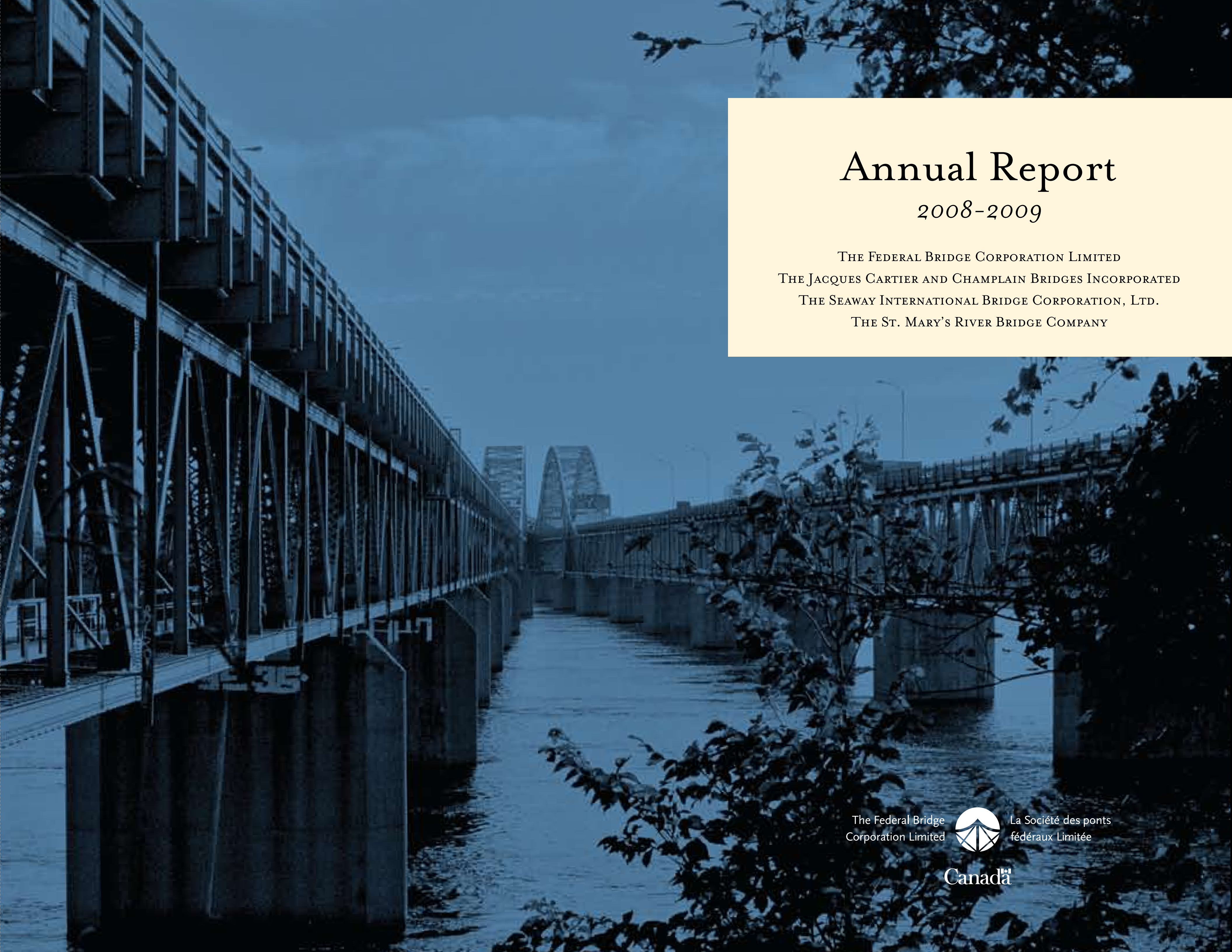

Annual Report

2008-2009

The Federal Bridge Corporation Limited
The Jacques Cartier and Champlain Bridges Incorporated
The Seaway International Bridge Corporation, Ltd.
The St. Mary's River Bridge Company

The Federal Bridge Corporation Limited
La Société des ponts fédéraux Limitée

Canada

Inaugurated in July 1934, 75 years ago, the Honoré Mercier Bridge located in Montréal is undergoing a three year deck replacement project.

Annual Report

2008-2009

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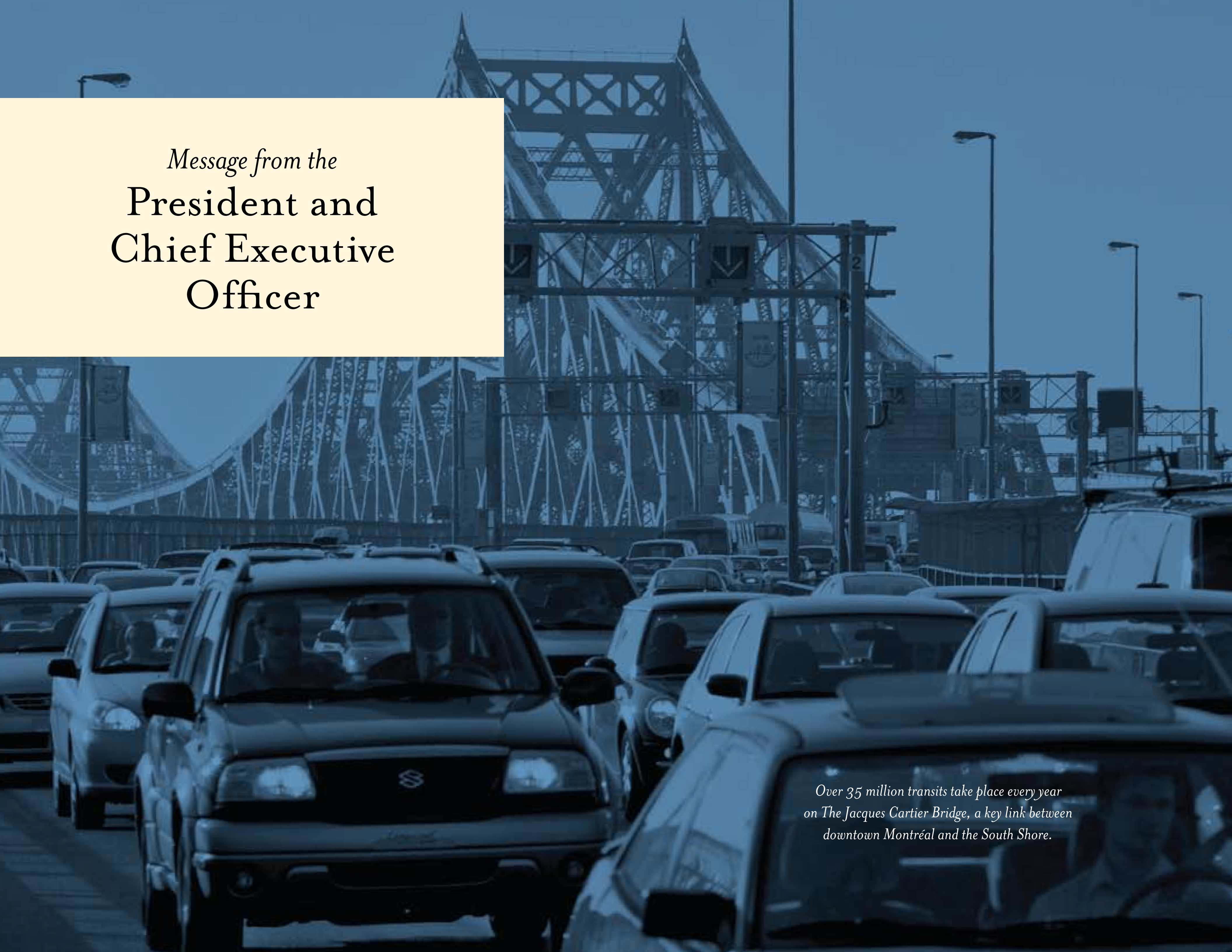
Message from the

President and Chief Executive Officer



Over 35 million transits take place every year on The Jacques Cartier Bridge, a key link between downtown Montréal and the South Shore.

Micheline Dubé, *President and Chief Executive Officer*

The Federal Bridge Corporation Limited (FBCL) owns and manages some of the most important and strategic bridge crossings in Canada, including those over the St. Lawrence River in Montréal and international crossings in Cornwall, Sault Ste. Marie and the Thousand Islands. Each year, over 148 million vehicles and more than $67 billion worth of merchandise transit on FBCL's structures, making them among the busiest in North America. These structures play a vital role in connecting Canada's transportation and economic network with the world.

The Corporation's greatest responsibility is to ensure its bridge structures remain safe and efficient and that it has the significant financial resources to carry out the major capital expenditures required to deliver this mandate. As well, careful attention to traffic safety, crossing security, client service and protection of the environment remain top priorities for FBCL and its subsidiaries.

With the economic downturn, the Corporation is facing significant strategic and tactical challenges in its operations. These include: compliance with new statutory requirements regarding international crossings; increased safety and additional stringent security requirements; increasing traffic on some bridges, straining the infrastructures' capacity; decreasing traffic on other bridges, thereby diminishing toll revenues;

and aging infrastructure with much greater capital and maintenance demands. FBCL has identified a set of strategies to address these challenges and will continue to work in collaboration with the Shareholder to ensure the Government of Canada is able to benefit from the management of its bridges and crossings in a manner that maximizes value.

