and is placing additional traffic volume and maintenance constraints on this corridor.

Major rehabilitation works at the Honoré Mercier Bridge are also underway, with JCCBI managing the deck replacement of the whole bridge in partnership with the Quebec government. Additional lane closures on the Honoré Mercier Bridge subsequent to year-end have added further volume on the Champlain Bridge. The rehabilitation of the bridge is scheduled to be completed in 2011-2012 for Contract A and in 2012-2013 for contract B. However, there were delays to the start of Contract B due to jurisdictional issues between the Mohawk Council of Kahnawake and the Quebec Government.

Expenditure management was, and continued to be, a priority for FBCL and for the Canadian government as a whole. The direction for additional fiscal restraint was implemented throughout FBCL and its subsidiaries. Part of this initiative entailed expanding the functional relationships between headquarters and the subsidiaries in the areas of finance, strategic planning, risk management, environment and human resources. At our international bridge crossings, FBCL staff assumed the leadership role for major construction and rehabilitation projects from inception to completion and has now assumed the finance function for the subsidiary at SMRBC. FBCL continued to abide by the spirit of the expenditure constraints guidance announced in Budget 2010 even though it did not specifically apply to non-appropriation dependent Crown corporations which include FBCL and its subsidiaries, except JCCBI.

In the upcoming year, FBCL will be required to adopt Public Sector Accounting Standards and as a result of an amendment to the *Financial Administration Act*, will also be required to publish Quarterly Financial Reports. In 2010-2011, FBCL has expended considerable efforts to address these requirements and has established processes and procedures to strengthen financial reporting requirements. FBCL also developed options to optimize its corporate structure which are under consideration by the government.

FBCL, with the collaboration of Transport Canada and central agencies continued to deliver and improve on its performance and results in 2010-2011. It is with enthusiasm that I continue to lead FBCL and its subsidiaries into the next year and the future as FBCL continues to deliver on its highest priority; to ensure the safety of its bridges and associated infrastructures for its biggest stakeholder, travelers who use the bridges.

Micheline Dubé

Micheline Dubé, President and CEO

3.0 ORGANIZATIONAL OVERVIEW

3.1 CORPORATE PROFILE

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. FBCL 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.

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.

LEGISLATION AND RESPONSIBILITIES

FBCL is a parent Crown corporation operating at arm's length from the federal government. FBCL is either directly or through its wholly-owned subsidiaries, responsible for three international bridges and associated structures in Ontario (Cornwall, Sault Ste. Marie and Thousand Islands crossings) and in the Greater Montreal Area 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) . Its international and domestic bridges are some of the most important fixed-link crossings in Canada.

Headquartered in Ottawa, FBCL is a Schedule III-I Crown corporation under 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:

a) 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;

b) 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;

c) acquiring or becoming the transferee of all or part of The St. Lawrence Seaway Authority (SLSA) property, rights or undertakings transferred by SLSA; and

d) 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, The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) in Montreal and, in a joint venture with its U.S. partner, the Seaway International Bridge Corporation, Ltd. (SIBC) in Cornwall. At the same time, FBCL assumed responsibility for the Canadian portion of the Thousand Islands International Bridge with the Thousand Islands Bridge Authority (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 renewed in June 2010.

In 2000, FBCL acquired a 90.7% ownership in The St. Mary's River Bridge Company (SMRBC), which acquired the Canadian half of the Sault Ste. Marie International Bridge for $2.0 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). On July 18, 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. A new international agreement between the owners of the bridge, SMRBC and the Michigan Department of Transportation (MDOT) came into effect in June 2009.

3.2 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 directly contributes to Canada's economy by ensuring safe and efficient transit on the national and international transportation network. On behalf of the federal government, FBCL together with its three wholly-owned subsidiaries JCCBI in Montreal, SIBC in Cornwall, SMRBC in Sault Ste. Marie as well as through three international partnerships with the U.S 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.

INTERNATIONAL BRIDGES

FBCL manages the tolling operations, inspections, cyclical maintenance and repairs, security, coordination with international stakeholders and communities and promotion of the crossing as well as the provision and management of CBSA customs facilities. The operations are managed through international agreements with the U.S. with 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 over the long-term the construction and rehabilitation activities on the bridges. Currently, FBCL is managing the construction of the new low-level North Channel Bridge in Cornwall. However, FBCL as the owner of the international bridges must provide facilities for CBSA as per the requirements of the *Customs Act* (Section 6). These major projects are currently funded by government and are located in Sault Ste. Marie, Cornwall anda potential future CBSA facility in Thousand Islands.

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.

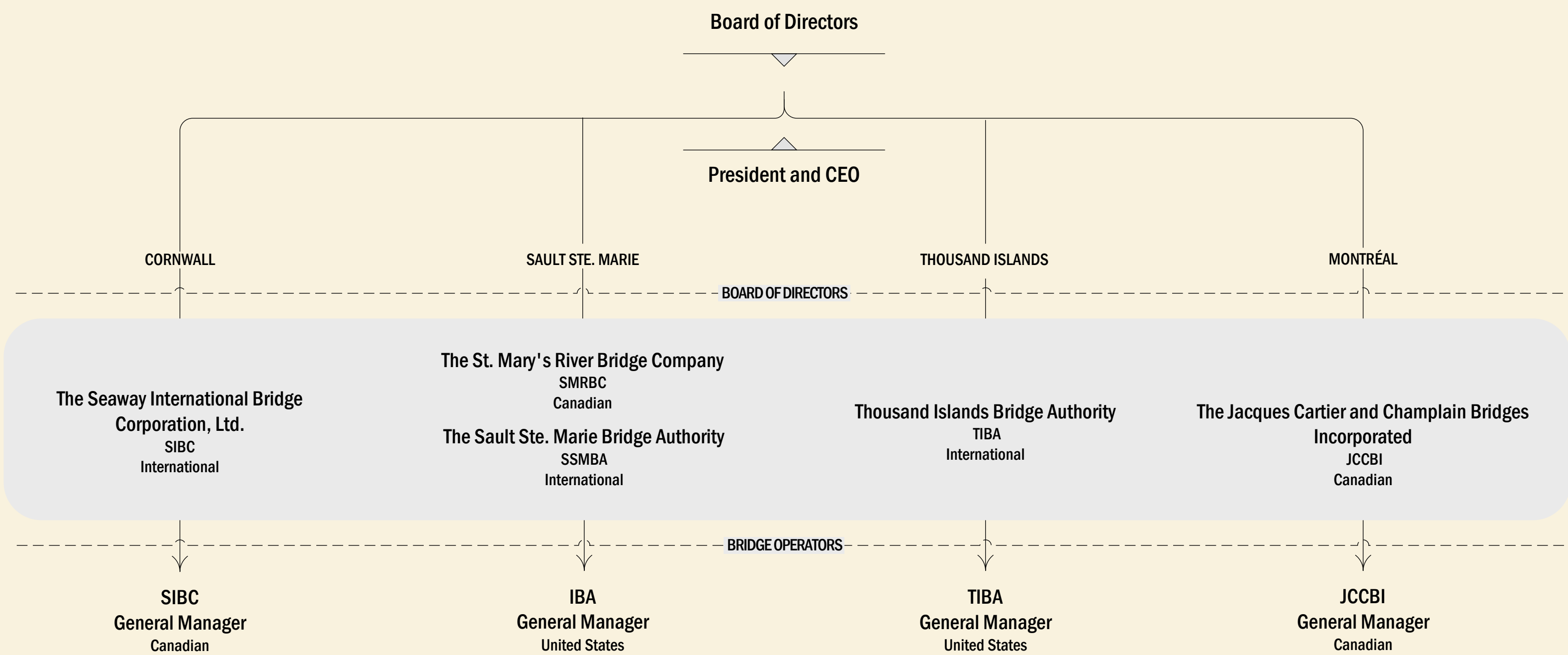
DOMESTIC BRIDGES

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. Current major projects include: Rehabilitation of the Honoré Mercier Bridge, Champlain Bridge 10-year maintenance plan, studies for the replacement of the Champlain Bridge and corridor improvements, which are or will be funded entirely through parliamentary appropriations and are the subject of the 5-year funding proposal put forth to the government.

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.

3.3 ORGANIZATIONAL STRUCTURE:



3.4 SUMMARY OF OPERATIONS

NAME	FBCL (HEADQUARTERS)	THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (SIBC)	THOUSAND ISLANDS BRIDGE AUTHORITY (TIBA)	THE ST. MARY'S RIVER BRIDGE COMPANY (SMRBC)	THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED (JCCBI)
BRIDGE 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 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

3.5 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.

4.0 GOVERNANCE DISCLOSURE

FBCL is governed by a Board of Directors (FBCL Board) consisting of a Chairperson and three other directors who are appointed by the Governor in Council on the recommendation of the Minister of Transport, Infrastructure and Communities (the responsible Minister).

As a Crown corporation, FBCL is subject to the accountability regime set out in Part X of the *Financial Administration Act* (FAA). It is accountable to Parliament through the Minister of Transport, Infrastructure and Communities who, with the assistance of the Minister of State (Transport), is responsible for FBCL, including the provision of broad policy direction and response to questions in Parliament for FBCL activities. The FBCL Board is accountable to the Minister(s) for the stewardship of the Corporation. The President and CEO is accountable to the FBCL Board for day-to-day management and performance of the parent Corporation. Subsidiaries are governed by their own Board of Directors, appointed by the FBCL Board.

4.1 FBCL BOARD

RESPONSIBILITY

As per the FAA, the duties and responsibilities of the FBCL Board are to set corporate objectives and direction, monitor financial performance, approve consolidated budgets and financial statements, approve policies and by-laws, appoint the directors of subsidiaries, ensure that risks are identified and measures in place to deal with them, and ensure good governance. Members of the FBCL Board are required to act honestly, diligently, carefully and in good faith, in accordance with the FAA.

GOVERNANCE COMMITTEE

The Governance Committee is responsible for making recommendations to the Board in matters of oversight in the areas of governance, board nominations and human resources.

AUDIT COMMITTEE

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 financial information, management control practices, risk management and insurance needs.

4.2 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 $169,900 - $199,900. 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.

4.3 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 organization 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.

4.4 FBCL PORTFOLIO ACCOUNTABILITY

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. As it adopts the leading governance practices, the FBCL Board will issue letters of expectations annually 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. Progress reports will allow results to be monitored and actions taken accordingly.

As the parent Crown, FBCL manages activities throughout the Corporation in support of its wholly-owned subsidiaries. In particular, FBCL assumes a major coordinating role in finance, strategic planning, communications, bridge management and the setting of corporate policy. It focuses on improving communications and transparency by identifying core messages to achieve greater consistency and by speeding up the timely flow of information for the benefit of all. As the parent Crown, FBCL is the sole link to Transport Canada and central agencies.

5.0 CORPORATE PERFORMANCE

In setting its plan for 2010-2011, FBCL established strategic objectives and performance targets based on findings and recommendations of the OAG's 2008 Special Examination of FBCL and its subsidiaries. The strategic objectives represent the key risk areas identified in the special examination. The performance targets and the year to date assessment identify the management actions taken by FBCL to mitigate these risks to achieving its strategic outcome: the safe and efficient transit on the infrastructure maintained, operated and managed by FBCL.

5.1 PERFORMANCE HIGHLIGHTS

STRATEGIC OBJECTIVE : CORPORATE GOVERNANCE
Quarterly reporting system implemented
Letters of expectations for all subsidiaries in place
Internal relationships in the areas of finance and strategic planning strengthened
Corporate-wide multi-year audit plan developed with two audits completed
FBCL Board gap analysis completed and communicated
STRATEGIC OBJECTIVE : FINANCIAL SUSTAINABILITY
August 2010 ministerial announcement of the initiation of construction of the new North Channel Bridge
Toll increases reviewed on all international bridges and adjusted where required
Budget 2010 approval for JCCBI of additional $18.7 million in operating funding for 4 years to 2014-2015 and 2010-2011 infrastructure stimulus funding of $31.8 million
Budget 2011 announcement for JCCBI of additional $227.6 million for 3 years, approved subsequent to year-end
STRATEGIC OBJECTIVE: SAFETY OF BRIDGE STRUCTURES
Inspection reports completed for all international and domestic bridges
Progress on major maintenance, safety and infrastructure renewal projects:
• Developed design and initiated Customs Plaza Redevelopment, Sault Ste. Marie ($49.1 million)
• Commenced construction of New North Channel Bridge, Cornwall ($74.8 million)
• Complete Contract A and initiated Contract B of the Honoré Mercier Bridge Rehabilitation ($135.0 million)
• Continued essential Champlain Bridge 10-year maintenance program ($212.0 million / 10 years)
Examining options for the future:
• Champlain Bridge replacement pre-feasibility study
• CBSA facilities requirements in Cornwall and Thousand Islands

STRATEGIC OBJECTIVE: RELATIONSHIPS
Cornwall - ongoing liaison with the Mohawk community, the City of Cornwall and CBSA regarding the new North Channel Bridge
Sault Ste. Marie – strong coordination of CBSA requirements for new facility including liaison with City of Sault Ste. Marie and involvement of international partner, IBA
Thousand Islands – signed renewal of 10-year international partnership agreement with TIBA and engaged in needs assessment with CBSA on future requirements
Montreal – Partnership with MTQ on pre-feasibility study examining the future of the Champlain Bridge corridor and on the Honoré Mercier Bridge Rehabilitation project. Strong coordination with Montreal transportation network partners on overall traffic issues and coordination of planned works
Ongoing liaison with Transport Canada and central agencies on major issues and projects
Leadership in new communications through active blog and Twitter sites for most bridge locations and strong responsiveness to media and public inquiries

5.2 FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

Five-Year Consolidated Financial Summary

(Unaudited - for period ending on March 31)

(thousands of dollars)	**2011**	2010	2009	2008	2007
Revenues					
Thousand Islands Bridge operating revenue	**3,590**	3,528	4,071	4,157	3,433
Leases and permits	**4,534**	4,626	4,754	4,799	4,811
Tolls	**5,278**	4,160	5,013	5,118	4,665
Interest	**320**	173	661	1,032	933
Other	**280**	77	84	129	175
	14,002	12,564	14,583	15,235	14,017
Expenses					
Maintenance	**52,290**	30,096	16,053	21,748	24,235
Operation	**5,457**	5,511	5,132	4,991	5,107
Administration	**10,124**	9,438	8,201	7,166	8,046
Thousand Islands Bridge operating expenses	**2,706**	2,339	3,219	2,358	2,772
Amortization	**9,336**	6,597	6,695	6,601	6,420
	79,913	53,981	39,300	42,864	46,580
Loss before government funding	**(65,911)**	(41,417)	(24,717)	(27,629)	(32,563)
Parliamentary appropriation for operating expenses	**57,901**	36,661	20,327	25,963	28,535
Amortization of deferred capital funding	**5,573**	4,628	4,418	4,409	4,357
Non-controlling interest	-	13	60	(12)	(4)
Extraordinary gain	-	138	-	-	-
Net income (loss)	**(2,437)**	23	88	2,731	325

5.3 MAJOR PROJECTS BY LOCATION

INTERNATIONAL BRIDGES

FBCL international bridges are important links across Ontario and to the Northern and the Mid-West United States. FBCL maintains its bridges and associated structures in accordance with applicable standards set by Canadian and U.S. federal agencies. It has a thorough inspection program in place at all locations to ensure that the most up to date information is available to inform decision-making. In the management of international crossings, FBCL is also subject to the requirements and standards outlined in the *International Bridges and Tunnels Act* together with related regulations and codes under which specific and timely reporting to the Minister must be provided.