The year saw progress in the major initiatives being carried out by FBCL. Successful negotiations by our subsidiary The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) with the Mohawk Council of Kahnawake have led to the launching of the Honoré-Mercier Bridge deck replacement project in Montréal. In Akwesasne, negotiations with the Mohawk Council are progressing for the replacement of the North Channel Bridge in Cornwall and FBCL remains confident that it will sign an agreement in 2009-2010. Together, these two projects are estimated to cost more than $250 million.

Also, FBCL is on the verge of obtaining government approval for funding to rehabilitate the Customs plaza at the Sault Ste. Marie International Bridge (SMRBC). New facilities have been designed by a team of engineers, architects and planners to accommodate growing traffic volumes and new pre-clearance systems and technologies. To facilitate this project, FBCL sought and obtained approval to acquire the outstanding shares of its partially owned subsidiary, the St. Mary's River Bridge Company, and to activate a new Canada/U.S. operating agreement pertaining to the Sault Ste. Marie international crossing. FBCL expects to acquire 100% of SMRBC shares in 2009-2010 so that it becomes a wholly-owned subsidiary.

The Auditor General completed her most recent five-year special examination of the Corporation in September 2008, noting two significant deficiencies. First, there is a threat to financial sustainability due to large capital expenditures that will soon be needed at several bridges in Montréal. The government has already responded by providing $212 million of new funding to implement a 10-year major maintenance program for the Champlain Bridge and increased funding for the Mercier Bridge and Nuns' Island projects, as well as $45 million for new Customs facilities in Sault Ste. Marie. In addition, JCCBI has been mandated to carry out a feasibility study that explores the benefits and costs of building a new Champlain Bridge versus continuing to repair the existing corridor. This study will be undertaken in collaboration with Québec through a cost-sharing agreement. Marrying a new bridge with an efficient public transportation system will require extensive planning and consultation so that a new bridge would not be in operation for another eight to 10 years once a decision is taken.

Secondly, the Auditor General observed deficiencies in corporate governance as a result of insufficient oversight by the parent Board with respect to the affairs of FBCL and its subsidiaries, mostly due to the organizational structure. FBCL responded by engaging the Conference Board of Canada to review its current structure and to suggest improvements based on the Board's more than 20 years as a recognized expert in good governance practices. FBCL will use the Conference Board suggestions in developing a proposal for improved governance during 2009-2010 that will be presented to the government for approval.

At the same time, the Corporation is continuing to implement best governance practices that are within its own authority to do so: responsibilities for the Chairperson and CEO were amended to reflect good governance following the split in the two positions during 2007; roles for boards and management in the subsidiaries are being clarified; all by-laws and corporate policies are being updated; requirements for information going to the Board will be risk-based, comprehensive and reported in a timely fashion; missing skills and experience will be

The Honoré Mercier Bridge, seen from the Montréal shore.

identified when the Board informs the government of an upcoming vacancy; all boards will regularly assess their performance pursuant to governance best practices; and there will be initial and ongoing training for directors. By these actions, FBCL will be better able to support the federal government through its management of national and international bridges.

Corporate Status and Assets

Headquartered in Ottawa, FBCL is a Schedule III Part I Crown corporation whose incorporation was authorized by an Order in Council (PC 1998 1512 on August 26, 1998). Incorporated under the *Canada Business Corporations Act*, the Corporation replaced the former St. Lawrence Seaway Authority (SLSA) as the corporate body responsible for operating and managing non-navigational SLSA structures. These include properties of The Jacques Cartier and Champlain Bridges Incorporated (JCCBI), in the Montréal region, and, in a joint venture with its US partner, The Seaway International Bridge Corporation, Ltd. (SIBC), in Cornwall.

The Corporation also represents the interests of the Government of Canada for the Canadian portion of the Thousand Islands International Bridge in Ontario. In this case, the operating agency, TIBA, is not a subsidiary but a US entity bound by a bi-national agreement.

In 2000, FBCL also acquired 90.7% ownership in The St. Mary's River Bridge Company (SMRBC), the company that owns the Canadian half of the Sault Ste. Marie International Bridge, and is represented on the Joint International Bridge Authority (JIBA), the entity overseeing the operations of the crossing. FBCL appoints the SMRBC directors, who in turn, appoint three of theirs to sit on JIBA, on the basis of a list provided by the Minister of Transport, Infrastructure and Communities. Once SMRBC is a wholly-owned subsidiary, a new international agreement will come into force and JIBA will be renamed the Sault Ste. Marie Bridge Authority.

As a result of these various assignments, FBCL is today directly responsible for three international bridges in Ontario and six facilities in the Greater Montréal area. These assets are operated through three subsidiary corporations and a bi-national partnership.

- The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) in Montréal
- The Seaway International Bridge Corporation, Ltd. (SIBC) in Cornwall
- The St. Mary's River Bridge Company (SMRBC) in Sault Ste. Marie (bi-national agreement)
- The Thousand Islands Bridge Authority (TIBA) (bi-national agreement)

Governance

As a Crown corporation, FBCL is subject to the accountability regime set out in Part X of the *Financial Administration Act*. The Corporation is governed by a Board of Directors 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). The Board functions according to the best governance principles existing in the public and private sectors with its members acting as stewards of the Corporation.

A new President and CEO was appointed in February 2008 and is the key link between the Board and the management of FBCL. The Chairperson's position became vacant during August 2008 and a member of the Board was appointed acting Chairperson. From that point on, the Board consisted of the acting Chair and two other members.

In accordance with sound governance practices, the committees of the Board ensure that all significant measures and initiatives are carefully vetted before the full Board reviews a matter at hand. Two well-established committees exist (Governance & Audit) covering the areas of audit, risk management, governance, the environment and human resources. The committees also have a responsibility to investigate and recommend appointments and renewals to the Board as well as to make appointments to the subsidiary boards.

The audit regime consists of external and internal auditors. The Office of the Auditor General of Canada conducts an annual audit of FBCL's accounts to verify that the financial statements fairly reflect the Corporation's financial position and operating results, and that its transactions have been carried out in accordance with generally accepted accounting principles and Part X of the FAA. This includes conducting a special examination every five years, the latest of which was completed in 2008, to confirm that assets are being safeguarded and controlled; that financial, human and physical resources are being managed efficiently; and that corporate operations are being conducted effectively. Internal audit supports FBCL in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The International Bridge crossing located between Sault Ste. Marie, Ontario, and Sault Ste. Marie, Michigan.

Relationship with Subsidiaries

The relationship with the subsidiaries balances the legal reality that subsidiaries are distinct legal entities (as opposed to branches) 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 and letter of expectations from its responsible Minister. Reflecting the leading practices of the private and public sectors, the Chairperson of FBCL sends letters of expectations annually to its subsidiaries to outline their expected roles and responsibilities in line with these strategic directions. The letters serve as an agreement between FBCL and the subsidiaries on the corporate mandate, including high-level performance expectations, public policy issues and strategic priorities. The subsidiaries are required to report on their progress to the FBCL Board of Directors where results are monitored and actions taken accordingly.

The Corporation's portfolio is summarized on the following table.

	Infrastructures	Corporation	Status	Management/ Operations
Greater Montréal Area	Jacques Cartier Bridge Champlain Bridge Champlain Bridge Ice Control Structure (Estacade) Federal portion of the Honoré Mercier Bridge Federal portion of the Bonaventure Expressway Melocheville Tunnel	The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) *Canada Business Corporations Act (CBCA)*	Fully-owned Subsidiary (100% of shares owned by FBCL)	JCCBI
Cornwall	Seaway International Bridge	Seaway International Bridge Corporation, Ltd (SIBC) *Canada Business Corporations Act (CBCA)*	Fully-owned Subsidiary (100% of shares owned by FBCL)	SIBC (on behalf of Canadian and US owners)
Sault Ste. Marie	Sault Ste. Marie International Bridge	St. Mary' s River Bridge Company (SMRBC) (Act of Parliament)	Partly-owned Subsidiary (91.7% of the shares for the Canadian portion of the bridge owned by FBCL Remaining shares belonging to directors and City of Sault Ste. Marie)	International Bridge Authority (IBA, an administrative entity under the Michigan Department of Transportation) Joint International Bridge Authority (JIBA)
Thousand Islands	Thousand Islands International Bridge	The Thousand Islands Bridge Authority (incorporated in New York State)	Not a Subsidiary FBCL oversees the admin-istration of the Canadian portion of the bridge, based on a mandate given by the Government of Canada Operating agreement with TIBA	TIBA (US Corporation)

Mandate

THE FEDERAL BRIDGE CORPORATION LIMITED (FBCL) WAS ESTABLISHED BY THE GOVERNMENT OF CANADA IN 1998 TO OVERSEE AND BE ACCOUNTABLE FOR THE BRIDGES UNDER ITS CONTROL AND TO PROVIDE STRATEGIC DIRECTION TO THE BRIDGE OPERATORS WITHIN ITS JURISDICTION. ITS MISSION IS TO PROVIDE THE HIGHEST LEVEL OF CUSTODIANSHIP SO THAT ITS BRIDGE STRUCTURES ARE SAFE AND EFFICIENT FOR USERS. ALSO, THE CORPORATION PROVIDES EXPERTISE AND ADVICE TO THE FEDERAL GOVERNMENT WITH REGARD TO DESIGN, BUILDING, MAINTENANCE AND OPERATION OF BRIDGES.

This mandate places FBCL in a very unique position: among the various federal entities in charge of operating bridges in Canada, FBCL is the only Crown corporation specifically created as a parent company with a clear mandate to oversee and provide strategic direction to the asset operators under its jurisdiction, including in the areas of:

- Governance
- Risk Management
- Environmental Planning
- Safety and Security
- Financial Management
- Auditing

FBCL's Certificate of Incorporation (*Canada Business Corporations Act* September 2, 1998) outlines that:

"The business of the corporation shall be limited to the following:

A) acquiring lands for, and constructing, maintaining and operating, alone or jointly or in conjunction with an appropriate authority in the United States, bridges connecting Canada with the United States, and, as authorized by the St Lawrence Seaway Authority Act, in connection therewith or as incidental thereto, 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, and on such terms and conditions as the Governor in Council approves;

C) acquiring or becoming the transferee of all or part of The St. Lawrence Seaway Authority property, rights or undertakings transferred by The

View of all five Montréal bound traffic lanes on the Jacques-Cartier Bridge with the sidewalk on the right, and the cycling path on the far left.

St. Lawrence Seaway Authority in accordance with a direction of the Minister of Transport, Infrastructure and Communities issued pursuant to section 80 of the *Canada Marine Act*; and,

D) with the approval of the Governor in Council, leasing to any person any lands, property or water-power held in its name or in the name of The St. Lawrence Seaway Authority or held in the name of Her Majesty the Queen in right of Canada under the control of The St. Lawrence Seaway Authority or under its control."

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

The Jacques Cartier and Champlain Bridges Incorporated, a subsidiary company of the Corporation, has been providing on a daily basis and for many years, a reserved public transit lane opposite to rush hour traffic on the Champlain Bridge in Montréal.

Vision

FBCL being the single, "go-to" agency for building, managing and operating its portfolio of federal bridges and associated structures including Customs facilities so they remain safe and efficient for users.

Values

FBCL management and personnel base their decisions and actions on eight principal values:

- Safety and security of users and infrastructures
- Highest levels of service and customer satisfaction
- Excellence of expertise and skills
- Preservation of the environment
- Sound governance and management practices, including excellent planning
- Efficient use of resources
- Sustainable strategic alliances and partnerships
- Open and transparent communication, respecting and valuing the contribution of others

Partnership

FBCL and its subsidiaries have developed a solid network of partners as illustrated in the following table.

	Federal	Federal/Provincial Steering committees	Provincial	Others	U.S./International
The Federal Bridge Corporation Limited	Privy Council Office Treasury Board Secretariat Transport Canada Finance Canada Canada Border Services Agency Department of Indian and Northern Development Infrastructures Canada	Sous-comité des communications pour le parachèvement de l'autoroute 30	Ontario Ministry of Transportation	Industry Stakeholders Chambers of Commerce	Homeland Security General Services Agency Federal Highway Administration Michigan Department of Transportation New York State Department of Transportation Saint Lawrence Seaway Development Corporation Chambers of Commerce on Capital Trade Corridor
The Jacques Cartier and Champlain Bridges Incorporated	Transport Canada Environment Canada Public Works and Government Services Canada		Ministère des Transports du Québec Sûreté du Québec Ministère du développement durable, de l'environnement et des parcs du Québec Agence métropolitaine de transport	City of Montréal City of Longueuil Industry Stakeholders Société du Havre de Montréal Mohawk Council of Kahnawake Mohawk Peacekeepers	
The Seaway International Bridge Corporation, Ltd.	Treasury Board Secretariat Transport Canada Canada Border Services Agency Department of Indian and Northern Development Environment Canada	Intelligent Border Workgroup	Ontario Ministry of Transportation Ontario Provincial Police	City of Cornwall Mohawk Council of Akwesasne Mohawk Police Ontario Power Generation Massena Chamber of Commerce Cornwall Chamber of Commerce Local Area Emergency Planning Authority St. Lawrence River Institute of Environmental Sciences Can/Am Border Trade Alliance Industry Stakeholders	New York State Department of Transportation New York State Troopers Saint Lawrence Seaway Development Corporation Homeland Security (includes Customs and Border Protection Agency) General Services Agency Administration PBOA – Public Border Operators Association IBTTA – International Bridge, Tunnel and Turnpike Association St. Lawrence County
The St. Mary's Bridge Company	Transport Canada Canada Border Services Agency		Ontario Ministry of Transportation Ontario Provincial Police	Industry Stakeholders Police	Michigan Department of Transportation
The Thousand Islands Bridge Authority	Canada Border Services Agency		Ontario Ministry of Transportation Ontario Provincial Police	Industry Stakeholders Chambers of Commerce on Capital Trade Corridor	New York State Department of Transportation Homeland Security (includes Customs and Border Protection Agency) General Services Agency Federal Highway Administration

Operational Review

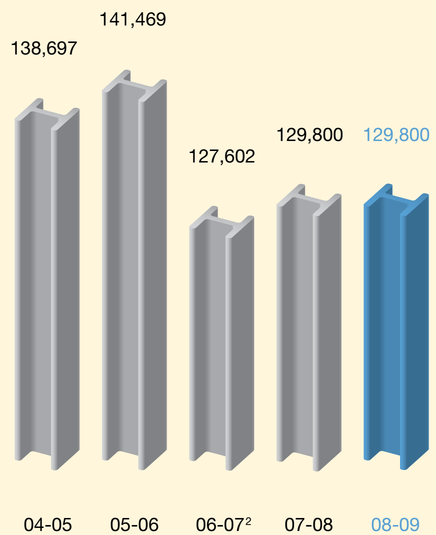
The deck replacement of the Jacques-Cartier Bridge in 2000–2001 served as a model to plan the ongoing Honoré Mercier Bridge Project.

Vehicle transits
(in millions)

59.4	Champlain Bridge[1]
35.8	Jacques Cartier Bridge[1]
30.0	Honoré Mercier Bridge[1]
4.6	Melocheville Tunnel[1]
2.6	Seaway International Bridge[2]
2.1	Thousand Islands Bridge[3]
1.9	Sault Ste. Marie International Bridge[4]
136.4	Total

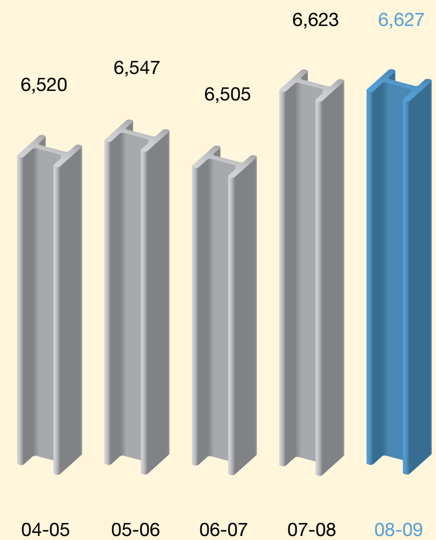
[1] Estimate based on JCCBI traffic counts
[2] Traffic counts – Seaway International Bridge Corporation, Ltd.
[3] Traffic counts – Thousand Islands Bridge Authority
[4] Joint International Bridge Authority – Basic Financial Statements

Number of transits—infrastructures in the Montréal area[1]
(in millions)



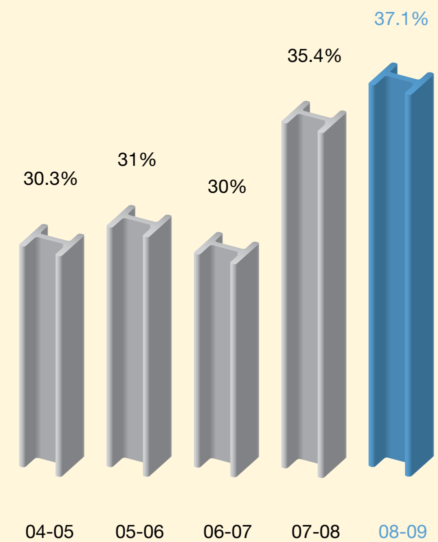
[1] Estimate based on JCCBI traffic counts
[2] Starting in 2006-2007, figures exclude the Bonaventure Expressway

Number of transits—international bridges
(in millions)



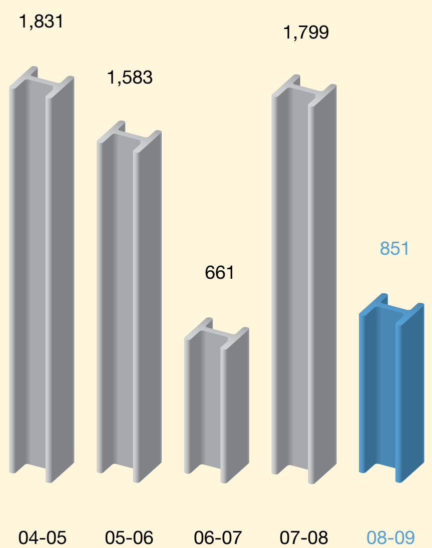
Sources:
– Traffic counts, Thousand Islands Bridge Authority
– Traffic counts, Seaway International Bridge Corporation Ltd
– Joint International Bridge Authority – Final Audit Report for the International Bridge, Basic Financial Statements

Portion of expenses covered by revenue for all of our structures
(%)



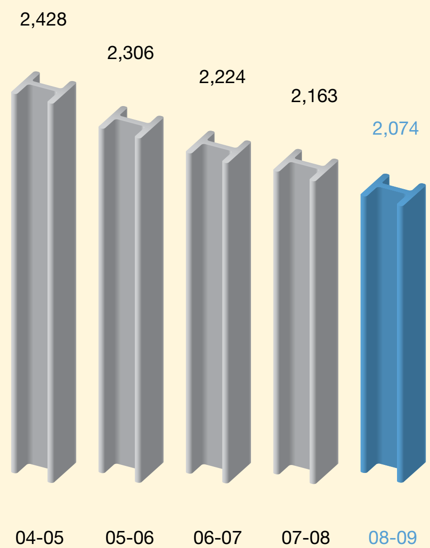
The Corporation's self-generated revenue is sufficient to cover approximately 37% of all expenses.