FBCL's main challenge is to provide all required information to obtain project and funding support to manage its growing infrastructure risk while delivering on its approved construction and rehabilitation projects, on time and on budget. Major projects are ongoing at both Cornwall and Sault Ste. Marie locations requiring extensive coordination with bridge operators, CBSA, U.S. partners and surrounding communities. Projects are progressing well.

The impact of economic downturns on traffic patterns reduce tolling revenue, however expenditures remain constant. Each location invests effort into promotional activities to increase traffic. It is likely that FBCL international crossings will continue to be challenged in their ability to completely achieve the goal of self-sufficiency in maintaining safe bridges and associated structures. This is due to risks relating to the age of the structures, complexity and size of the rehabilitation and obligations under of the *Customs Act* (Section 6). FBCL will explore revenue generation opportunities on all of its bridges including possible increases in tolls and looking at increased efficiency of toll collection through technology as means to increase its capital reserves to meet rehabilitation requirements.

CORNWALL

In August 2010 the Government House Leader announced the construction of the new low-level North Channel Bridge. The 2010 project announcement was a revised scope and enables FBCL to use all of the funds to build a new North Channel Bridge and begin construction immediately. Initial project scope was to include a CBSA commercial warehouse and inspection facility, a renovation of the toll plaza and administration building of SIBC, road improvements on Cornwall Island and the waste water treatment plant.

FBCL has awarded the contract for in-water works and these have been initiated subsequent to year-end. As part of the project delivery, FBCL has engaged in discussions with the Mohawk Council of Akwesasne to involve the community in the construction of the new North Channel Bridge. Specific requirements for the inclusion of a Mohawk labour component within the bridge contracts have and are being integrated.

As part of the new bridge project, a final location for the CBSA facilities must be determined. Per the requirements of the *Customs Act* (Section 6), FBCL is working with CBSA to develop potential site plans. Once CBSA decisions are made; FBCL will assume the lead role for project delivery and will proceed with a request through the Gateways and Borders Crossing Fund managed by Transport Canada.

THOUSAND ISLANDS

FBCL received a request from CBSA for upgrading its facilities in Thousand Islands and has initiated a review of the options at this location. FBCL is working in close collaboration with CBSA to obtain detailed information of the requirements. The proposed CBSA footprint for this facility has greatly increased from the present site due to increased security requirements at international border crossings. Once all of the information is collected, the project needs will be reviewed and funding options will be developed through discussions with CBSA and Transport Canada.

SAULT STE. MARIE

FBCL's subsidiary SMRBC has entered into a $44.1 million contribution agreement with the Government of Canada for the complete rehabilitation of the Canadian Customs Plaza. This 4-year project has been initiated and is expected to span to 2014. Additional costs for land acquisition to realize the project was not included in the contribution agreement and is expected to be financed through a commercial loan. Pursuant to subsection 127 (3) of the FAA, FBCL sought and received approval of the Minister of Finance in June 2010 to enter into this borrowing transaction of up to $5.0 million. FBCL is currently working with its subsidiary SMRBC to complete the project design and acquire lands required for the realization of this project.

DOMESTIC BRIDGES IN MONTREAL

Infrastructure in the Greater Montreal Area was built between 1930 and the mid 1960's and today it is one of the most aged and complex transportation networks in the country. Several structures are jointly owned by the federal and provincial governments, as in the case of the Honoré Mercier Bridge which is also subject to historical agreements with the local Mohawk community. This inter-dependant network requires continuous monitoring and a high degree of coordination and partnership at all levels of government. Due to the heavy traffic flow, repairs must be done outside of peak demand hours and, as peak hours continue to be extended, the time available to undertake maintenance and repair works has diminished.

Over the next decade, JCCBI's infrastructure is facing concurrent major rehabilitation projects that include important funding and human capacity requirements to ensure the safety and efficiency of its structures. With a primary dependence on parliamentary appropriations, strong federal partnerships must be in place in order to address the funding issues associated with ensuring the safety and security of the structures. Further analysis has explored the economic viability of moving to a strategy of repairing to that of the replacement of some of the bridges and associated structures. This change requires a full alignment of efforts to develop stakeholder partnerships through consultations with the public and private sectors. Strong media relationships and public consultations with users, affected residents and municipalities will be a key for success.

In order to meet the objectives and proceed with the projects within an effective timeline, important long-term funding must be in place. The government announced funding of $227.6 million (approved in Budget 2011) for the next three years covering safety repairs and asset preservation for the Champlain Bridge Corridor (Highway 15, Bonaventure Expressway, engineering, planning and other repairs) and for other JCCBI structures such as the Jacques Cartier Bridge, the federal portion of the Honoré Mercier Bridge, the Melocheville Tunnel and the Champlain Bridge Ice Control Structure. It is expected that this would bridge the funding gap pending the policy and funding decisions related to the replacement of the Champlain Bridge and improvements to its Corridor.

CHAMPLAIN BRIDGE

The annual inspection of Champlain Bridge was successfully carried out in 2010 and recommendations stemming from previous annual inspections were addressed namely through the completion in 2010-2011 of the second year of the 10-year $212.0 million Champlain Bridge maintenance program. In 2010-2011, $25.4 million of planned works has been completed. In addition to the originally approved 10-year program scope, more extensive works and structural problems have also surfaced and will be funded from within the new allocated funding. These works include paving operations, upgrade of inspection access devices and installation of the edge-beam external support system. Important structural repairs to the pre-stressed beams, pier caps, pier shafts and the principal piers and structural steel of the main span are also required. For Nun's Island Bridge, temporary short term repairs to the pavement, piers and abutments were carried out in 2010, with more work to be completed in 2011 within the same contract.

A December 2010 draft report on the future of the Champlain Bridge crossing (current bridge) prepared by an independent professional engineering firm concluded that: "The deficiencies and associated risks are such that the Champlain Bridge should be replaced by a new crossing and an expedited process to accomplish this should be implemented as soon as possible. In the interim, current rehabilitation program should continue." Another study was commissioned by JCCBI and Quebec Ministry of Transportation (MTQ) to examine replacement options for the existing Champlain Bridge. The preliminary report indicated that the tunnel option was not advantageous. There were some challenges dealing mostly with the number of lanes that should be on the bridge. Reservations were expressed by transportation network partners on the number of lanes and associated costs that would be required on the connecting roadways which would have to be widened to ensure efficient traffic flow. Also identified in the major works are the replacement of the Nun's Island Bridge and the widening of Highway 15. Current delivery estimates to design and build the new bridge and make the required improvements and links to the rest of the corridor are for a 10-year delivery time span (from the time a government decision is made to proceed).

The final report is being finalized and together with an assessment of the current bridge condition will be submitted to government for consideration. Amounts have been included as part of the new JCCBI funding starting in 2011-2012 for additional detailed studies for this project.

HONORÉ MERCIER BRIDGE

The subsidiary, JCCBI is currently managing the largest bridge rehabilitation project in Canadian history, that of the Honoré Mercier Bridge. This project also integrates an important partnership with the Mohawk community who is participating in the rehabilitation of infrastructure through its territory. JCCBI has obtained a special funding program of $135.0 million to carry out a major re-decking project on the federal portion of the bridge. JCCBI has agreements in place with the MTQ whereby JCCBI is to oversee the deck replacement of the Quebec portion of the bridge.

Although the Honoré Mercier Bridge is considered to be safe certain elements are in need of repairs, namely the piers and the portion which has yet to be re-decked. The urgency of repairs has been very evident in the last few months. In January 2011, Transport Quebec announced a temporary ban on heavy trucks traffic from the bridge in the Chateauguay bound (West) direction (Quebec section of bridge) for an undetermined period due to recent inspections about the safety of the rails. Subsequent to year-end, further lane closures on the provincial portions of the bridge were concluded. JCCBI is collaborating with the MTQ delivery of works and on evaluating other potential options for reinstating traffic.

JCCBI is undertaking the first of two major contracts to rehabilitate the Honoré Mercier Bridge. The contract that is currently underway (Contract A) is being executed by a group of Mohawk contractors from Kahnawake. The challenge is to oversee this unique contract, ensuring that its impact on the travelling public is mitigated. Contract B is a design build contract that was awarded in August 2010. The contractor has commenced engineering work and onsite work on the Monette overpass and fabrication of deck panels is planned for the spring of 2011 so that work may commence on the bridge in the summer of 2011. Discussions are progressing to resolve jurisdictional labour issues between the Mohawk community and the Quebec government and this has delayed the full launch of Contract B.

6.0 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, 2011, compared with the corresponding periods. This MD&A should be read in conjunction with FBCL's 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 generally accepted accounting principles.

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 infrastructures.

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 the 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 critical infrastructure needs for federal domestic bridges in Montreal and international structures.

FBCL entered its 12th year in 2010-2011 as a consolidated entity providing essential, safe and efficient bridge corridors allowing the flow of traffic and goods within Canada and across the U.S. border. In managing these critical bridges and associated structures FCBL successfully:

- managed annual operating and capital expenditures of $104.4 million
- proceeded with the delivery of four critical multi-year bridge infrastructure projects totalling $470.9 million:
  - Sault Ste. Marie customs plaza rehabilitation - $49.1 million
  - new low-level North Channel Bridge in Cornwall - $74.8 million
  - maintenance of the Champlain Bridge in Montreal - $212.0 million over 10 years
  - rehabilitation of the Honoré Mercier Bridge in Montreal - $135.0 million
- contributed to Canada's Economic Action Plan and Infrastructure Stimulus Fund through the delivery of key projects in Montreal:
  - Champlain Bridge works totalled $25.4 million
  - urgent repairs on other bridges and infrastructures $31.8 million
- operated in a multifaceted environment with international, federal, provincial, regional and municipal partnerships and significant aboriginal interest

6.1.1 OPERATING CONTEXT

BUSINESS ENVIRONMENT

In delivering its mandate, FBCL is affected by internal and external trends which highlight its strengths, generate opportunities, create challenges and impacts its key risks. Once identified, these trends are monitored continuously and plans are adapted to address significant fluctuations. For 2010-2011, the following trends were identified as having the largest impact on FBCL's operations.

FEDERAL GOVERNMENT PRIORITIES

The 2010 Speech from the Throne outlined two areas of direct involvement for FBCL, that of delivering the remainder of its projects under the Economic Action Plan and Infrastructure Stimulus Funds and a clear responsibility for fiscal restraint. FBCL contributed to this government direction while ensuring to meet its main priority, the safety of its bridges and associated structures.

FBCL was allocated funding totalling $85.1 million in 2010-2011 for operations, specific maintenance, capital investments and rehabilitation of its bridges in Cornwall and Montreal as well as for the rehabilitation of the customs plaza in Sault Ste. Marie. Of this amount, $57.2 million was specifically for delivery of projects under the Economic Action Plan which includes the Infrastructure Stimulus Fund.

In regards to fiscal restraint, the government's guidance did not specifically apply to non-appropriation dependent Crown corporations that make up a large portion of the FBCL portfolio however each entity voluntarily abides by the spirit of the expenditure constraints announced in Budget 2010 and is coordinated by way of FBCL's Letters of Expectations to all its subsidiaries. A spending freeze was also maintained on travel, conferences and hospitality and wage increases in 2010-2011 were limited to 1.5%. FBCL and SIBC also limited administration costs. As an appropriation-dependent Crown corporation, JCCBI was subject to the guidance on fiscal restraint. The subsidiary however is faced with a simultaneous need to establish its capacity to manage the significant infrastructure risks and deliver on a capital program that is more than double the historical level. While respecting the need to be prudent with overhead costs, it staffed additional positions in areas such as engineering, project and contract management, environment and communications to handle these major capital projects. JCCBI was allocated specific funding within the 2010 Budget for these costs.

ABORIGINAL COMMUNITIES

Bridges and associated structures in both Cornwall and Montreal are located on, adjoin or cross the Mohawk reserves of Akwesasne and Kahnawake. To sustain positive relationships, careful consideration and negotiations have been undertaken in delivering major capital projects as well in sustaining bridge operations. For example, Mohawk contractors and skilled Mohawk steel workers participated in the major rehabilitation of the Honoré Mercier Bridge infrastructure that crosses the Kahnawake reserve. In Cornwall, as part of the tendering process for the construction of the new North Channel Bridge, assistance and information in regards to potential availability of works for the Mohawk community was provided. FBCL and its subsidiary JCCBI continue to work with Mohawk community to facilitate the delivery of the project.

STAKEHOLDER RELATIONSHIPS

FBCL works with a variety of stakeholders in managing its operations, in the establishment of its policies and delivery of its projects. FBCL and its subsidiaries continue to ensure that they participate in all policy decisions that impact their bridge operations to satisfy their most important stakeholders, the bridges users and the surrounding communities.