Operating revenue from the Thousand Islands International Bridge
(thousands of dollars)



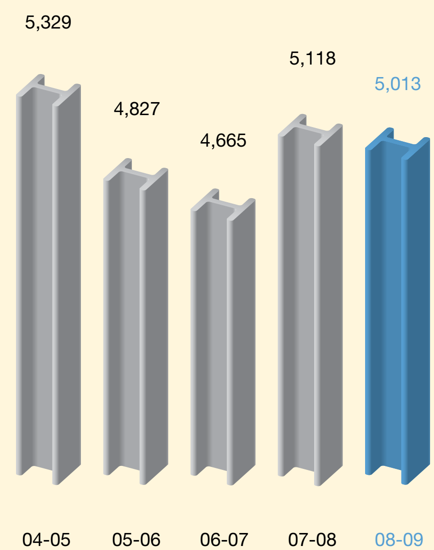
Net revenue from the operations of the Thousand Islands International Bridge has declined when compared to last year due to lower passenger and commercial traffic and an increase in currency conversion costs.

Leases and licences
(thousands of dollars)



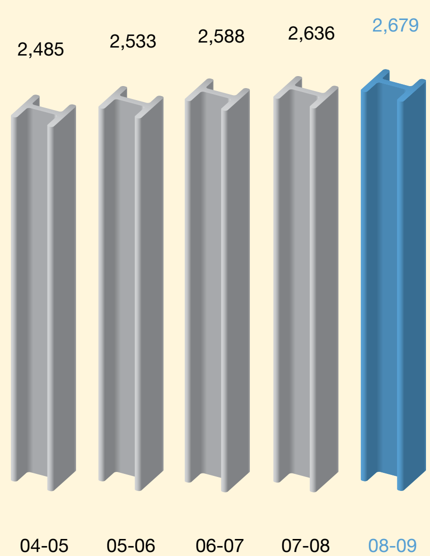
Revenue from leases and licences, mostly from the Duty Free Store at the Thousand Islands Bridge, has been declining for the past few years.

Tolls
(thousands of dollars)



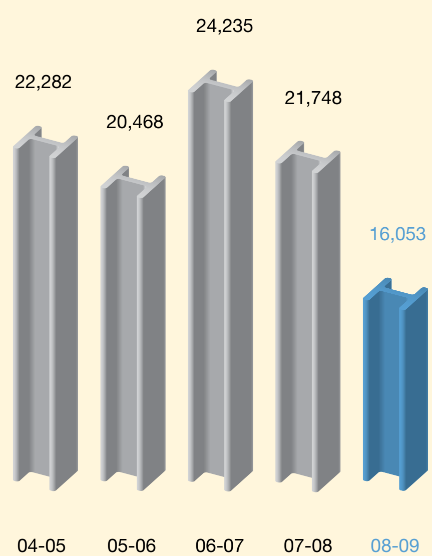
Revenue from tolls has decreased by 2.0% when compared to last year. This decrease is due to lower passenger and commercial traffic attributable to the value of the Canadian dollar and the economic situation in North America.

Advertising revenue
(thousands of dollars)



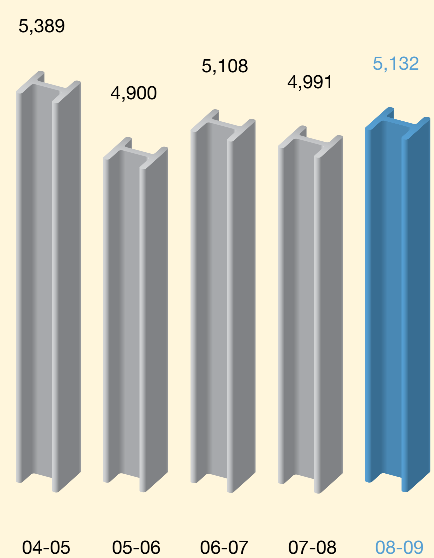
Revenue generated by advertising continues to be a major source of revenue for the Corporation. The amount of $2.7 million for the year represents approximately 18% of all regular revenues.

Maintenance
(thousands of dollars)



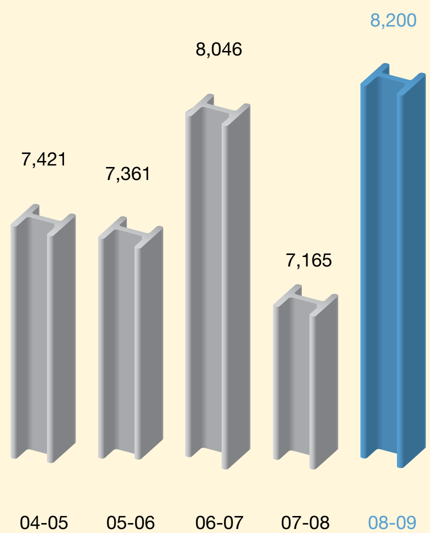
Maintenance costs have decreased by $5.7 million from last year. This decrease can be attributed to a decrease in the number of projects incurred for the bridges in the Montréal area, where maintenance costs were less than the previous year. The maintenance costs should nevertheless remain high considering the age of the structures, the fact that they are over-used with respect to forecasts made when they were built and the use of corrosive abrasives in the winter.

Operations
(thousands of dollars)



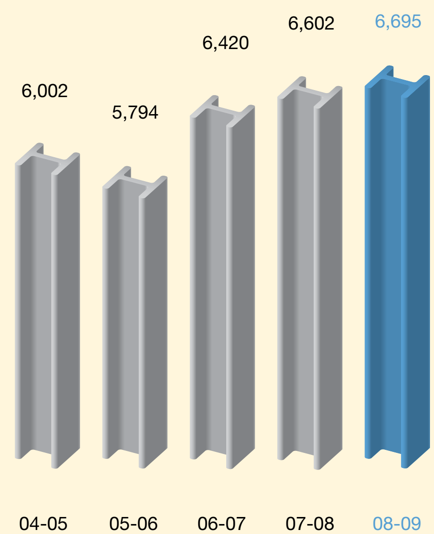
Operating costs relate to the structures in the Montréal area and the toll collection at international bridges. At $5.1 million this year they represent 13% of all expenses.

Administration costs
(thousands of dollars)



Administration costs represent 21% of all expenses.

Amortization
(thousands of dollars)



The amortization costs can be attributed to the normal acquisition of capital assets necessary to maintain our structures in good condition.

Number of employees
(as of March 2009)

	Full-time	Seasonal	Students	Part-time
FBCL	11	–	–	–
JCCBI	45	–	–	–
SIBC	17	13	8	4
TIBA	44	33	0	4
JIBA	36	18	4	–

Performance Against Objectives

Aerial view of the Jacques Cartier Bridge, linking downtown Montréal and the South Shore.

The Federal Bridge Corporation Limited

Aside from meeting primary and ongoing objectives such as safety, security and service to users, five key strategic objectives were established by FBCL Board and Management for the 2008-2009 planning period:

Objective 1

Continue to align FBCL's governance framework with best practices and revised government requirements

Progress was made in achieving this ongoing objective. The Office of the Auditor General (OAG) found significant deficiencies in corporate governance during its 2008 Special Examination of FBCL. There is insufficient oversight by FBCL's parent board and the CEO cannot be held accountable, mostly due to the organizational structure involving separate companies for several bridge locations. Clearly, much work remains to align FBCL's governance framework with best practices. During 2008-2009, with a new Chair and CEO at the helm, FBCL developed an action plan to respond to all of the OAG's recommendations. With support by the Minister, FBCL is implementing proposals within its authority to achieve best governance practices. The responsibilities and authorities for the Chair, CEO and all boards were clarified, and the CEO's objectives were set in line with the letter of expectations. The Conference Board of Canada, a recognized leader in developing good governance policy, was engaged to provide expert independent advice on the appropriateness of FBCL's current structure and to suggest where improvements could be made. Also, FBCL hired a private sector legal firm to advise on implementing new governance measures. During 2009-2010, FBCL will present its governance proposals to the government for approval.

Objective 2

Create options for sustainable funding of FBCL

Progress was made in 2008-2009 towards achieving this objective. The OAG confirmed there is a threat to financial sustainability due to the large capital expenditures that will soon be needed at several bridges in Montréal. During the year, the government responded by providing almost $300M, including $212M of new funding to implement a 10-year major maintenance program for the Champlain Bridge and increased funding for the Mercier Bridge ($50M) and the Nuns'

Island project ($11M). In addition, JCCBI was mandated to carry out a feasibility study that explores the benefits and costs of building a new Champlain Bridge versus continuing to repair the existing corridor. This study will be undertaken in collaboration with the Québec government so that the considerations for a new bridge will include the steps necessary to provide an efficient public transportation system.

FBCL requires government support to develop a sustainable business model and continues to collaborate with Transport officials on what funding is needed. During 2009-2010, FBCL and Transport Canada officials will work with JCCBI to determine appropriate funding needs for the Montréal bridges and will develop funding options for the government to consider.