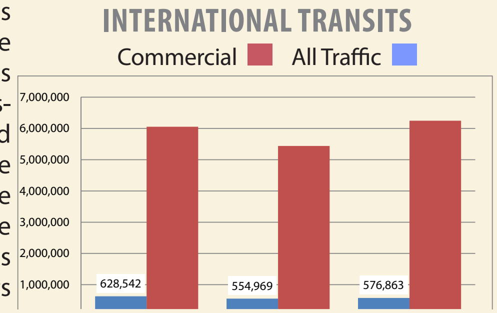
These include federal partners such as Transport Canada (through whom it reports) and CBSA, provincial and municipal governments and agencies, U.S. governments and agencies, and law enforcement agencies. At international crossings, FBCL continued to work with its U.S. counterparts and is monitoring the impact of economic conditions on the bridge operations. Coordinating with Transport Canada, FBCL worked to secure project funding for required improvements of CBSA customs facilities in Sault Ste. Marie and, in the near future for CBSA requirements at the Cornwall and Thousand Islands locations.

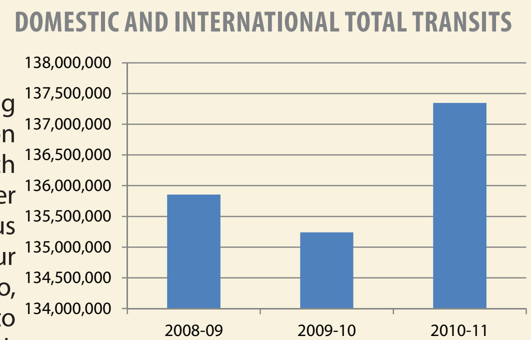
In Montreal, the strategic location of the federal bridges and associated structures makes them an integral part of the Greater Montreal Area transportation network requiring consultation with numerous stakeholders for the delivery of capital works. Further, the level of coordination required to ensure the lowest level of traffic disruptions 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.

This was especially evident with the ongoing coordination requirement with the provincial government, the Mohawk community of Kahnawake and the city of Montreal dealing with the rehabilitation of the Honoré Mercier Bridge. FBCL's subsidiary, JCCBI also worked closely with the provincial government on a study for the options to replace the Champlain Bridge and improvements to its corridor and will continue its consultations with all stakeholders for this important future project.

ECONOMIC IMPACT ON TRAFFIC PATTERNS

Economic recovery in Canada was led by government and consumer spending. In the U.S., economic growth proved to be slower. Worldwide events and financial conditions continue to impact recovery. The resulting economic fluctuations have a direct impact on cross-border trade, traffic volume and by extension tolling revenue on international bridges. The fluctuations in the value of the Canadian dollar, both increases and decreases of nearly 8 cents on the dollar throughout the fiscal year impacted the traffic patterns. As the dollar rose there was an increase in passenger vehicle traffic to the U.S. and lower export volumes thus a decrease in truck traffic. The opposite situation occurred as the dollar value decreased although at a slower rate. Other factors such as variations in gas prices and increases in consumer taxes in both Quebec and Ontario also affected tourism and traffic patterns in 2010-2011. In Cornwall, the temporary customs location resulted in traffic levels remaining at slightly less than normal levels. FBCL must continue to review its plans to ensure long-term financial sustainability of its operations at all international crossings.





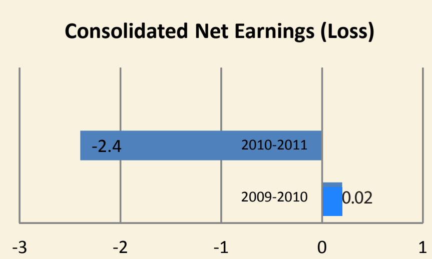
Traffic in the Greater Montreal Area is increasing with important population shifts to the South Shore which creates additional commuter traffic and a continuous extension of the rush-hour traffic on each bridge. Also, the MTQ announcement to temporarily ban heavy truck traffic and reduce speed limits on the Honoré Mercier Bridge in December 2010 due to safety of the rails on the Quebec portion of the bridge forced a majority of the trucks to be rerouted on the Champlain Bridge. This challenges JCCBI's ability to carry out regular and major maintenance work during normal working hours thus affecting repair costs. The Champlain Bridge Replacement pre-feasibility study currently being considered by the federal government includes increased lanes and integration of public transit lanes to further reduce the traffic volumes.

6.2 KEY PERFORMANCE DRIVERS

6.2.1 FINANCIAL

The condition of the FBCL bridges and associated structures are largely driven by age and climate conditions. The past year has been one of very strong delivery for FBCL and its subsidiaries as they carried out substantial multi-year infrastructure projects at two international bridge locations, Sault Ste. Marie and Cornwall and on two major bridges in Montreal, the Honoré Mercier Bridge and the Champlain Bridge (10 years starting in 2009-2010). Investments in fixed assets totalled $24.8 million in 2010-2011 and their value less depreciation at March 31, 2011 is $266.2 million ($230.3 million at March 31, 2010). In addition, maintenance works have reached a historical high at $52.3 million ($30.1 million in 2009-2010) largely due to the important repairs on Champlain Bridge in Montreal.

FBCL's consolidated cash and cash equivalents position is $28.5 million at March 31, 2011 ($16.8 million at March 31, 2010) and together with investments totalling $13.2 million ($13.0 million at March 31, 2010) is sufficient to meet its liabilities. Cash and cash equivalent balances fluctuate greatly from year to year depending on the timing of amounts Due from Canada for large capital projects and for operating expenses of the subsidiary, JCCBI.



FBCL reports a consolidated net loss of $2.4 million for the year ending March 31, 2011 (net earnings of $0.02 million in 2010) and correspondingly, its retained earnings have decreased to $4.2 million ($6.6 million in 2009-2010). This decrease in net earnings is primarily due to planned maintenance works that are being funded by FBCL through prior year net earnings.

6.2.2 STRATEGIC OBJECTIVES

The four strategic objectives of the FBCL each have a significant impact on the current and future performance of the organization.

SAFETY OF BRIDGE STRUCTURES

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 are required. At that point, the longer decisions are extended, the higher the risk to safety of the bridges and associated structures and the higher the costs. FBCL aimed to successfully deliver on specific funded projects in 2010-2011 and to pursue its research and analysis in support of future projects and in doing so has achieved a high-level of success.

INTERNATIONAL BRIDGES

At the Thousand Islands Bridge the detailed inspection concluded that the Canadian Bridge is well maintained and the overall condition of the Canadian Bridge is good, due to ongoing maintenance program carried out by the bridge operator. In Sault Ste. Marie annual inspection of the bridge and fracture critical member inspection of the Canadian spans of the bridge reported no urgent items which would require immediate attention. In Cornwall, FBCL has initiated the replacement of the existing North Channel Bridge that is in poor condition. This project initiation was announced by the government in August 2010 and the first contracts including the in-water works were awarded during the year. Construction of the new bridge and demolition of the existing bridge is expected to be completed by 2015-2016. The Canadian portion of the South Channel was reported in good condition.

DOMESTIC BRIDGES

Domestic bridges in Montreal range in condition from fair to poor. The age of the structures, the original bridge design, the degree of corrosion and sheer volume of traffic combined with an infrastructure funding gap have combined to create the current situation. The complexity and the over capacity of the Montreal transportation network on the bridges also makes it such that significant coordination, consultation, delays and expenditures are required for every intended repair. The risk of a structural failure is increasing with impact assessments ranging from minor delays for immediate works, to longer term lane closures and load restrictions for more important repairs.

The past approach of a multi-year capital program was effective at extending the life of the bridges and associated structures as a whole. The more recent approach has seen the funding of a few very significant rehabilitation or replacement projects and funding provided for short-term urgent repairs as well as a specific 10-year maintenance program on the Champlain Bridge. The area of primary concern is Champlain Bridge and its approaches, the Nun's Island Bridge and Highway 15. The Champlain Bridge which although is considered to be a safe structure, is aging prematurely. The 10-year, maintenance program initiated in 2009 includes important structural repairs to the pre-stressed beams, pier caps, pier shafts and the principal piers of the main span and to the structural steel of the main span. The replacement of the roadway expansion joints and of the bituminous pavement will also be required. A pre-feasibility study has been completed to look at the replacement of the Champlain Bridge and some of the structures in its corridor. Major rehabilitation works at the Honoré Mercier Bridge in partnership with the Province of Quebec are also underway and should be completed in 2012.

Preventive measures have been established to enhance safety through a thorough inspection program, maintenance work, employee training and well-communicated roles and responsibilities among all stakeholders for quick identification of emergency situations. An engineering task force has also been established to share intelligence and best practices together with significant efforts expended to manage the complex relationships with stakeholders.

FINANCIAL SUSTAINABILITY

Identified by the OAG in its 2008 Special Examination, financial sustainability is an essential component of appropriate management of the FBCL bridge 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 sufficient and longer-term funding to maintain the federal domestic bridges in Montreal. Despite important investment levels in recent years as outlined below and a new 3-year funding announcement for the subsidiary, JCCBI, FBCL continues to be faced with critical long-term infrastructure deficits for rehabilitation in Montreal and to meet the facilities requirements of CBSA.

INTERNATIONAL BRIDGES

International bridges are intended to be self-sufficient in their operations and this is achieved with the exception of major capital investments and supporting the new facilities requirements of CBSA. According to the terms and conditions of international agreements at each location, generally toll revenues cover operating and maintenance expenditures and in 2010-2011, the toll revenue was $1.0 million higher than the prior year reaching $5.3 million ($4.2 million in 2009-2010). Capital expenditures are funded by the Canadian share of net earnings. Financial pressures stem primarily from obligations of the *Customs Act* (Section 6) that require international bridge 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 Section 6 has long ago shifted the responsibility on bridge operators to fund through tolling revenues. As CBSA security requirements have greatly increased in recent years, so has their footprint and logistics requests and this has resulted in fundamental policy inequities between Canadian and U.S. bridge operators.

In recent years the government has recognized the inability of FBCL to provide such facilities and has funded, in part the capital requirements of the CBSA facilities in Sault Ste. Marie. FBCL is also working with CBSA to define their needs for the Cornwall and Thousand Islands location each with capital and operating requirements that surpass FBCL's ability to pay. FBCL will be reviewing the CBSA needs and will engage Transport Canada in the evaluation of funding options for these projects.

DOMESTIC BRIDGES

The issue of sustainability for the federal domestic bridge portfolio in Montreal stems from an ongoing operating base, excluding special funding, of the subsidiary JCCBI, that declines to $7.2 million per year on an ongoing basis as of 2015-2016, an amount insufficient for operations. Also, historically five and 10 year capital programs were established to meet the recurring and major rehabilitation needs of the bridges and associated structures. The last multi-year capital program was completed in 2009-2010. In response to this critical level of funding, as part of Budget 2010, the subsidiary JCCBI, received an additional $18.7 million in operating funding for 4 years to 2014-2015 and 2010-2011 infrastructure stimulus funding of $31.8 million as well as the previously approved $212.0 million for the maintenance program for the Champlain Bridge.

Also, as part of the 2011 Budget, the government announced the allocation of $227.6 million for the next three years (2011-2012 - $31.8 million, 2012-2013 - $86.0 million and 2013-2014 - $109.8 million) which was previously announced in March 2011 and approved in June 2011. This funding is intended for safety repairs and asset preservation for the Champlain Bridge Corridor (Highway 15, Bonaventure Expressway, engineering, planning and other repairs) and for other JCCBI structures such as the Jacques Cartier Bridge, the federal portion of the Honoré Mercier Bridge, the Melocheville Tunnel and the Champlain Bridge Ice Control Structure. It is expected that this will bridge the funding gap pending the policy and funding decisions related to the replacement of the Champlain Bridge Champlain Bridge and improvements to its Corridor, and ultimately the resolution of the longer-term funding requirements for this location.

CORPORATE GOVERNANCE

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. Primary issues are that the current model does not allow the FBCL Board to provide effective oversight for the affairs of the organization as a whole, to obtain the information it requires on timely basis and at regular intervals or to provide the CEO the authority and accountability for the performance of all of FBCL including its subsidiaries. This strategic issue of corporate governance was highlighted in the Auditor General's 2008 Special Examination of FBCL. FBCL developed a proposal to simplify this complex corporate structure for Transport Canada which is under consideration by the federal government.

RELATIONSHIPS

FBCL has been very successful in managing complex relationships with its stakeholders to ensure the construction and rehabilitation of our bridges and associated structures. Stakeholders include federal, provincial and municipal government departments and agencies, Aboriginal governments, U.S. owners, operators, U.S. government agencies, community and special interest groups.

As a crown corporation, FBCL remains aligned to all new government initiatives and policy changes and as such must work closely with Transport Canada through whom it reports and, adapt to policies and guidance provided by central agencies. FBCL's highest risks of bridge safety and financial sustainability can only be alleviated with ongoing coordination and communication of these needs. Another important federal government stakeholder is the CBSA where FBCL is promoting cooperation and coordination to move international traffic in the most efficient and cost-effective ways possible.

FBCL'S subsidiary, JCCBI with MTQ in completing the pre-feasibility study for the replacement of the Champlain Bridge and corridor improvements also included the perspective of the broader stakeholders. This study will inform the decision-making process regarding the future of the Champlain Bridge. FBCL and its bridge operators also participated in ongoing communication with local stakeholders utilizing new media platforms such as blog sites and Twitters and included media and public relations activities to ensure optimal responsiveness in regards to the bridges. In Montreal, this included extensive information related to the overall traffic issues. In Cornwall, substantive liaison efforts with the Mohawk community and the City of Cornwall were completed promoting the construction of the new North Channel Bridge.

FBCL has been making strides in working on improving its internal relationships through communication with its subsidiaries and sharing of best practices within its portfolio. There have been successes in areas such as strategic planning, finance, engineering and communication.

Finally, FBCL must also ensure that it participates in all policy decisions that impact its bridge operations to satisfy its most important stakeholders, the bridge users and the surrounding communities. FBCL must communicate the benefits that the crossings bring to each community and ensure these contributions are clearly understood by all stakeholders in order to ensure ongoing support.

6.3 CAPABILITY TO DELIVER RESULTS

BALANCE SHEET

ASSETS

The net cash position of FBCL has increased by $11.7 million to $28.1 million at March 31, 2011 ($16.8 million in 2009-2010). This increase is mainly due to the timing of receipt of parliamentary appropriations from the Government of Canada for domestic bridges in Montreal. The receivable Due from Canada has decreased to $5.0 million as at March 31, 2011 ($13.1 million in 2009-2010).

FBCL's most significant assets are its fixed assets including the entire bridge portfolio that are valued at $266.2 million as at March 31, 2011 ($230.3 million in 2010). Continued large investments in capital assets were made through the realization of the four multi-year infrastructure projects and represent some $24.5 million of expenditures ($37.2 million in 2009-2010). This investment is funded either directly through parliamentary appropriations of $21.6 million ($36.0 million in 2009-2010) or through funds of $1.0 million ($0.4 million in 2009-2010) advance through a contribution agreement with the Government of Canada. FBCL also recorded a $15.4 million 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.

LIABILITIES

In completing major projects, FBCL and its subsidiary, JCCBI have entered in to construction contracts that include a portion of payment not payable until certain works are completed and meet the performance requirements. These holdbacks have increase to $2.3 million to at March 31, 2011 ($1.0 million at March 31, 2010) as a result of ongoing rehabilitation works on the

Honoré Mercier Bridge in Montreal and the initiation of the construction of the North Channel Bridge in Cornwall. These amounts will become payable once the works are completed over the next several years.

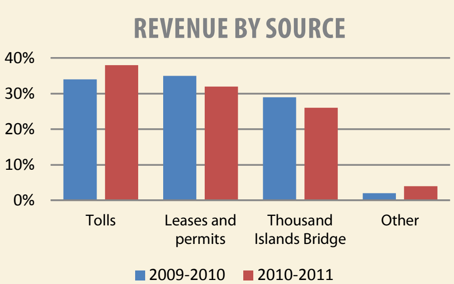
FBCL and its subsidiaries receive parliamentary appropriations to fund major infrastructure projects. As a result of the significance of works in 2010-2011, the deferred capital funding has increased by $21.6 million in 2010-2011 to $213.8 million ($192.2 million at March 31, 2010). These sums will be amortized over the estimated useful life of the funded asset to which it relates.

The net loss is $1.9 million higher than budget, mainly due to the accelerated depreciation of the Champlain Bridge starting in 2010-2011 ($0.6 million) reflective of its revised estimated useful life to 10 years. The painting of the South Channel Bridge in Cornwall ($1.6 million) that had been planned as a capital expenditure and was determined instead to meet the maintenance criteria. These expenditures have been offset by higher toll revenues at all international bridges and in particular in Cornwall that is recovering from a temporary closure in 2009-2010 due to a dispute between the Canada Border Services Agency and the Mohawk community regarding the arming of officers ($1.2 million). In addition, in 2010-2011, an asset retirement obligation for the north Channel Bridge was recorded and is being depreciated over its estimated useful life. This depreciation totalled $1.9 million in 2010-2011. Remaining variance stems from a higher amortization of deferred capital funding reflective of the significant investments of past recent years ($1.0 million).

REVENUE

CONSOLIDATED REVENUE

FBCL's consolidated revenue totalled $14.0 million in 2010-2011, representing an 11% increase over the prior year ($12.6 million in 2009-2010). The increase is due to in part to recovering economic conditions in 2010-2011 affecting positively for the first part of the year Canadian exports and thus traffic volume at all international locations. It is also linked to a toll rate increase at the Sault Ste. Marie International Bridge in 2010 and the recovery of bridge traffic at the Seaway International Bridge crossing in Cornwall since the nine week bridge closure disruption in 2009 due to a dispute between CBSA and the Mohawk community over the arming of border services officers. This revenue achievement has surpassed by $1.2 million budgetary expectations of $12.8 million.

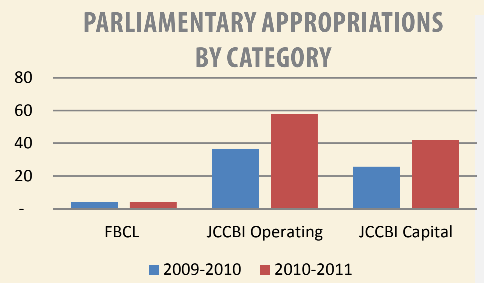


LEASES AND PERMITS

Revenues from leases and permits remained stable in 2010-2011 at $4.5 million ($4.6 million in 2009-2010) and in line with budget.

PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations for operating expenses were $21.2 million higher in 2010-2011 reaching $57.9 million ($36.7 million in 2009-2010). This increase is directly attributable to the special funding received by the subsidiary, JCCBI, as part of Budget 2010 for maintenance works on a numbers of bridges and associated structures in Montreal.

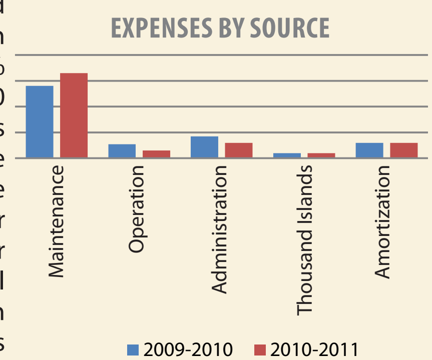


Parliamentary appropriations for capital expenses decreased by $16.0 million to $27.2 million at March 31, 2011 ($43.2 million at March 31, 2010) due mostly to a one-time investment of $10.5 million in 2009-2010 for the Nun's Island Bridge and delays in launching Contract B at the Honoré Mercier Bridge resulting in a decreased investment in 2010-2011 of $9.2 million.

EXPENSES

CONSOLIDATED EXPENSES

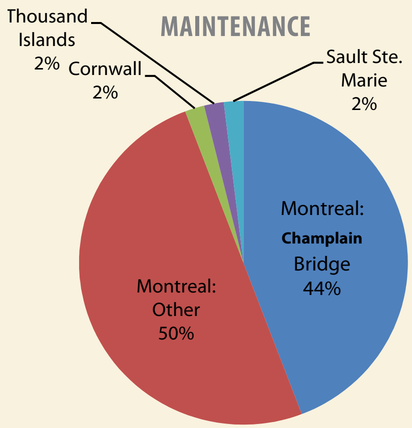
FBCL's 2010-2011 consolidated expenses totalled $80.0 million in 2010-2011, representing a 48% increase over expenses of 2009-2010 of $54.0 million. These expenses are $26.0 million higher than the prior year expenses principally due to the delivery of the second year of a 10-year maintenance plan for the Champlain Bridge in Montreal (increase of $10.7 million) for which specific parliamentary appropriations have been received and general maintenance expenditures of JCCBI assets (increase of $10.3 million). Other major expenses include the second year of a multi-year painting project on the



South Channel Bridge in Cornwall ($1.6 million) and increased amortization of fixed assets ($2.8 million).

MAINTENANCE

Maintenance expenses of $52.3 million account for 65% of total expenses in 2010-2011, 10% higher proportion than in the prior year and similar to budgeted expenses. This is an increase of $22.2 million over the prior year and $2.7 million higher than budget.



The increase over the prior year is due to the maintenance program of the Champlain Bridge, with expenses totalling $22.5 million representing 43% of the total maintenance expenses of $52.3 million in 2010-2011 (39% of $30.1 million in 2009-2010. This amount is $6.6 million lower than budget due to the deferral of works with associated funding being reprofiled to future years.

Increased expenses were also incurred as part of the subsidiary, JCCBI's continued delivery of an important maintenance program for other bridge structures in Montreal totalling $26.3 million (excluding Champlain Bridge) for which one-year parliamentary appropriations were allocated ($15.8 million in 2009-2010).

In comparing to budget, the primary variance relates to the multi-year painting project on the South Channel Bridge in Cornwall ($1.6 million) that was budgeted as a capital expense.

OPERATION

Expenses for operations totalled $5.5 million in 2010-2011, similar to the prior year and as budgeted.

ADMINISTRATION

Administration expenses of $10.1 million are $0.7 million higher than the prior year and $0.5 million higher than the budget due to increased capacity building by the subsidiary, JCCBI, including additional staffing and office space expansion aimed at ensuring the successful delivery of major current and upcoming capital projects.

THOUSAND ISLANDS BRIDGE OPERATING EXPENSES

Operating expenses at the Thousand Islands Bridge have increased by $0.4 million due to increases in employee pension costs and foreign exchange fluctuations.

AMORTIZATION

The amortization expense has increased by $2.7 million to $9.3 million ($6.6 million in 2009-2010) as a result of important investments in fixed assets in recent years as well as an addition $0.6 million expense for the accelerated depreciation of Champlain Bridge in Montreal due to the revision of the estimated useful life to 10 years. In addition, an amortization of the North Channel Bridge asset retirement obligation totalled $1.9 million in the current year.

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

ACCOUNTING 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 Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of 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.

FIXED ASSETS

Fixes 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 7 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 fixed assets.

In 2010-2011, the subsidiary, JCCBI commissioned an independent report of the Champlain Bridge in Montreal estimating its useful life at 10 years. As a result, amortization of this structure and its components was revised prospectively to better align with the life of the asset. The change has resulted in a $0.6 million increase in amortization per year to March 31, 2020.

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 21 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 $17.1 million 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 fixed 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 fixed 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 pensions benefits to its employees through a defined contribution plan or as part of the Public Service Pension Plan as defined in note 2 and 12 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.

Termination benefits are also provided by FBCL and its subsidiaries to the employees based on years of service and final salary and for the subsidiary, SIBC, on accumulated sick leave days. Due to the long-term nature of this plan, the calculation of expenses and obligations depends on various assumptions such as retirement age and termination rates. These assumptions are determined by management. This benefit plan outlined in note 2 and 12 of the consolidated financial statements is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Any changes to the assumptions could result in a material impact to the consolidated financial statements.

ENVIRONMENTAL OBLIGATIONS

FBCL and most particularly its subsidiary, JCCBI, have significant liabilities related to contaminated lands and remediation of contamination related to activities of its predecessors as described in note 19 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 $1.0 million has been recorded based on the assessment of management of the subsidiary, JCCBI. 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 18 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.

6.4 OUTLOOK

6.4.1 FUTURE TRENDS

International bridges are continuing to focus on overall sustainability. The new North Channel Bridge in Cornwall, together with a resolution regarding the permanent location of CBSA facilities, will contribute greatly to the efficiency of the crossing and assist in their promotion to attract increased commercial and recreational traffic. For FBCL, the issue of financial sustainability in meeting the new CBSA requirements is a critical one with the rehabilitation of the CBSA Customs Plaza in Sault Ste. Marie and potentially the future rehabilitation of the CBSA Customs Plaza in the Thousand Islands.

The complexity for domestic bridges in Montreal is that the Greater Montreal Area transportation network is aging and at capacity. Recent events closing provincial sections of bridges have placed at the forefront the need for sustainable transportation in this major urban area and the significant economic contribution of the major federal domestic bridges. Funding is in place to address the identified areas of investment over the next three years however, no long-term funding is in place for operating and capital expenditures, other than the Champlain Bridge maintenance program beyond that time. The required work program for the foreseeable future is extensive and resources have been stretched to meet not only the technical requirements but also to integrate stakeholder and public relations within the delivery model. Government decisions regarding the replacement of the Champlain Bridge will be required shortly and will guide the future funding requirements for domestic bridges in Montreal.

6.4.2 FUTURE ACCOUNTING CHANGES - PUBLIC SECTOR ACCOUNTING STANDARDS

Subsequent to the amendment to the Public Sector Accounting (PSA) Handbook published by The Public Sector Accounting Board, FBCL assessed its status and determined that it meets the criteria of other government organizations. As such, it was required to determine the most appropriate accounting framework for reporting purposes based on guidelines and an assessment of user needs. FBCL concluded that PSA Standards (PSAS) is the most appropriate framework. The same conclusion has been reached for each of FBCL's subsidiaries. A transition plan to the new accounting standards is being implemented on a retrospective basis for the year beginning on April 1, 2011 with restatement of the 2010-2011 fiscal year as a comparative.

This accounting transition is a significant undertaking from both a governance and accountability perspective for FBCL's management, the respective Audit Committees and the Board of Directors. To address this, FBCL has implemented a transition plan consisting of 5 phases as follows:

PUBLIC SECTOR ACCOUNTING (PSA) TRANSITION PLAN

PLANNING	• Develop transition plan in coordination with subsidiaries • Seek Treasury Board Secretariat support for inclusion in government Financial Statements • Audit Committee approval for transition	**COMPLETED**
PRELIMINARY IMPACT ASSESSMENT	• Identify preliminary GAAP /PSAS differences • Complete a high-level impact and diagnostic analysis • Report to Audit Committee on major impact areas	**COMPLETED**
DETAILED ASSESSMENT	• Define accounting policy changes • Assess impact on financial statements, internal controls, financial reporting systems and other business practices • Review budget formulation practices and monitoring	**COMPLETED**
IMPLEMENTATION	• Finalize accounting policies • Prepare pro-forma full financial statements • Integrate information technology mapping and test system • Develop communication strategy • Audit Committee approval of accounting policies • Audit of pro-forma financial statements	**IN PROGRESS**
POST IMPLEMENTATION	• Review of final PSA financial statements • Advise on changes in reporting and financial statements close processes • Project close-out, lessons learned • Audit Committee approval of project close-out report	**2012-2013**

Adjustments stemming from the transition of the application of Part V of the CICA Handbook to the PSA Handbook will generally be recognized in the accumulated surplus (deficit) in the opening balances. Fiscal year ending March 31, 2011, is essentially a double financial reporting year for FBCL where both the financial statements and accompanying notes need to be compiled according to both Part V of the CICA Handbook and PSAS to ensure that all available information is available for presentation in the March 31, 2012 financial statements.