Objective 3

Successful management of critical projects

This objective is not yet applicable for FBCL headquarters in terms of project management. The two critical projects to be managed from Headquarters will be construction of the North Channel Bridge in Cornwall (including new Customs facilities and re-location of the toll plaza) and rehabilitation of Customs facilities in Sault Ste. Marie. However, further government approvals are required before work can proceed. For the North Channel Bridge, the design contract has been tendered but negotiations on several issues with the Mohawk Council of Akwesasne continued to drag on during 2008-2009 concerning land use, size of the Customs plaza and its presence on the island, location of SIBC facilities and a bridge pass agreement. Several government departments are involved as their support and action are required to resolve the issues. Meanwhile, total project costs have risen beyond the level of approved funding and the government will have to decide whether to proceed with the bridge only or to provide more funding.

The CBSA facilities at the Sault Ste. Marie International Bridge must be replaced as the buildings are grossly undersized and overcrowded. In addition, there are severe health and safety problems in the workplace and both commercial and passenger vehicles are experiencing unacceptable delays and congestion. However, funding has not yet been approved by the government. The project will take approximately five years at an estimated cost of $50M, about $45M of which FBCL is seeking from the Gateways and Border Crossings Fund. During 2008-2009, FBCL secured additional land requirements and applied for the funding. An environmental assessment was completed and endorsed by stakeholders, with Transport Canada consideration to follow approval of funding.

Objective 4

Further enhance business opportunities across FBCL

This objective was not met, pending resolution of governance and financial sustainability issues, and is now on hold by the new management put in place during 2008.

Objective 5

Implementation of a comprehensive communications plan

This objective was met. An ongoing multipurpose communications plan was developed and fine-tuned with our stakeholders. An operational

The Champlain Bridge is one of Canada's busiest bridge with over 59 million transits every year.

and emergency communications plan is being implemented with JCCBI and shared with Transport Canada for the Honoré-Mercier Bridge Deck Replacement Project in Montréal, in cooperation with the Ministère des Transports du Québec, the Mohawk contractor, and the Kahnawake Mohawk Council. In case of a crisis, a communications network will be automatically activated to ensure that the government is informed of all issues and developments in a timely manner. Similar operational plans are being implemented successfully for all other Montréal-based operations and for the negotiations related to the new North Channel Bridge planned for Cornwall.

Relationships with key ministerial and departmental communications contacts at Transport Canada are maintained through a climate of trust and willingness to exchange and share information for the benefit of the public.

The above also applies to Cornwall, where we are expecting communications requirements to evolve with the progress of the negotiations on a new low-level bridge in the community. SIBC will hopefully benefit from some elements of the communications model when construction takes place.

The Jacques Cartier and Champlain Bridges Incorporated

Objective 1

Commence the re-decking of the Honoré Mercier Bridge (Contract A) and tender the second contract (Contract B)

This objective was met. Contract A has commenced and a project management contract has been awarded. The contractor has started the reinforcement of the structural steel components on the federal section of the bridge. Work platforms have been installed beneath the bridge covering the full surface area of the two access ramps scheduled to be re-decked in 2009. Platforms have also been installed under the provincial section of the bridge in order to also carry out structural steel repairs. During 2008-2009, about 50% of the prefabricated deck panels scheduled for installation in 2009 was fabricated.

The tendering of Contract B is underway in phases and a contract should be awarded by the end of November 2009. The contract foresees prequalification of three contractors who will subsequently be invited to tender the work.

Objective 2

Continue the project to strengthen piers of the Clément Bridge

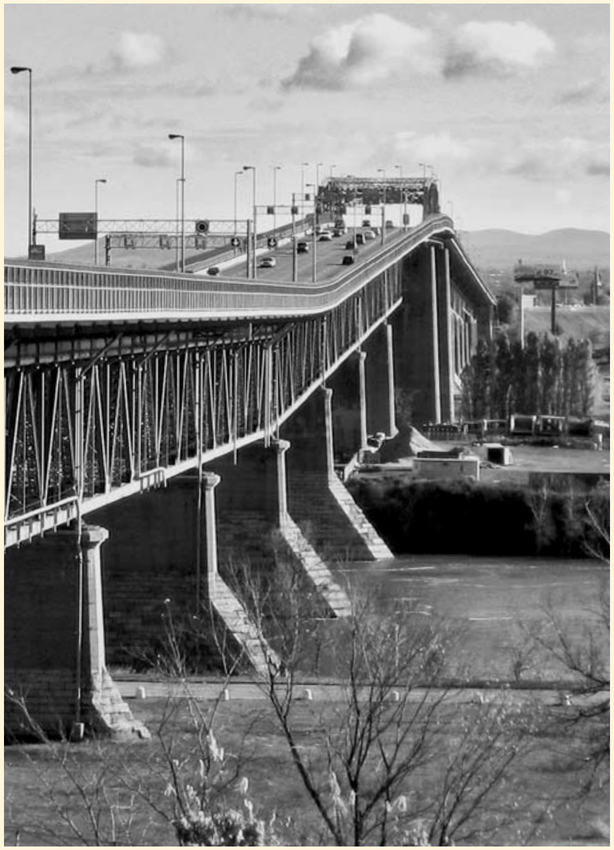
A contract to strengthen the piers and transverse the support beams was awarded in 2007 for the Clément Bridge, which connects Nuns' Island with the Bonaventure Expressway on the Island of Montréal. The work scheduled for 2008-2009 was successfully completed.

Objective 3

Continue to monitor, repair and strengthen the pre-stressed beams and pier tops at the Champlain Bridge

The Champlain Bridge was built in 1962. It was the first large scale pre-stressed concrete project in Canada, composed of 50 spans and a cantilevered truss span over the Seaway. It is one of Canada's busiest bridges and also carries a major reserved bus lane.

The Champlain Bridge Estacade is used as a cycling path in the Summer to travel from or to the South Shore.



Construction of the Saint Lawrence Seaway in the 50's led to the raising of a portion of the Jacques Cartier Bridge to clear passage for commercial ships.

The effects of salt laden water infiltrating various components of the bridge over the past 46 years have resulted in deterioration of the bridge's 100 exterior pre-stressed beams. JCCBI will undertake a 10-year rehabilitation program to reinforce the beams. The federal government provided $212 million in the January 2009 Budget for this work, which will start in 2009-2010.

Objective 4

Complete the feasibility study to rehabilitate and possibly widen Highway 15 and determine the best repair scenario for the re-decking of the Nuns' Island Bridge

This objective was met. In 2008, JCCBI completed a feasibility study examining the possibility of transforming the 2 km section of Highway 15 from a four to a six-lane divided highway. This section of highway was initially designed in 1960 for five lanes operating two lanes in each direction and a 3rd lane in the rush hour direction similar to the Jacques Cartier Bridge. For safety reasons, the lane configuration had to be changed permanently to a four-lane divided highway. Fifty years later the traffic through this corridor has increased dramatically causing traffic to overflow onto the Champlain Bridge and the Turcot interchange. This section of highway will soon require a major rehabilitation. The opportunity to widen the highway must be considered at the same time, particularly if the Champlain Bridge is to be eventually replaced by a new bridge with additional traffic lanes. The area in question is heavily industrialized and environmental issues will need to be examined.

The Nuns' Island Bridge is nearly 50 years old and will soon require major rehabilitation. The deck, pre-stressed beams and piers must all be replaced due to the effects of corrosion, aging and truck traffic. JCCBI plans to undertake the engineering work in 2009-2010 and 2010-2011. Construction is planned to start in 2011-2012.

Objective 5

Accomplish the planned 2008-2009 Major Maintenance Program on JCCBI Structures

This objective was met. The major maintenance program is a multi-year program to rehabilitate all JCCBI structures. Major maintenance repairs were completed as follows: rehabilitation of concrete pier tops and beams including bearings on the Champlain Bridge; 2nd phase of reinforcing work on the Clément Bridge; repairs to caissons and beams at the elevated section of the Bonaventure Expressway; reinforcement of two thick slab overpasses; deck replacement for the upstream ramp and the 2nd phase of security lighting at the Jacques Cartier Bridge.

Objective 6

Negotiate an agreement with the Government of Quebec for implementing mitigation measures and cost sharing regarding the contaminated groundwater at properties adjacent to the Bonaventure Expressway

This objective was partially met. Contaminated properties managed by JCCBI since 1978 along the Bonaventure Expressway, adjacent to the St. Lawrence River, are located on a former waste fill site operated by the City of Montréal until 1966. Although JCCBI is committed to mitigating the seepage of contaminated groundwater, it must conclude an agreement with the Government of Quebec who is a co-owner of the properties. Preliminary work progressed in 2008-2009 and negotiations are scheduled for 2009-2010.

Objective 7

Complete the engineering and tender the construction work to modify JCCBI's road network in the northern sector of Nuns' Island

This objective was met. JCCBI completed the engineering and awarded a contract in February 2009 to reconstruct its road network in the Northern Point of Nuns' Island.

Objective 8

Carry out a feasibility study to construct a new bridge along the Champlain Bridge Corridor

Due to the aging of the Champlain Bridge and its limited ability to carry ever increasing traffic, including a major reserved bus lane, JCCBI has been mandated to carry out a feasibility study that explores the need to build a new bridge along the existing Champlain Bridge corridor. JCCBI and the Ministère des transports du Québec MTQ have agreed that the study should examine the feasibility of incorporating traffic lanes dedicated to public transit. They will collaborate on the study and share the costs. JCCBI anticipates awarding a contract for the study in July 2009.

The Seaway International Bridge Corporation, Ltd.

Objective 1

Maintain the North Channel crossing in safe condition pending its replacement and support the project to build a new bridge

This objective was met. SIBC is maintaining the safety of the North Channel Bridge pending its replacement. Throughout the year ending March 31, 2009, there were no public safety incidents on the bridge, no equipment delays, 87% of the 31 action items from the annual inspection report were addressed and all regular maintenance requirements were completed.

Objective 2

Implement a new negotiated bridge pass policy or, if unsuccessful, develop options that will allow SIBC to be self-sufficient through the collection of tolls

Substantial progress was achieved. SIBC continued to support the negotiating process by analyzing the effects of various proposals and providing suggested wording. As negotiations have not yet achieved a mutually acceptable result, SIBC developed a concept plan for a toll collection facility to be located off Cornwall Island. This option appears technically feasible and work is underway to develop it further as a credible alternative.

Objective 3

Liaise with crossing stakeholders to coordinate traffic flows during construction, maintenance and Customs processing delays

This objective was achieved. Crossing times are measured regularly by SIBC operations staff. Deficiencies are noted and appropriate action taken. Traffic continues to flow efficiently with the target being met of having at least 80% of crossings completed within 30 minutes.

Objective 4

Continue to improve safety and security

This objective was not met. Unfortunately, three people were killed in November 2008 at a crossroads intersection on Cornwall Island

The North Channel Bridge, part of the Seaway International Bridge or "Three Nations Crossing", is to be replaced with a low-level bridge between the city of Cornwall and the Island of Cornwall.

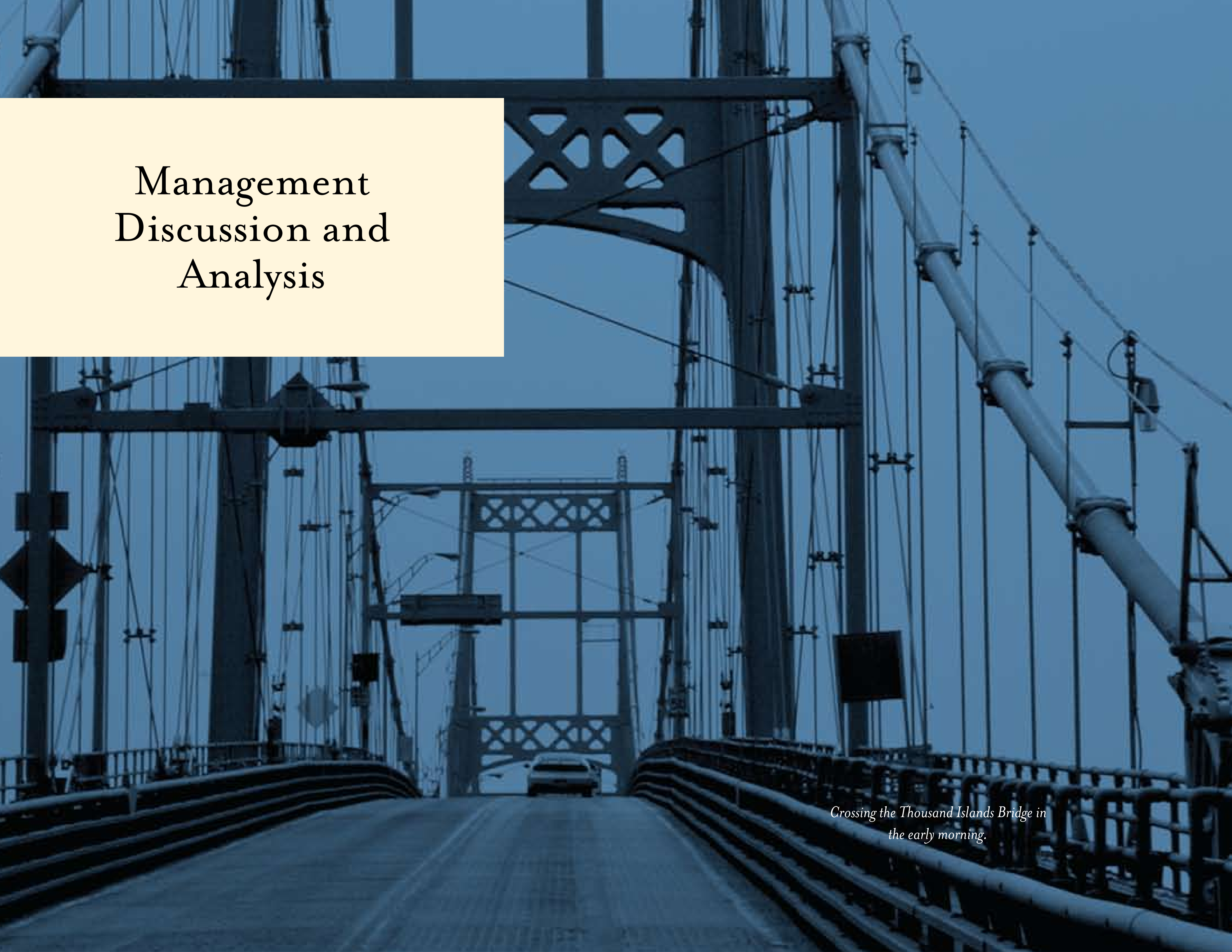
during a police chase. The officers have been charged and there was no SIBC involvement. Mohawk leadership has indicated opposition to the installation of traffic control fencing at the approaches to Canada customs, delaying its installation. We have been unable to include any provision for the enforcement of a toll policy as part of a negotiated tolling agreement.

Objective 5

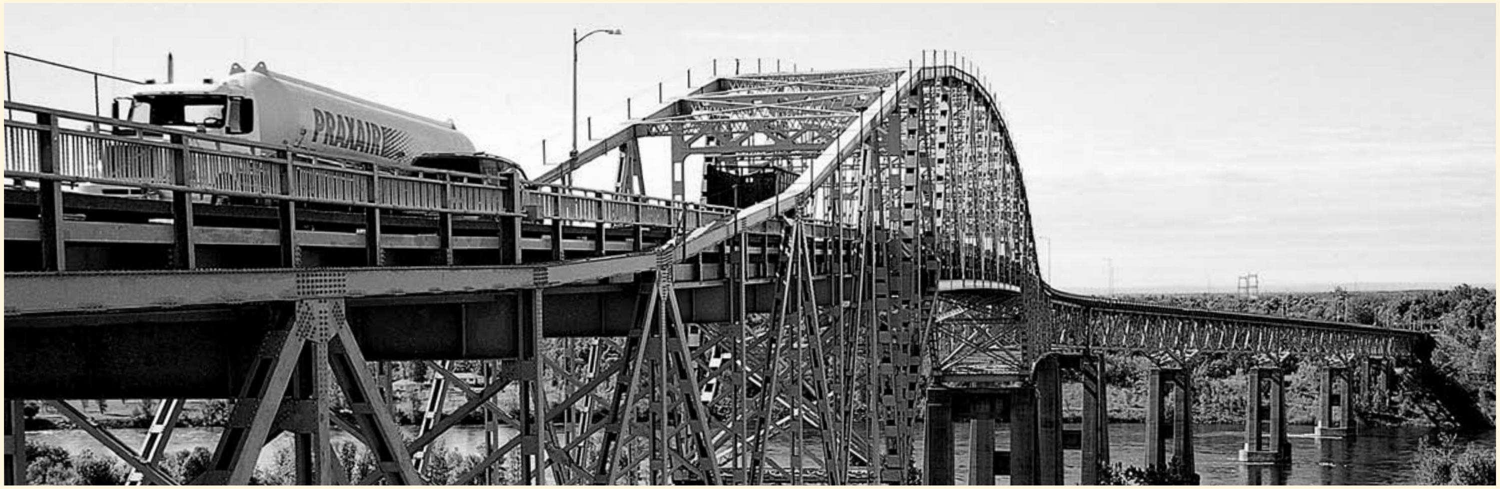
Manage the recoating of the South Channel Crossing

This objective was partially met. A project management firm has been retained, contract specifications developed and project financing for the 2009 portion of the works obtained. The contract for painting work will be tendered during 2009.

Management Discussion and Analysis



Crossing the Thousand Islands Bridge in the early morning.



The Seaway International Bridge links the City of Cornwall to New York State. On average, 2,6 million transits per year.

This Management discussion and analysis (MD&A) is presented to enable readers to assess material changes in the financial condition and operational results of the Corporation for the year ended March 31, 2009, compared with the corresponding periods. This MD&A should be read in conjunction with our consolidated financial statements and related notes. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Corporation's annual consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles.

Corporate Overview

The Federal Bridge Corporation Limited (FBCL) owns and manages some of the most important and strategic fixed-link crossings in Canada. During the 2008-2009 financial year, the Corporation successfully completed its tenth year of operation. The financial results for the year were influenced by the economic slowdown in North America, the volatility of the Canadian dollar and low interest rates throughout the year. The Corporation nevertheless maintained its attention to traffic safety, crossing security, client service and protection of the environment. Those factors are, and will remain, top priorities for the Corporation and its subsidiaries.

Significant projects include the deck replacement of the Honoré-Mercier Bridge in Montréal, the replacement of the North Channel Bridge in Cornwall and the rehabilitation of the Customs plaza at the Sault Ste. Marie International Bridge.