Key accounting policy changes and adjustments required on transition to PSAS include:

- Financial statement presentation per net debt model and amendments in terminology
- Restatement in accordance with PSAS of:
  - Opening statement of financial position as at April 1, 2010
  - Financial results as at March 31, 2011
  - 2011-2012 approved budget
- Adoption of retrospective restatement in accordance with guidance specified in the PSA Handbook
- Additional disclosure for temporary investments to compare carrying value and market value
- Additional detailed disclosure for tangible capital assets for additions, disposals, write-offs and amortization
- Requirement to record post-employment benefit that accrues and do not vest such as sick leave benefits
- Classification of the joint venture, SIBC as a government partnership

New guidance on government transfers, foreign currency translation and financial instruments is applicable in future years and will be adopted at that time.

NEXT STEPS AND FUTURE TRANSITION DISCLOSURE

Together with fiscal year-end 2010-2011 transition to PSAS, FBCL will undertake the transition of its approved budget to meet the same standards in time for the publication of its first Quarterly Financial Report at the end of August 2011 as required by the FAA.

6.5 RISK MANAGEMENT

FBCL's risk management regime is designed to proactively identify risks and develop timely mitigation strategies. These are focused on risks which could impede FBCL's ability to achieve its strategic outcome. The 2008 Special Examination by the Office of the Auditor General 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.

KEY RISK AREA – BRIDGE SAFETY

FBCL's key risk area is that federal bridges and associated structures under its responsibility remain safe and secure for all users. The challenge is to ensure that safety with the reality that much of the bridge portfolio is near the end of its 50 to 80 year life cycle.

MITIGATIONS

Mitigation of the sustainable funding and corporate governance risks has a direct impact on reducing this strategic risk.

- An effective governance model will enable better management of the FBCL organization as a whole which will lead to efficiencies both in resources and pooling of skills and expertise in all aspects of bridge management.
- Sustainable funding will allow FBCL to undertake projects requiring a multi-year commitment which will lead to cost-savings in contracting through a more competitive process.
- FBCL can also reach improved financial goals such as establishment of appropriate capital reserves to address requirements at international crossings, adequate funding of FBCL in its oversight role to meet government objectives, revenue growth and more diversified and higher return on invested capital.

KEY RISK AREA – SUSTAINABLE FUNDING

FBCL does not have a sustainable funding model in place. This is a critical element to ensure its ability to maintain safe, efficient and effective infrastructure over the long term, including capital requirements to replace structures at the end of their life cycle.

MITIGATIONS

- Develop business cases to identify and justify to government the need for additional funding in both domestic and international bridges and associated structures.
- Verify that projected toll revenues are reasonable and sufficient to maintain their long-term viability for all international bridges.
- Consult with the joint international owners on adjusting tolls to compensate for any declines in traffic volumes, cost escalation and to fund long-term capital requirements.
- Examine new revenue opportunities in Montreal.

KEY RISK AREA – CORPORATE GOVERNANCE

FBCL must further develop the oversight process of its complex corporate structure comprised of a head office, three wholly-owned subsidiaries and three joint international boards. FBCL is the link to the Minister of Transport, Infrastructure and Communities and central agencies for the stewardship of the corporation.

MITIGATIONS

- Simplify the complex corporate structure per government decisions.
- Expand functional relationships between headquarters and the subsidiaries in the areas of finance, strategic planning, risk management, environment and human resources.
- Develop an in-depth orientation program for Directors with clear links to the subsidiaries and their respective roles and responsibilities.
- Address issues identified in the board of directors' self-assessment, identify training needs for Directors and monitor progress on an annual basis.

7.0 AUDITED FINANCIAL STATEMENTS

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Management's Responsibility for Financial Statements

The consolidated financial statements of The Federal Bridge Corporation Limited have been prepared by Management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of the data in these consolidated financial statements are Management's responsibility. 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, Management has developed and maintain books of account, records, financial and management controls, information systems and management practices. 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 the Corporation and its wholly-owned subsidiaries.

The Board of Directors is composed of directors who are not employees of the Corporation. The Board of Directors is responsible for ensuring the Management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee comprised of external members. The 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 has reviewed the consolidated financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the consolidated financial statements.

The Corporation's external auditor, the Auditor General of Canada, audits the consolidated financial statements and reports to the Minister responsible for the Corporation.

Micheline Dubé

Micheline Dubé

President and Chief Executive Officer

Natalie Kinloch

Natalie Kinloch

Chief Financial and Administrative Officer

June 22, 2011

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 and its subsidiaries, which comprise the consolidated balance sheet as at 31 March 2011, and the consolidated statement of operations and comprehensive income, consolidated statement of retained earnings and consolidated statement of cash flows for the year then ended, 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 generally accepted accounting principles, 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 audit. I conducted my audit 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 is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Federal Bridge Corporation Limited and its subsidiaries as at 31 March 2011, and the results of their operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, Canadian generally accepted accounting principles have been applied 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 audit 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,* 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 Interim Auditor General of Canada
22 June 2011
Ottawa, Canada

The Federal Bridge Corporation Limited
Consolidated Balance Sheet
As at March 31, 2011

(in dollars)	2011	2010
ASSETS		
Current		
Cash	**28,475,005**	16,800,979
Short-term investments (Note 5)	**12,074,441**	12,586,890
Accounts receivable	**1,393,933**	735,153
Accrued interest receivable	**137,029**	86,343
Prepaid expenses	**729,864**	354,274
Due from Canada (Note 6)	**2,789,431**	12,078,261
	45,599,703	42,641,900
Long-term		
Due from Canada (Note 6)	**2,252,886**	1,040,684
Long-term investments (Note 5)	**1,131,270**	381,203
Fixed assets (Note 7)	**266,209,229**	230,306,054
	315,193,088	274,369,841
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**21,185,022**	16,246,101
Deferred revenue	**495,821**	860,569
	21,680,843	17,106,670
Long-term		
Client deposit	**100,000**	110,389
Due to joint venturer (Note 8)	**1,874,313**	1,445,066
Holdback (Note 9)	**2,265,486**	1,040,684
Employee future benefits (Note 12)	**1,133,126**	1,141,371
Environmental obligation (Note 19)	**1,000,000**	1,000,000
Asset retirement obligation (Note 21)	**15,433,000**	-
Deferred capital funding (Note 10)	**213,842,915**	192,225,346
	235,648,840	196,962,856
	257,329,683	214,069,526
Commitments (Note 17) and Contingencies (Note 18)		
SHAREHOLDER'S EQUITY		
Capital Stock		
Authorized - Unlimited number of shares, without par value		
Issued and fully paid – 1 share	**1**	1
Contributed capital	**53,664,379**	53,664,379
Retained earnings	**4,199,025**	6,635,935
	57,863,405	60,300,315
	315,193,088	274,369,841

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

Approved by the Board of Directors

Director

Director

The Federal Bridge Corporation Limited
Consolidated Statement of Operations and Comprehensive Income
For the year ended March 31, 2011

(in dollars)	**2011**	2010
REVENUES		
Tolls	**5,277,851**	4,159,687
Leases and permits	**4,534,727**	4,626,172
Thousand Islands Bridge operating revenue (Note 11)	**3,590,000**	3,528,049
Interest	**319,902**	172,694
Other	**279,996**	77,528
	14,002,476	12,564,130
EXPENSES		
Maintenance	**52,290,397**	30,095,600
Operations	**5,456,613**	5,511,552
Administration	**10,123,690**	9,437,623
Thousand Islands Bridge operating expenses (Note 11)	**2,706,434**	2,339,246
Amortization of fixed assets	**9,336,284**	6,597,312
	79,913,418	53,981,333
Loss before government funding and share of non-controlling interest	**(65,910,942)**	(41,417,203)
Government funding		
Parliamentary appropriations for operating expenses	**57,900,760**	36,661,396
Amortization of deferred capital funding (Note 10)	**5,573,272**	4,627,945
	63,474,032	41,289,341
Loss before extraordinary gain and share of non-controlling interest	**(2,436,910)**	(127,862)
Extraordinary gain (Note 4)	**-**	137,952
Earnings (loss) before share of non-controlling interest	**(2,436,910)**	10,090
Share of non-controlling interest	**-**	13,478
Net earnings (loss) and comprehensive income (loss)	**(2,436,910)**	23,568

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

The Federal Bridge Corporation Limited
Consolidated Statement of Retained Earnings
For the year ended March 31, 2011

(in dollars)	**2011**	2010
Balance, beginning of year	**6,635,935**	6,612,367
Net earnings (loss) and comprehensive income (loss)	**(2,436,910)**	23,568
Balance, end of year	**4,199,025**	6,635,935

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

The Federal Bridge Corporation Limited
Consolidated Statement of Cash Flows
For the year ended March 31, 2011

(in dollars)	**2011**	2010
OPERATING ACTIVITIES		
Net earnings (loss)	**(2,436,910)**	23,568
Non-cash items		
Amortization of fixed assets	**9,336,284**	6,597,312
Amortization of deferred capital funding	**(5,573,272)**	(4,627,945)
Decrease of client deposits	**(10,389)**	(61,129)
Accretion expense	**262,000**	-
Increase in long-term amount due from Canada	**(1,212,202)**	(796,610)
Increase of holdback	**1,224,802**	796,610
Decrease in provision for future employee benefits	**(8,245)**	(145,457)
Extraordinary gain (Note 4)	**-**	(137,952)
Share of non-controlling interest	**-**	(13,478)
Net changes in non-cash working capital items (Note 13)	**12,777,947**	3,397,560
Cash flows from operating activities	**14,360,015**	5,032,479
INVESTING ACTIVITIES		
Acquisition of investments	**(12,824,508)**	(11,593,093)
Disposal of investments	**12,586,890**	2,002,392
Business acquisition (Note 4)	**-**	(140)
Acquisition of fixed assets	**(24,495,187)**	(37,202,664)
Cash flows from investing activities	**(24,732,805)**	(46,793,505)
FINANCING ACTIVITIES		
Increase in amount due to joint venture	**429,247**	44,561
Increase in deferred capital funding	**21,617,569**	35,993,396
Cash flows from financing activities	**22,046,816**	36,037,957
Net increase (decrease) in cash	**11,674,026**	(5,723,069)
Cash, beginning of year	**16,800,979**	22,524,048
Cash, end of year	**28,475,005**	16,800,979

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited (the "Corporation"), incorporated on September 2, 1998 under the *Canada Business Corporations Act*, is a Crown corporation 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, for The Seaway International Bridge Corporation, Ltd., 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 transferred to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated in 1998.

On October 17, 2000, the Corporation acquired 90.67% of the outstanding voting and participating shares of St. Mary's River Bridge Company from the province of Ontario for $1,360. On September 1, 2009, the Corporation acquired the remaining 9.33% of the outstanding voting and participating shares for an amount of $140 (Note 4).

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.

The subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, depends on the federal government for its funding. The Corporation, St. Mary's River Bridge Company, and the joint venture, The Seaway International Bridge Corporation, Ltd., are financed using their own operating income, parliamentary appropriations and contributions.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting standards. Significant accounting policies are set out below:

a) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation, its wholly-owned subsidiaries, The Jacques Cartier and Champlain Bridges Incorporated and the St. Mary's River Bridge Company and its proportionate share (50%) of its interest in its joint venture, The Seaway International Bridge Corporation Ltd. The fiscal year-end of the wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated and the joint venture is March 31 while that of the wholly-owned subsidiary, the St. Mary's River Bridge Company, is December 31. All inter-company transactions and balances have been eliminated on the consolidated financial statements.

b) Parliamentary appropriations

Parliamentary appropriations used to cover the excess of expenses over operating revenues are reflected in the Consolidated Statement of Operations and Comprehensive Income.

The portion of the parliamentary appropriations used to finance the acquisition of amortizable fixed assets is accounted for as deferred capital funding on the balance sheet and amortized on the same basis as the related fixed assets. The portion used to finance non-depreciable fixed assets is recorded as contributed capital.

Any portion of the parliamentary appropriations to which the Corporation is entitled but which is not received by year-end is shown as an amount due from Canada. Any parliamentary appropriation received in excess of requirements is recorded as an amount due to Canada. It is the Corporation's policy to reimburse this amount in the following fiscal year.

c) Fixed assets

Fixed assets are recorded at cost. Replacements and major improvements which extend the useful service lives of existing assets are capitalized. Expenses 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.

Mitigation measures costs arising from environmental obligations are recorded based on the estimated liability.

Amounts included in projects in progress are transferred to the appropriate fixed assets classification upon completion and are then amortized according to the Corporation's policy.

Fixed assets acquired from Government of Canada created departments, agencies and Crown corporations are accounted for at the transferor's carrying amount with the consideration shown in contributed capital.

Fixed 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	10% - 20%
Vehicles and equipment	3% - 33%
Buildings	2% - 10%

During the year, the subsidiary The Jacques Cartier and Champlain Bridges Incorporated received an external report evaluating at 10 years the remaining useful life of the Champlain Bridge structure in Montreal. Subsequent to this report, the amortization of the components of this structure was revised prospectively in order to amortize over a period not exceeding March 31, 2020. As at March 31, 2011, the impact of this revision is estimated at $571,000 per year.

d) **Revenue recognition**

Tolls collection revenue is recognized when tolls are collected as vehicles pass through toll booths.

Leases and permits revenue is recognized in accordance with the lease agreements.

Revenue from leases, permits and toll tickets for services that have not been provided is deferred and recognized in income as the services are provided.

Investment income is recognized using the accrual method of accounting and more specifically in the following manner:

- Interest income, other than interest on held-for-trading financial instruments, is calculated using the effective interest method;
- Interest income is recognized in the Consolidated Statement of Operations and Comprehensive Income under Interest regardless of the related financial instrument.

e) Employee future benefits

Severance benefits

Employees of the Corporation, its wholly-owned subsidiaries and its joint venture are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Corporation recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

Pension plan

All employees of the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, and the joint venture, The Seaway International Bridge Corporation Ltd., participate in the Public Service Pension Plan administered by the Government of Canada. The subsidiary and the joint venture contribution to the plan reflect the full cost of the employer contributions.

This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the subsidiary and the joint venture 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.