The most recent Auditor Generals' special examination noted the following with respect to funding and financial sustainability of the Corporation:

"We expected the FBCL to follow-up on bridge deficiencies in a cost-effective and timely manner and to have a plan to address the sustainability of international bridges. We found a significant deficiency in the ability of FBCL to maintain and repair existing bridges and facilities, given the status of current funding. Significant capital investments are needed at several bridges in the Montreal area and at international bridges. FBCL estimates that it will lack about $371 million in revenues to cover these costs and other operating expenses over the next five years."

"Federal Bridge Corporation Limited should work with Transport Canada to identify options to achieve the long-term financial sustainability of the parent corporation and its subsidiaries. Meanwhile it should work with the government to ensure the safety of the users of its bridges by promptly resolving the need for funding to carry out the necessary repairs to these bridges."

Going forward, the government has provided $212 million in new funding to implement a 10-year major maintenance program for the Champlain Bridge and has increased the level of funding for the Mercier Bridge and the Nuns' Island projects. FBCL also anticipates securing $45 million for the new custom facilities in Sault Ste. Marie. These funds will allow the Corporation to address its priorities regarding traffic safety, crossing security, client service and protecting the environment.

Financial Results

Net income – Overview at a glance

- Revenues of $14.582 million, down $.654 million, or 4.29% from 2008.
- Expenses of $39.299 million, down $3.566 or 8.32% from 2008.
- Loss before Government funding of $24.718 million, down $2.912 from 2008.
- Net earnings of $.088 million, down $2.643 million from 2008.

Net earnings were $.088 million, compared with $2.731 million in 2008. A significant reason for the decrease in net earnings for the Thousand Islands Bridge operations which declined by $.947 million during the year. Passenger & commercial crossings, which were down by 4% and 8% respectively from last year, combined with a loss on currency conversion, led to this decrease. Administration expenses also increased by $1.034 million during the year. Overall, most revenue categories decreased and all expenses categories except for maintenance increased during the year.

The decrease of $2.912 million in the loss before Government funding was principally a result of the reduction in maintenance expenses in the current year, mostly at the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated.

Revenues – Overview at a glance

- Toll revenue of $5.013 million, down $.105 million or 2.06% from 2008.
- Leases and permits revenue of $4.753 million, similar to last year
- Thousand Islands Bridge operating revenue of $4.071 million, down $.086 million or 2.1% from 2008.
- Interest revenue of $.661 million, down $.371 million or 36.0% from 2008.

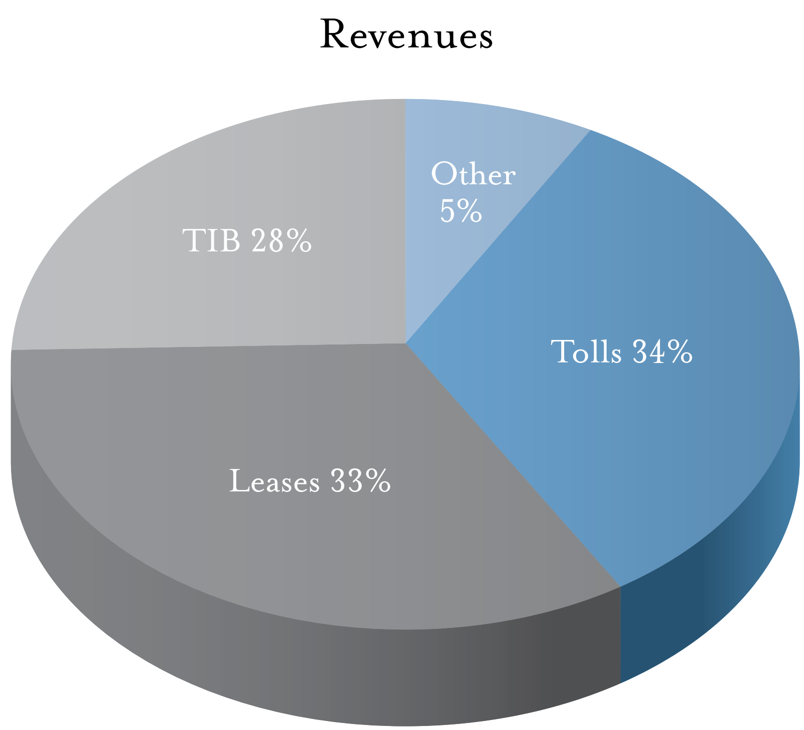
Total revenues were $14.582 million, a decrease of 4.29% from 2008. The decrease was the result of lower toll revenues at most locations, lower interest rates and a slowdown in the operations at the Thousand Islands Bridge.

Revenues from tolls, leases and licences and from the operation of the Thousand Islands Bridge account for 95% of all revenue before Government funding.

Leases and permits revenue was $4.753 million, comparable to $4.799 million the previous year. Most of our leases and permits revenue comes from two sources: commercial signs in the Montréal area and the Duty Free Store at the Thousand Islands Bridge. All revenues generally rose in line with inflation except those for the Duty Free Store at the Thousand Islands Bridge where revenues decreased slightly.

The Thousand Islands Bridge operating revenue was $4.071 million in 2009, a year-over-year decrease of $.086 million or 2.1%. The decrease was primarily a result of lower passenger and commercial crossings and a loss in currency conversion.

Interest revenue of $.661 million was down by 36% as interest rates were extremely low throughout the year.



As can be seen, most of our revenues are derived from tolls (34%), leases (33%) and the Thousand Islands Bridge operating revenue (28%).

Expenses – Overview at a glance

- Maintenance of $16.053 million, down by $5.695 million or 26.19% from 2008.
- Operating expenses of $5.132 million, similar to last year.
- Administration expenses of $8.200 million, up by $1.034 million or 14.44%.
- Thousand Islands Bridge operating expenses of $3.219 million, up by $.861 million or 36.53% from 2008.
- Amortization up by $.93 million from the prior year.

Total expenses were $39.299 million, a decrease of 8.3 % from 2008. The decrease was mainly the result of a reduction of $5.695 million in maintenance costs netted against an increase in all other expense categories.

Maintenance expenses, mostly from the subsidiary The Jacques Cartier and Champlain Bridges Incorporated, accounted for 41% of all expenses. While this year's decreases are in the major maintenance expense category, we expect these costs will rise significantly in the future, given the age and condition of our structures.

Operating expenses are mostly for the operation of the toll facilities and do not vary significantly from year to year.

Administration expenses of $8.200 million account for 21% of all expenses.

The Thousand Islands Bridge operating expenses were $3.219 million in 2009, a year-over-year increase of $.861 million or 36.53%. The increase was caused in part by the weakening of the Canadian dollar and an increase in maintenance projects.

Capital Improvements

Capital improvements, representing necessary costs for improving the bridges, buildings and other infrastructure totalled $30.180 million for the current year compared to $6.813 million for fiscal year 2007-2008.

Major projects included construction and engineering projects at the Jacques Cartier, Champlain and Mercier Bridges, design work on the North Channel Bridge in Cornwall and land acquisition in Sault Ste Marie.

Accounting Changes

Effective April 1st 2008, the Corporation adopted the following new sections of the Canadian Institute of Chartered Accountants' (CICA) Handbook:

Section 1535: Capital Disclosures establishes standards for disclosing information about an entity's capital and how it is managed. This section specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity manages as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863: Financial Instruments – Disclosures and Presentation specifies the information that must be disclosed to enable financial statement users to evaluate the significance of financial instruments for the entity's financial position and performance, the nature and extent of risk arising from financial instruments, as well as how the Corporation manages those risks. It also guides the presentation of financial instruments and non-financial derivatives. This helps financial statement users assess the nature, classification and cash flows from financial instruments.

Goodwill and Intangible Assets - In February 2008, the CICA issued new Handbook Section 3064, Goodwill and Intangible Assets, that supersedes Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from standards included in the previous Section 3062. The new standards are effective for the Corporation's year ending March 31, 2010. The Corporation will determine the impact that these standards will have on its financial reporting.