The Corporation's employees participate in a defined contribution private pension plan and the cost of this plan is shared by the employees and the Corporation. The Corporation's contributions are expensed when services are rendered and represent the total pension obligation of the Corporation. 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.

f) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 fixed 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 are the most significant items where estimates are used. Actual results could differ significantly from those estimated.

g) Environmental obligations

When it is considered probable that a liability exists with respect to environmental issues or other matters and if the amount of the loss can be estimated with a reasonable amount of effort, future costs are recorded as a liability in the financial statements according to the present value of the estimated discounted cash flows of costs that are most likely to be incurred. Other expenses related to environmental measures are expensed as soon as they are incurred.

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 fair value of a liability for an 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.

i) Foreign currency translation

Transactions denominated in currencies other than Canadian dollars have been translated into Canadian dollars as follows: monetary assets and liabilities have been translated at the exchange rate in effect at the end of each year and revenue and expenses have been translated at the average exchange rates for each year; non-monetary assets and liabilities have been translated at the historical exchange rate. Exchange gains or losses on financial assets and liabilities are recognized in the Consolidated Statement of Operations and Comprehensive Income.

j) Financial assets and liabilities

Financial instruments are measured at fair value on initial recognition. The measurement of financial instruments in subsequent periods depends on their classification. The classification of the Corporation's financial instruments is presented in the following table:

Categories	Financial instruments
Financial assets held for trading	Cash Deposit certificates
Financial assets held to maturity	Term deposits
Loans and receivables	Accounts receivable Accrued interest receivable
Other financial liabilities	Accounts payable Client deposit Due to the joint venture Holdback

Financial assets held for trading are recognized at fair value on the consolidated balance sheet. Gains and losses arising from the change in fair value are recognized in the consolidated revenues and expenses for the period in which they arise. Changes in fair value that are recognized in earnings include interest income and are presented under interest.

Financial assets held to maturity are measured at amortized cost. Interest is recognized using the effective interest rate method and recognized in the Consolidated Statement of Operations and Comprehensive Income.

Assets classified as loans and receivables are recorded at amortized cost using the effective interest rate method, which usually corresponds to the amount initially recorded.

Other financial liabilities are measured at amortized cost using the effective interest method.

3 – FUTURE ACCOUNTING CHANGES

Public sector accounting standards

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 is implementing a plan for transition to the new accounting standards on a retrospective basis for the year beginning on April 1, 2011.

The transition plan respects the timeframe and the Corporation is continuing to evaluate the impact of the adoption of these Standards.

4 - BUSINESS ACQUISITION

On September 1, 2009, the Corporation acquired 14 shares of its subsidiary, the St. Mary's River Bridge Company for $ 140 in cash. After this acquisition, the Corporation now owns all of the outstanding shares of the St. Mary's River Bridge Company. Since the operating results of the subsidiary were already consolidated in the financial statements, the only impact is that as of the acquisition date, non-controlling interest no longer needs to be accounted for.

The estimated fair value of the assets acquired and liabilities assumed on the acquisition date is as follows:

(in dollars)	2010
Short term assets	310,799
Fixed assets (a)	-
	310,799
Short term liabilities	143,583
Long term liabilities	29,124
	172,707
Less: Extraordinary gain (a)	137,952
Net assets acquired	140

a) The transaction created negative goodwill totalling $732,793 of which $594,841 was applied against fixed assets and $137,952 was accounted for as an extraordinary gain.

5 – *INVESTMENTS*

The Corporation invests excess cash in term deposits, bankers acceptance and deposit certificates. These investments, purchased from members of the Canadian Payments Association are held-to-maturity and held-for-trading and the rate of return on investments varied between 0.23% to 4.40% for the year ended March 31, 2011 (0.16% to 4.40% in 2010). On average, the term to maturity is 174 days (153 days in 2010). There were no gains or loss on the following assets during the year. The interest earned on assets held-to-maturity, calculated using the effective interest method, was $79,979 in 2011 ($24,217 in 2010).

(in dollars)	**2011**	2010
Short term		
Held-to-maturity investments		
Term deposits (Fair value of 11,994,688 in 2011 and $1,918,057 in 2010)	**11,930,250**	1,875,000
Held-for-trading financial assets		
Bankers acceptance	**-**	9,981,600
Deposit certificates	**144,191**	730,290
Total	**12,074,441**	12,586,890
Long term		
Held-for-trading financial assets		
Deposit certificates	**1,131,270**	381,203
Total	**1,131,270**	381,203

6 - DUE FROM CANADA

The current amount represents parliamentary appropriations of $1,945,406 ($10,077,130 in 2010) for major transactions and projects of the subsidiary The Jacques Cartier and Champlain Bridges Incorporated, amounts payable to the subsidiary St. Mary's River Bridge Company of $416,978 ($405,593 in 2010) for rehabilitation of the customs plaza in Sault Ste. Marie and an amount of $427,047 ($701,538 in 2010) for works related to the construction of a new North Channel Bridge in Cornwall (Note 20).

The long-term amount represents the consideration for the portion of the holdback of the Corporation and its subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, related to agreements, which will be paid in future years (Note 9).

When paying the holdback, the Corporation and the subsidiary will submit an application for funding to the Treasury. These applications will only be requests for funds.

7 – FIXED ASSETS

(in dollars)	2011			2010
	Cost	**Accumulated amortization**	**Net book value**	Net book Value
Land	5,282,218	-	5,282,218	4,556,027
Bridges and roads	324,214,675	161,048,832	163,165,843	152,972,036
Vehicles and equipment	7,525,020	5,780,233	1,744,787	1,559,999
Buildings	6,879,778	3,585,805	3,293,973	2,097,625
Bridge and infrastructure betterments	1,109,142	1,109,142	-	12,103
Projects in progress	78,475,408	-	78,475,408	68,108,264
Asset retirement obligation (Note 21)	15,171,000	1,924,000	13,247,000	-
Costs arising from environmental obligation (Note 19)	1,000,000	-	1,000,000	1,000,000
Equipment under capital lease	52,811	52,811	-	-
	439,710,052	173,500,823	266,209,229	230,306,054

The cost of the Bonaventure Expressway, 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.

8 - DUE TO JOINT VENTURER

Due to the joint venturer bear interest and are payable on demand. The amount due was classified as long-term since no repayment is due in the coming year. As at March 31, 2011 and 2010, their carrying amounts approximated their fair value.

9 – HOLDBACK

The Corporation and its subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, temporarily retain an amount on the total due to a contractor during the performance of work to ensure that the latter fulfills its obligations pertaining to warranty, rectification and correction of defects in work related to two contracts at the Honoré Mercier Bridge, various contracts for the Champlain Bridge and other structures in Montreal as well as a contract at the North Channel Bridge in Cornwall.

For the rehabilitation of the Honoré Mercier Bridge, the works of Contract A are divided into three parts and the warranty period applicable to each of the components will begin following the issuance of the interim certificate of completion of the related work. However, these warranty periods will end at a common date specified in the contract being December 17, 2013. The contract provides that the subsidiary will pay the holdback (reduced, if applicable, by any amount payable by the contractor pursuant to the warranty clauses of the contract) after the expiration of the warranty period. Interest will be applicable to the holdback after the issuance of interim certificates of completion.

For contract B, a single interim certificate of completion will be issued. The applicable warrantee period will be five years from the date of issuance of the interim certificate of completion for accepted works and five years from the date of issuance of the final certificate for any deficiencies identified in the works. Interest will be applicable to the holdbacks after the issuance of interim certificates of completion.

For the construction of the North Channel Bridge and for other contracts, a single interim certificate of completion will be issued. The applicable warranty period is generally one year from the date of issuance of the interim certificate of completion for accepted works and one year from the issuance date of the final certificate for any deficiencies identified in the works.

10 – DEFERRED CAPITAL FUNDING

(in dollars)	**2011**	2010
Balance, beginning of year	**192,225,346**	153,697,652
Parliamentary appropriations to finance the acquisition of amortizable assets	**27,190,841**	43,155,639
Amortization	**(5,573,272)**	(4,627,945)
Balance, end of year	**213,842,915**	192,225,346

11 - INTERNATIONAL THOUSAND ISLANDS BRIDGE OPERATING REVENUES AND EXPENSES

These revenues and expenses represent the Corporation's share of the income and expense 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.

12 - EMPLOYEE FUTURE BENEFITS

a) Pension benefits

The Jacques Cartier and Champlain Bridges Incorporated, the joint venture and all their employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation and all its eligible employees participate in a defined contribution plan. During the year, the Corporation's and employee's contributions to these plans were as follows:

(in dollars)	**2011**	2010
Corporation	**1,045,647**	892,950
Employees	**400,102**	368,661

b) Severance benefits

The Corporation, its subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, and its joint venture provide severance benefits to their employees based on years of service and final salary and for the joint venture, on accumulated sick leave days. Assumptions on the employee termination dates have been made as part of the calculation. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Information about the plan, as measured at the balance sheet date, is as follows:

(in dollars)	**2011**	2010
Accrued benefit obligation, beginning of year	**1,379,826**	1,558,230
Current service cost for the year	**143,693**	205,463
Benefits paid during the year	**(190,793)**	(383,867)
Accrued benefit obligation, end of year	**1,332,726**	1,379,826
Short-term portion included in accounts payable	**(199,600)**	(238,455)
Long-term portion	**1,133,126**	1,141,371

13 - NET CHANGES IN NON-CASH WORKING CAPITAL

(in dollars)	**2011**	2010
Decrease (increase) in accounts receivable	**(658,780)**	81,496
Decrease (increase) in accrued interest receivable	**(50,686)**	9,044
Decrease (increase) in prepaid expenses	**(375,590)**	149,991
Decrease in amount due from Canada	**9,288,830**	9,610,824
Increase (decrease) in accounts payable	**4,938,921**	(6,703,661)
Increase (decrease) in deferred revenue	**(364,748)**	249,866
Net changes	**12,777,947**	3,397,560

In this chart, an amount of $7,185,864 ($7,162,243 in 2010) is excluded from the amount of the due from Canada and from the accounts receivable due to capital asset acquisition.

14 – RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These operations are measured at the exchange amounts, which is the value of the consideration established and agreed upon by the related parties. During the year, the Corporation recovered costs totalling $839,464 ($2,486,875 in 2010) from related parties. As at March 31, 2011, the Corporation recorded accounts receivable of $773,464 ($1,882,659 in 2010) from related parties.

15 - SPECIAL FINANCING FOR THE SUBSIDIARY THE SEAWAY INTERNATIONAL BRIDGE

On May 31, 2009, The Canada Border Services Agency (CBSA) officials closed the Cornwall (Ontario) port of entry and vacated CBSA facilities on Cornwall Island due to concerns for the safety of CBSA officers and the motoring public following a series of protests by the Mohawks of Akwesasne over the official arming of CBSA officers. Given these significant safety concerns, the SIBC also vacated its facilities on the same day. A ministerial directive was issued on June 25, 2009 to officially close the South Channel Bridge to northbound traffic.

In July 2009, the bridge re-opened and a temporary CBSA customs facility was established in the city of Cornwall. Soon thereafter, it was resolved by the SIBC Board of Directors that a temporary toll plaza be located at the same location. The SIBC resumed its tolling operations in Cornwall on August 3, 2009. On March 31, 2010, special funding in the amount of $894,000 for the SIBC to cover operational and maintenance costs due to the temporary closure and relocation of its toll facilities in Cornwall was approved by the Parliament. This funding will be provided in the form of a contribution to the SIBC through the FBCL.

An amount of $628,464 was recognized in 2009-2010 to cover operational and maintenance costs due to the temporary closure and relocation of the toll facilities in Cornwall. The balance of $265,536 has been recognized in 2010-2011 to cover maintenance costs of the North Channel Bridge. Maintenance of the North Channel Bridge was delayed due to the lack of funding resulting from the loss of toll revenue due to the closure of the Bridge.

The reconciliation of this funding is presented below.

(in dollars)	
Total contribution	894,000
Contribution used in 2009-2010	628,464
Contribution used in 2010-2011	265 536
Balance of funding	-

16 – CREDIT FACILITIES

The subsidiary, the Ste Mary's River Bridge Company has a non-revolving term credit facility totalling $5,000,000 which has received approval from the Minister of Finance regarding the terms of the transaction and approval of the Governor in Council of the corporate plan of the parent company, The Corporation, 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 (Note 20).

17 – 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 $3.5 million on an annual basis. This agreement is renewable at maturity unless either party gives notice to the contrary.

b) Suppliers

The Corporation has commitments principally for major repairs, supply contracts, maintenance contracts, professional service and rental agreements for amounts totalling $112,635,726. Minimum payments over the next years are as follows:

(in dollars)	
2012	93,757,317
2013	16,587,542
2014	1,185,304
2015	582,994
2016 and subsequent years	522,569

18 – CONTINGENCIES

In the normal course of its activities, the Corporation is the claimant or defendant or is involved in certain pending claims or lawsuit where the issue cannot be predicted with certainty. Management records an estimated liability when it is likely that a future event will confirm that an asset has been impaired or a liability has been incurred, and a reasonable estimate of the loss can be made.

19 - ENVIRONMENTAL OBLIGATION

With regards to the environment, the Corporation reviewed all of its properties to determine their environmental condition. Parcels of land considered to be contaminated will require additional investigation in the coming years. Certain of these parcels of land may eventually require decontamination or mitigation measures.

The most pressing environmental issue facing the Corporation is with the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated and relates to the parcels of land situated on the Bonaventure sector in Montreal (Technoparc sector). The parcels of land, managed by the subsidiary since 1978, are located on a portion of a former waste fill site operated by the City of Montreal from 1866 to 1966. This old landfill site covers several properties belonging to various owners. Since 2003, the subsidiary has carried out investigations and ground-water toxicity tests of these parcels of land and undertaken feasibility studies to determine the required mitigation measures.

In light of the complexity of the problem, as well as the presence of several owners and the high costs associated with remedial measures, the Federal government is seeking a global solution to the environmental problem of this site and, in this context, other studies may be necessary.

The cost of the mitigation measures to be put in place cannot be reasonably estimated at this time and the cost-sharing aspects between the different owners involved will need to be determined. However, based on estimates of some costs put forward in a study conducted in 2005 and a study completed in 2006-07, the subsidiary has assessed an estimated liability of $1,000,000 as at March 31, 2011 ($1,000,000 as at March 31, 2010). The subsidiary has submitted to the Treasury Board a request for special funding to undertake mitigation measures, according to the portion of costs to be borne, if necessary, by the Corporation.

In view of the above, a $1,000,000 liability has been recorded in the financial statements.

20 - MAJOR REHABILITATION WORK

The Corporation must, within the scope of its mission, perform some major work on the network for which it is responsible. The following are the Corporation's principal major projects:

Honoré Mercier Bridge (Montreal):

The replacement of the deck on the federal portion of the Honoré Mercier Bridge is expected to be carried out by way of two contracts. In June 2006 the Treasury Board approved an initial amount of $85 million and a second amount of $50 million in January 2009 for this project to be carried out, including direct and indirect costs. These amounts were based on an estimate made by a consultant within the framework of a feasibility study. As of March 31, 2011, the total estimated cost amounts to $135 million. The deck replacement work began on the bridge during 2009 and is expected to be completed in 2012.

Champlain Bridge (Montreal):

In March 2009, the Treasury Board approved an investment of $212 million over a 10-year period for the Champlain Bridge in order to keep the structure fully operational and safe. Work began as planned in 2009.

Rehabilitation of the Canadian Custom Plaza (Sault Ste. Marie):

In September 2009, a contribution agreement with the Government of Canada was reached to rehabilitate the Canadian Custom Plaza at the Sault Ste. Marie international bridge. This agreement provides access to $44 million in financing originating from the Gateways and Border Crossing Fund which is under the responsibility of Transport Canada. Work began in 2010 and should be completed by 2014.

Construction of a new North Channel Bridge *(Cornwall):*

In October 2006, the North Channel Bridge replacement and corridor improvement project received approval from Treasury Board including funding in the amount of $75 million. The funding was intended to cover all costs associated the construction of a new low-level bridge, demolition of the existing bridge, upgrades to the roads in the international corridor, redevelopment of the Custom's Plaza as well as the construction of new facilities for the bridge operator and toll operations. Delays in negotiations with third parties deferred the project initiation. In June 2010, Treasury Board approved the start of construction works and reallocated the entire project budget to the construction of a new low-level bridge and demolition of the existing bridge only. Work began in 2010 and should be completed by 2016.

21 – ASSET RETIREMENT OBLIGATION

As described in note 20, 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 $17,100,000 required to settle the asset retirement obligation have been discounted at 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, 2011 totalled $15,433,000. These cash flows will be funded from voted parliamentary appropriations for the project to be received at the time of demolition.

(in dollars)	
Asset retirement obligation incurred	15,171,000
Accretion expense	262,000
Asset retirement obligation, end of year	15,433,000

22 - CAPITAL MANAGEMENT

The Corporation defines its capital structure as its capital stock, contributed capital and retained earnings, and is governed by the *Financial Administration Act*. The Corporation is not authorized to modify its financial structure without pre-approval by the Government. The Corporation must obtain authorization from the Government to negotiate any borrowings.

The Corporation manages its equity by prudently monitoring its revenues and expenses, its assets, its liabilities, its investments and its financial transactions to ensure the Corporation achieves its goals and objectives, whilst remaining a going concern. There has been no change in the objectives, policies and procedure of the Corporation capital management from previous year.

23 – FINANCIAL INSTRUMENTS

Fair value

The carrying value of cash, investments, accounts receivable and accounts payable approximate their fair value due to the short-term maturity of these financial instruments.

The holdback is carried out in the normal course of business. The carrying amount of this financial instrument approximates its fair value.

Financial instruments measured at fair value that must be classified in the fair value hierarchy are composed of investments held as at March 31, 2011. They are classified as Level 1 in 2011 and in 2010 because their valuation can be based on quoted prices in active markets for identical assets or liabilities.

Derivatives

The Corporation did not hold derivative financial instruments as at March 31, 2011 and March 31, 2010.

Financial risk management objectives and policies

The Corporation is exposed to various financial risks including: credit risk, liquidity risk and market risk resulting from its operating activities. Management is responsible for setting acceptable levels of these risks and reviewing their respective impact on the Corporation's activities. The Corporation does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is subject to credit risk on cash, investments, accounts receivable, and due from Canada. The Corporation manages this risk by dealing only with members of the Canadian Payment Association or the Government and by closely monitoring the issuance and collection of credit to commercial clients. Generally, the carrying amount reported on the Corporation's consolidated balance sheet for its financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk. The credit risk is not significant for the Corporation.

The maximum exposure of the Corporation to credit risk as at March 31, 2011 is as follows:

(in dollars)	**2011**	2010
Cash	**28,475,005**	16,800,979
Short-term investments	**12,074,441**	12,586,890
Accounts receivable		
Federal government departments	**5,042,317**	13,118,945
Other	**1,393,933**	821,496
Long-term investments	**1,131,270**	381,203
	48,116,966	43,709,513

The credit risk associated with cash and short-term investments is reduced substantially by ensuring that cash surpluses are invested in highly liquid investments. The Corporation's policy is to invest cash surpluses in low-risk instruments owned by the Government of Canada or by a member of the Canadian Payments Association. These financial assets are invested in term deposits and deposit certificates (Note 5) (invested in term deposits, bankers acceptance and deposit certificates in 2010). Management believes the risk of loss is remote.

The credit risk associated with accounts receivable is minimized since a large portion of the amount is owed from federal government departments generally within 90 days (Note 6), except the holdbacks which are payable in 2013 (Note 9). As at March 31, 2011, accounts receivable from federal governmental departments comprised 77% of the total amount due (94% as at March 31, 2010).

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due.

The Corporation is exposed to this risk mainly through its dependence on Parliamentary appropriations. The Corporation manages the risk by establishing budgets; detailed cash estimates and regular follow up. The liquidity risk is low given that the Corporation has no borrowing and is financed in most part by the Government of Canada. The liquidity risk is not significant for the Corporation.

The maturities of the Corporation's financial liabilities at March 31, 2011 are estimated by management to be as follows:

(in dollars)	Less than 3 months	3 months to 1 year	Over 1 year	Total
Accounts payable	18,138,157	2,894,907	151,958	21,185,022
Client deposits	-	-	100,000	100,000
Due to joint venturer	-	-	1,874,313	1,874,313
Holdback	-	-	2,265,486	2,265,486
	18,138,157	2,894,907	4,391,757	25,424,821

At March 31, 2010:

(in dollars)	Less than 3 months	3 months to 1 year	Over 1 year	Total
Accounts payable	13,434,621	2,811,480	-	16,246,101
Client deposits	-	-	110,389	110,389
Due to joint venturer	-	-	1,445,066	1,445,066
Holdback	-	-	1,040,684	1,040,684
	13,434,621	2,811,480	2,596,139	18,842,240

Market Risk

The Corporation is subject to interest rate risk on its investments. To minimize this risk, the Corporation's investment policy specifies that the Corporation invest excess cash in very liquid and low risk instruments. If interest rates had varied by 1% during the year, the interest revenue from cash balances would have varied approximately $71,792 ($40,832 in 2010).

Investments and amount due to joint venturer bear interest at a fixed rate and the Corporation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuation. A 1% variation in interest rates at March 31, 2011 would have resulted in a change in the fair value of the Corporation's investments of approximately $68,670 ($54,647 at March 31, 2010).

The Corporation is subject to foreign currency exchange rate risk on tolls collected in US dollars at international crossings. A 1% variation in the average exchange rate during the year would have resulted in a change in net income of $8,702 ($4,817 for the year ended March 31, 2010). The Corporation manages this risk by periodically adjusting the US toll rates with the Canadian rate and vice versa and by converting US bank account balances to Canadian dollars where applicable. The currency risk is not significant for the Corporation.

24 - FOREIGN EXCHANGE GAIN OR LOSS

The Corporation incurred a foreign exchange gain of $97,389 in 2011 (gain of $207,393 in 2010).

25 - INTEREST IN A CO-VENTURE - THE SEAWAY INTERNATIONAL BRIDGE CORPORATION

The consolidated financial statements of the Corporation includes 50% of the assets, liabilities, revenues and expenses of the co-venture The Seaway International Bridge Corporation Limited at March 31, 2011 which reflect the payments made to FBCL in previous years for its share of the revenues over expenses.

(in dollars)	**2011**	2010
Assets		
Current	**2,677,476**	2,730,476
Long-term	**236,984**	331,477
Liabilities		
Current	**453,212**	821,393
Long-term	**2,457,248**	2,236,560
Operations		
Revenues	**1,836,853**	1,415,995
Expenses	**1,600,994**	1,730,227
Net gain (loss) before special funding	**235,859**	(314,232)
Portion of the loss allocated to the American joint venturer assumed by the subsidiary	**(132,768)**	(314,232)
Total subsidiary gain (loss)	**103,091**	(628,464)
Special funding	**265,536**	628,464
Corporation share in joint venture's net income	**368,627**	-
Cash flows		
Operating activities	**749,961**	(202,775)
Investment activities	**(55,250)**	125,000
Financing activities	**(389,336)**	(14,506)

APPENDIX A - 2010-2011 PERFORMANCE REPORT

STRATEGIC OBJECTIVE : CORPORATE GOVERNANCE

1. Ensure FBCL Board functions according to best governance practices.

2010-2011 PERFORMANCE TARGETS	YEAR TO DATE ASSESSMENT	PERFORMANCE STATUS
A quarterly reporting system will be set up through the President and CEO to provide timely information for analysis and decision making by the parent Board.	Internal quarterly reporting by subsidiaries has been implemented. Processes and procedures serve to ensure appropriate oversight by FBCL Board of Directors of the operations of the Corporation as a whole and will inform the Quarterly Financial Reports to be published as of Q1 2011-2012 as per an amendment of the FAA. Letters of expectations were issued by the FBCL Board to subsidiary Boards.	Met
Issues identified in board self-assessments will be addressed; progress in meeting training needs of directors will be monitored.	A draft gap analysis was completed but due small size of FBCL Board not all skills are covered as FBCL Board has only 4 members. Board members have responded to their training needs through attending conferences and training sessions held within various board and committee meetings.	Partially Met
Headquarters will assume a greater role in areas of finance, strategic planning, risk management, engineering policy, and the environment.	FBCL is working with its subsidiaries in strengthening its role in the areas of finance, strategic planning and human resources and collaborating in the areas of risk management, engineering policy, and the environment.	Met
A corporate-wide internal audit plan will be established and managed centrally from head office.	A corporate-wide internal audit approach and multi-year audit plan were developed and an internal audit regarding the international agreement for the Seaway International Bridge has been completed and an internal audit on the budget control framework is nearing completion.	Met
Development of an enterprise risk management system will begin.	Enterprise risk management system is in its preliminary stage and has been re-prioritized to 2011-2012 and completion until 2012-2013.	Ongoing

STRATEGIC OBJECTIVE: SAFETY OF BRIDGE STRUCTURES		
2. Continue to ensure the safety of bridge structures in order to avoid harm to end users, employees and contractors.		
2010-2011 PERFORMANCE TARGETS	**YEAR TO DATE ASSESSMENT**	**PERFORMANCE STATUS**
Establish preventative measures including training for employees and re-confirm protocol with well-communicated roles and responsibilities among all stakeholders for quick identification and management of emergency situations.	Ongoing employee training programs at all locations addressing protocol in emergency situations. Thousand Islands Bridge - Detailed inspection (2-year cycle) of the Canadian Bridge at the Thousand Islands Bridge was carried out in July 2010. The detailed inspection concluded that the Canadian Bridge is well maintained and the overall condition of the Canadian Bridge is good, due to ongoing maintenance program carried out by the bridge operator. Sault Ste. Marie - Annual inspection of the bridge and fracture critical member inspection (2 year cycle) of the Canadian spans of the bridge was carried out in August 2010. No urgent items which require immediate attention and remedial measures to ensure public safety and structural integrity were found. Cornwall - Annual Inspections completed September 2010 and follow-up works were completed in December 2010. A formal presentation of the condition of the North Channel Bridge was received by both the FBCL Board and the SIBC Board. Repairs to the underside of the North Channel Bridge have been initiated. Repair and maintenance plans for the North Channel Bridge take into consideration the current construction of a new bridge. Montreal – Annual inspections reports were completed and necessary repairs and longer-term program. JCCBI is currently reviewing its prevention program, to implement and reinforce prevention measures as required to mitigate certain risks, as well as its applicable requirements to its contractors and consulting firms. The risk profile has been updated and the identification and assessment of each structure component has been completed.	Met
Expand the role of the recently established corporate engineering committee to share intelligence and best practices for completing annual inspections and critical maintenance.	FBCL engineers have met on various projects such as the construction of the new North Channel Bridge, the Champlain Bridge Replacement pre-feasibility study and the rehabilitation of the Honoré Mercier Bridge.	Ongoing

STRATEGIC OBJECTIVE : SAFETY OF BRIDGE STRUCTURES		
2. Continue to ensure the safety of bridge structures in order to avoid harm to end users, employees and contractors.		
2010-2011 PERFORMANCE TARGETS	**YEAR TO DATE ASSESSMENT**	**PERFORMANCE STATUS**
Ramp up JCCBI employment to give more capacity in engineering, contract administration and the environment for delivering multi-phase projects requiring stakeholder consultation, partnership agreements, engineering studies and designs, environmental assessments and public hearings.	Budget 2010-2011 included 49 full-time equivalents and six new positions have been filled in 2010-2011. The intended full-time equivalent level for JCCBI is 57. JCCBI is positioning itself to face a capital program that is more than double past works on its aging infrastructure. The plan includes many simultaneous challenges including the ongoing 10-year maintenance program of the existing Champlain Bridge, studies regarding the future of the Champlain Bridge and its corridor, the large rehabilitation project of the Honoré Mercier Bridge as well as plans for the contaminated landfill sites. Appropriate human resources must be in place to meet these challenges.	Met
Install an integrated system of surveillance cameras at the toll plaza in Cornwall to support security and enforcement of tolling infractions; review security best practices for daily "road checks", access control and document control.	SIBC is finalizing the installation of security cameras and data links to support the efficient functioning of the crossing. Successfully conducted a campaign to encourage travellers from the Mohawk community to present a pass card to validate access to free transit provided by an historical agreement. Transit exceptions declined from more than 50,000 per month to less than 900.	Met
Prepare options and be pro-active in seeking a government decision on Cornwall re: proceeding to build a new bridge and the location and scope of the CBSA facilities and SIBC's toll plaza.	Project and budget approvals were obtained and the Minister of Transport, Infrastructure and Communities formally announced the project on August 10, 2010. Due to inflation and cost escalation, the total project budget of $74.8 million initially intended for a three component project has been reallocated to the bridge construction itself. Tolling operations are carried out at the base of the North Channel Bridge in the City of Cornwall. Facilities and systems have been upgraded to improve functionality at this new location. Permanent location of CBSA and SIBC tolling facilities outstanding.	Partially Met

STRATEGIC OBJECTIVE: FINANCIAL SUSTAINABILITY		
3. Achieve financial sustainability by obtaining adequate funding and exploring revenue generation opportunities to maintain safe, efficient and effective infrastructure over the long term, including capital requirements to replace structures at the end of their life cycle.		
2010-2011 PERFORMANCE TARGETS	**YEAR TO DATE ASSESSMENT**	**PERFORMANCE STATUS**
Seek approval of new funding for JCCBI to address major rehabilitation of bridge infrastructure and reinstatement of appropriate operating reference levels.	New funding was approved as part of Budget 2010 including an increase in operating funding for 4 years to 2014-2015 and infrastructure stimulus funding of $31.8 million for 2010-2011 only. A comprehensive 10-year funding plan has been submitted to government for consideration with a focus on obtaining funding for the JCCBI's five year strategic plan. On March 18, 2011, the government announced an additional budget of $227.6 million for the next three years. This funding was approved subsequent to year-end as part of Budget 2011.	Met
For the Cornwall location, (i) seek a decision by government to build a new North Channel Bridge and (ii) initiate promotion activities to attract additional traffic flow.	In August 2010, the Government House Leader announced the construction of the new North Channel Bridge. With design works having been completed, contracts have been awarded and construction was initiated in May 2011. SIBC has formed a board sub-committee the PIT Crew (Promoting International Traffic) to support management's efforts to boost revenues. Efforts are encumbered by the ongoing temporary location of CBSA.	Met
For all international bridges, verify that projected toll revenues are reasonable and sufficient to maintain their long-term viability. If necessary, adjust tolls to compensate for any declines in traffic volumes, cost escalation and to fund long-term capital requirements.	In managing the international bridge in Sault Ste. Marie, a 40 year capital and operating plan is in place serving to inform the schedule of toll increases necessary to ensure self sufficiency. The most recent increase was in April 2010. At the Thousand Island Bridge, a 10 year plan has been developed and tolls are reviewed by an International Board on a regular basis. In Cornwall, there is an ongoing challenge for sufficient revenues as more than 60% of traffic stems from the Mohawk community and receives free passage. Tolls are currently the highest on the St. Lawrence Seaway and any increase possibility is limited without having a substantial impact on traffic and revenue. The temporary location of CBSA at this crossing is further complicating traffic flow. Paid traffic has been recovering since the bridge closure in 2009 and is now at approximately 80% of pre-closure volumes.	Ongoing

STRATEGIC OBJECTIVE: RELATIONSHIPS		
4. Improve internal and external relationships with key stakeholders.		
2010-2011 PERFORMANCE TARGETS	**YEAR TO DATE ASSESSMENT**	**PERFORMANCE STATUS**
Initiate community contribution studies to clearly identify the value of the various bridge crossings for all stakeholders, starting with Champlain Bridge.	JCCBI with the MTQ completed the pre-feasibility study examining the replacement of the Champlain Bridge and corridor improvements. In addition, a Champlain Bridge condition report (Delcan) was completed with the following recommendation *"The deficiencies and associated risks are such that the Champlain Bridge should be replaced by a new crossing and an expedited process to accomplish this should be implemented as soon as possible. In the interim, current rehabilitation program should continue."* These studies are being submitted to government to further inform the decision-making process regarding the future of the Champlain Bridge. Each bridge operator is also participating in ongoing meetings with local stakeholders (emergency services, police, etc.) to ensure optimal responsiveness in regards to the bridges. In Cornwall, substantive liaison efforts with the Mohawk community and the City of Cornwall are ongoing regarding the construction of the new North Channel Bridge. In Montreal, this extends to the overall traffic issues and coordination of planned works with stakeholders. JCCBI has had a positive and active presence in communicating to the media on the nature and scope of the major works and upcoming projects.	Ongoing
Within the FBCL portfolio: (i) enhance transparency, mobility, shared resources and services and cross-functional teams; (ii) improve internal communications by establishing clear processes, identifying information requirements and coordinating core messages.	Reviewed existing Communication Policy, and obtained FBCL Board approval on a plan of action to strengthen communication links with the subsidiaries while reinforcing the centralization of communication strategies through FBCL leadership. New media platforms such as blog sites and Twitters were initiated in the year in order to reach out further to inform bridge users. FBCL finance is coordinating the transition to PSAS and the requirements for Financial Quarterly Reports with the subsidiaries. FBCL human resources services have been extended to SIBC and services related to benefits administration are being coordinated with all subsidiaries. FBCL engineers are leading important projects including the rehabilitation of the customs plaza in Sault Ste. Marie and the construction of the North Channel Bridge in Cornwall and are engaged in discussions with CBSA regarding their facilities needs at Cornwall and Thousand Islands international bridge locations. Mechanisms for exchange of information have also been implemented for engineering projects in Montreal.	Met
Enhance federal relationships by continuing to work with Transport Canada and participating in all interdepartmental committees related to bridge safety, security and specific bridge transportation issues.	FBCL has been very active in the federal community with a series of exchange meetings with Transport Canada on major issues and projects as well as with CBSA in coordination of activities at each international bridge location. FBCL is also represented on a number of committees including the Community of Federal Agencies, Transport Canada security committee, Public Border Operators Association, Can-Am Border Trade Alliance, and the Treasury Board Secretariat's working group on the transition to public sector accounting standards. Media and public relations activities have included the organization and coordination of a press conference with Transport Canada's communications group in Cornwall for Minister's announcement of new North Channel Bridge. Communications support was also provided for the pre-Budget funding announcement for federal domestic bridges in Montreal.	Met

APPENDIX B - FINANCIAL SUMMARY OF RESULTS OF FBCL SUBSIDIARIES

JCCBI Financial Summary

Year ended March 31

(in dollars)	2011	2010
Operating results		
Revenues		
Leases and licences	**799,635**	786,536
Interest	**113,871**	16,201
Other	**36,687**	25,154
Total	**950,193**	827,891
Expenses		
Maintenance	**48,787,916**	27,639,283
Operations	**3,884,899**	3,864,383
Administration	**6,036,787**	5,542,452
Amortization	**5,855,582**	4,891,460
Total	**64,565,184**	41,937,578
Net loss before government funding	**(63,614,991)**	(41,109,687)
Parliamentary appropriations for operating expenses	**57,635,224**	36,032,932
Amortization of deferred capital funding	**5,515,145**	4,569,818
Net loss	**(464,622)**	(506,937)
Balance sheet		
Current assets	**22,326,770**	17,476,268
Current liabilities	**19,135,253**	14,284,752
Fixed assets	**221,589,643**	199,567,514
Due from Canada and other assets	**2,252,886**	1,040,684
Other liabilities	**4,183,840**	2,971,125
Deferred capital funding	**209,740,466**	189,514,227
Shareholder's equity	**13,109,740**	11,314,362
Financial position		
Operating activities	**9,966,103**	5,024,434
Investing activities	**(21,118,894)**	(35,078,867)
Financing activities	**21,242,567**	35,197,867
Increase of cash and cash equivalents	**10,089,776**	5,143,434

SIBC Financial summary

Year ended March 31

(in dollars)	2011	2010
Operating results		
Revenues		
Tolls	**3,372,994**	2,521,265
Leases and Permits	**173,858**	175,705
Investments	**96,131**	127,220
Others	**30,723**	7,800
Total	**3,673,706**	2,831,990
Expenses		
Maintenance	**1,081,600**	952,121
Tolls collection	**1,047,393**	1,378,677
Administration	**905,741**	887,903
Amortization	**167,254**	186,756
Total	**3,201,988**	3,460,454
Foreign exchange loss	**-**	54,997
Net (loss) income before special funding	**471,718**	(628,464)
Contribution from the Federal Bridge Corporation	**265,536**	628,464
Net income	**737,254**	-
Balance sheet		
Current assets	**5,354,952**	5,460,952
Current liabilities	**906,424**	1,642,785
Capital assets	**473,967**	638,749
Bridge and infrastructure betterments	**-**	24,205
Provision for employees future benefits	**289,242**	296,318
Capital stock and debentures payable	**16,000**	16,000
Due to venturers	**4,617,253**	4,168,803
Financial positions		
Operating activities	**1,499,922**	(405,550)
Investing activities	**(110,500)**	250,000
Financing	**(778,672)**	(29,012)
Increase (decrease) of cash and cash equivalents	**610,750**	(184,562)

SMRBC Financial Summary

Year ended December 31

(in dollars)	2010	2009
Operating results		
Revenues		
Tolls	3,492,760	2,899,054
Leases and licences	228,305	252,448
Investments	22,470	54,793
Other	159,484	106,586
Total	3,903,019	3,312,881
Expenses		
Maintenance	1,175,079	1,364,926
Tolls collection	819,712	884,739
Administration	939,528	780,425
Amortization	568,519	554,489
Total	3,502,838	3,584,579
Net income (loss)	400,181	(271,698)
Balance sheet		
Current assets	3,572,351	3,244,078
Current liabilities	1,702,288	1,538,933
Capital assets	9,567,474	8,222,314
Deferred capital funding	1,422,056	312,159
Capital stock	1,500	1,500
Retained earnings	10,013,981	9,613,800
Financial positions		
Operating activities	833,391	161,044
Investing activities	(2,077,647)	(599,936)
Financing activities	1,168,024	-
Decrease of cash and cash equivalents	(76,232)	(438,892)

APPENDIX C

BOARD OF DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

THE FEDERAL BRIDGE CORPORATION LIMITED (AS OF MARCH 31, 2011)

BOARD OF DIRECTORS

J. Keith Robson [1]
Chairperson

Deborah Tropea [2]
Vice-chairperson

Claude Francoeur [3]
Director

Raymond Brunet [4]
Director

OFFICERS AND SENIOR MANAGEMENT

Micheline Dubé
President and CEO

André Girard
Vice-President, Communications

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

Natalie Kinloch
Chief Financial and Administrative Officer

Gérard Lalonde
Director, Administrative Services and Treasurer

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

1 2 3 4

COMMITTEES OF THE FBCL BOARD OF DIRECTORS

AUDIT COMMITTEE

Deborah Tropea
Chairperson

J. Keith Robson
Member

Claude Francoeur
Member

GOVERNANCE COMMITTEE

Claude Francoeur
Chairperson

Deborah Tropea
Member

Raymond Brunet
Member

J. Keith Robson
(Ex-officio Member)

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED (AS OF MARCH 31, 2011)

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

Vacant
Senior Director, Project Management

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

THE ST. MARY'S RIVER BRIDGE COMPANY (AS OF MARCH 31, 2011)

BOARD OF DIRECTORS

James McIntyre
President

Lorie Bottos
Director and Secretary-Treasurer

Helen Gillespie
Director

Alexander Harry
Vice-President

Glenn W. Hewus
Director

Rick Talvitie
Director

Mary Trbovich
Director

OFFICERS AND SENIOR MANAGEMENT

Micheline Dubé
President and CEO

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

COMMITTEE OF THE SMRBC BOARD OF DIRECTORS

AUDIT COMMITTEE

Helen Gillespie
Member

Glenn W. Hewus
Member

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (AS OF MARCH 31, 2011)

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

Gérard Lalonde
Treasurer

Carrie Mann-Lavigne
Deputy General counsel

Robert Lafontaine
Corporate Secretary

COMMITTEES OF THE SIBC BOARD OF DIRECTORS

MANAGEMENT COMMITTEE

Micheline Dubé
Chairperson

Salvatore Pisani
Member

Roger Forgues
Member

Carrie Mann-Lavigne
Member

AUDIT COMMITTEE

Roger Forgues
Chairperson

Marsha Sienkiewicz
Member

Guy Berthiaume
Member

Jacques E. Pigeon, Q.C.
Member

GOVERNANCE COMMITTEE

Jacques E. Pigeon, Q.C.
Chairperson

Salvatore Pisani
Member

Roger Forgues
Member

André Poirier
Member

SECURITY COMMITTEE

André Poirier
Chairperson

Salvatore Pisani
Member

Micheline Dubé
Member

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Fax: (315) 482-5925
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THE ST. MARY'S RIVER BRIDGE COMPANY

P.O. Box 580
Sault Ste. Marie, Ontario P6A 5N1

Telephone: (705) 759-5400
Fax: (705) 759-5405

LIST OF ABBREVIATIONS

FBCL	Federal Bridge Corporation Limited
CBSA	Canada Border Services Agency
CBCA	*Canada Business Corporations Act*
SLSA	The St. Lawrence Seaway Authority
SLSA	St. Lawrence Seaway Authority
JCCBI	The Jacques Cartier and Champlain Bridges Incorporated
SIBC	The Seaway International Bridge Corporation, Ltd.
TIBA	Thousand Islands Bridge Authority
SMRBC	The St. Mary's River Bridge Company
IBA	International Bridge Administration
SSMBA	Sault Ste. Marie Bridge Authority
MDOT	Michigan Department of Transportation
CEO	Chief Executive Officer
FAA	*Financial Administration Act*
OAG	Office of the Auditor General
MCA	Mohawk Council of Akwesasne
MCK	Mohawk Council of Kahnawake
MBC	Mohawk Bridge Consortium
IBTA	*International Bridges and Tunnels Act*
FCSAP	Federal Contaminated Sites Action Plan
MTQ	Quebec Ministry of Transportation
TC	Transport Canada