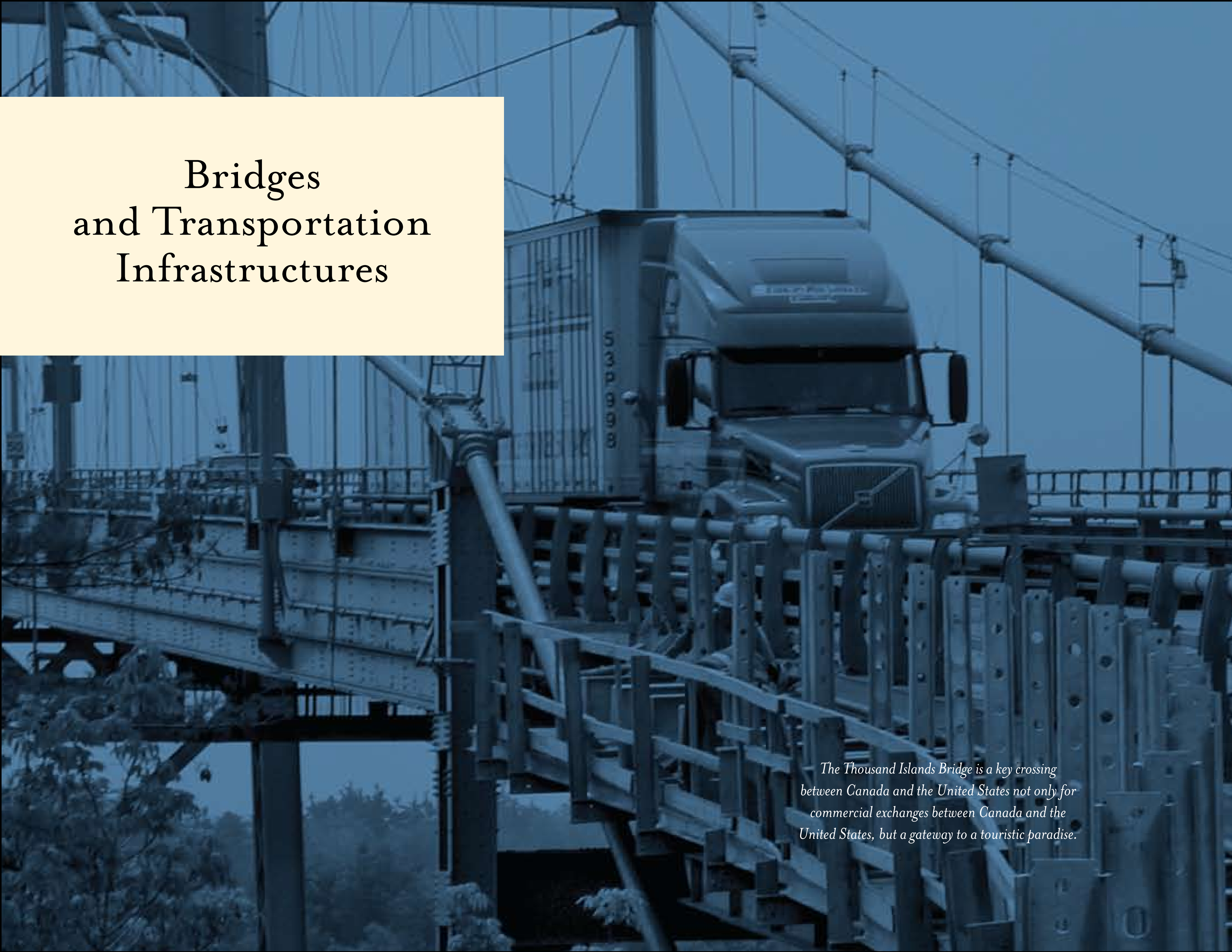
International Financial Reporting Standards ("IFRS") - In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that GAAP, as used by publicly accountable enterprises, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011. The Corporation is currently preparing its IFRS conversion plan. The plan will be aimed in particular at identifying the differences between IFRS and the Corporation's accounting policies, assessing their impact on the Corporation's consolidated financial statements and, where necessary, analyzing the various policies that the Corporation could elect to adopt. Accordingly, at this time, it is not possible to reasonably determine the impact of this anticipated accounting change on the Corporation's consolidated financial results and position.

Five-Year Consolidated Financial Summary

(Unaudited – for period ending on March 31)

(thousands of dollars)	**2009**	2008	2007	2006	2005
Revenues					
Thousand Islands Bridge operating revenue	**4,071**	4,157	3,433	4,099	4,537
Leases and permits	**4,754**	4,799	4,811	4,839	4,913
Tolls	**5,013**	5,118	4,665	4,827	5,329
Interest	**661**	1,032	933	635	263
Other	**84**	129	175	42	202
	14,583	15,235	14,017	14,442	15,244
Expenses					
Maintenance	**16,053**	21,748	24,235	20,468	22,282
Operation	**5,132**	4,991	5,107	4,900	5,389
Administration	**8,201**	7,166	8,046	7,966	7,713
Thousand Islands Bridge operating expenses	**3,219**	2,358	2,772	2,516	2,706
Amortization	**6,695**	6,601	6,420	5,794	6,002
	39,300	42,864	46,580	41,644	44,092
Loss before government funding	**(24,717)**	(27,629)	(32,563)	(27,202)	(28,848)
Parliamentary appropriation for operating expenses	**20,327**	25,963	28,535	24,586	25,944
Amortization of deferred capital funding	**4,418**	4,409	4,357	3,628	3,397
Non-controlling interest	**60**	(12)	(4)	(21)	(26)
Net income (loss)	**88**	2,731	325	991	467

Bridges and Transportation Infrastructures



The Thousand Islands Bridge is a key crossing between Canada and the United States not only for commercial exchanges between Canada and the United States, but a gateway to a touristic paradise.

The Champlain Bridge[1] and the Bonaventure Expressway[2]

Opened on June 28, 1962, the Champlain Bridge is named after the explorer Samuel de Champlain who founded Quebec City in 1608. The Bonaventure Expressway was opened on April 21, 1967, and constitutes one of the bridge's northern approaches.

The bridge links the boroughs of Brossard and Verdun and is about 3 kilometres long. It has six traffic lanes separated by a median barrier. The main span–of cantilever type–is built of steel. It supports a steel orthotropic slab deck paved over with asphaltic concrete. There are approximately 49 meters of clearance between the bridge and the Seaway canal. The remaining portions of the bridge are constructed of pre-stressed concrete beams that form a pre-stressed concrete deck paved over with asphaltic concrete.

In 2008-2009, 59.4 million vehicles crossed the Champlain Bridge, to which must be added 8 million public transit users.

The Champlain Bridge Ice Control Structure (Estacade)[3]

The Champlain Bridge Ice Control Structure was built in 1965 to control ice flows. This structure runs parallel to, and about 305 metres upstream from the Champlain Bridge. It is about 2,043 metres in length and runs west to east, from Nuns' Island to the northern embankment of the St. Lawrence Seaway. This infrastructure is currently used as a bicycle path.

The Jacques Cartier Bridge[4]

Opened to traffic on May 14, 1930, and officially inaugurated on May 24, 1930, the Harbour Bridge was later renamed the Jacques Cartier Bridge in 1934 as a tribute to the famous explorer who discovered Canada in 1534.

This steel bridge features a reinforced-concrete deck and spans the width of five traffic lanes. It stretches almost 3 kilometres in length and runs between Longueuil and Montréal. A lane signalling system makes it possible to reverse the direction of the traffic in the centre lane to better accommodate motorists during the morning and evening rush hours.

The main cantilever-type span towers approximately 66 metres above the St. Lawrence River to allow ships to pass underneath to and from the Port of Montréal. The section crossing the Seaway is close to 49 metres over the canal. In 2008-2009, 35.8 vehicles crossed the Jacques Cartier Bridge.

The Honoré Mercier Bridge[5]

This bridge, inaugurated on July 11, 1934, was named in honour of Honoré Mercier, Premier of Québec from 1887 to 1891. The bridge connects Ville LaSalle, on the island of Montréal, to the Mohawk Reservation of Kahnawake, on the South Shore.

At first, the operation, maintenance and administration of the bridge fell entirely under Québec provincial jurisdiction. Between 1958 and 1959, however, during the construction of the St. Lawrence Seaway, the Seaway's administration supervised the work undertaken to raise the southern part of the bridge, in order for ship traffic to access the Seaway. The raised portion of the bridge thus fell under federal jurisdiction. In 1963, a twin bridge was built riverside in order to meet the ever increasing demands of traffic.

The section of the bridge the Corporation is responsible for, is approximately 1.4 kilometres long. Its truss spans support a classic asphalt-paved concrete deck. In 2008-2009, 30 million vehicles crossed the Honoré Mercier Bridge.

The Melocheville Tunnel[6]

The Melocheville Tunnel was built in 1956 as part of the construction of the Saint Lawrence Seaway. The tunnel passes directly under the Beauharnois Canal locks at Melocheville. It measures approximately 230 metres in length and provides access to one lane of traffic in either direction. In 2008-2009, 4.6 million vehicles passed through the Melocheville Tunnel.

The Seaway International Bridge[7]

Spanning the St. Lawrence Seaway from Cornwall, Ontario, to the Mohawk Territory of Akwesasne and on to Rooseveltown, New York, the Seaway International Bridge is a high level structure that opened to traffic in 1962. It was built under the terms of an international agreement between Canada and the United States signed in 1957 and is operated as a joint venture by our subsidiary, The Seaway International Bridge Corporation, Ltd. under an agreement between The Federal Bridge Corporation Limited and the Saint Lawrence Seaway Development Corporation. In 2008-2009, 2.586 million vehicles crossed the Seaway International Bridge.

The Thousand Islands International Bridge[8]

Opened in 1938 by Prime Minister Mackenzie King and President Franklin Roosevelt, the Thousand Islands International Bridge stretches 13.7 kilometres across the St. Lawrence River between Ivy Lea in Ontario and Collins Landing in upper New York State. It was built in sixteen months, an impressive accomplishment by any standard! It is operated and maintained jointly by Canada and the United States under an agreement between The Federal Bridge Corporation Limited and The Thousand Islands Bridge Authority in the United States. In 2008-2009, 2.121 million vehicles crossed the Thousand Islands International Bridge.

The Sault Ste. Marie International Bridge[9]

Opened in 1962, the Sault Ste. Marie International Bridge spans the St. Mary's River linking the twin cities of Sault Ste. Marie, Ontario, and Sault Ste. Marie, Michigan. It is the only fixed link crossing between the two countries within 1,000 kilometres and it is an important trade route between key American and Canadian markets via Interstate 75 and the Trans-Canada Highway. In 2008-2009, 1.906 million vehicles crossed the Sault Ste. Marie International Bridge.

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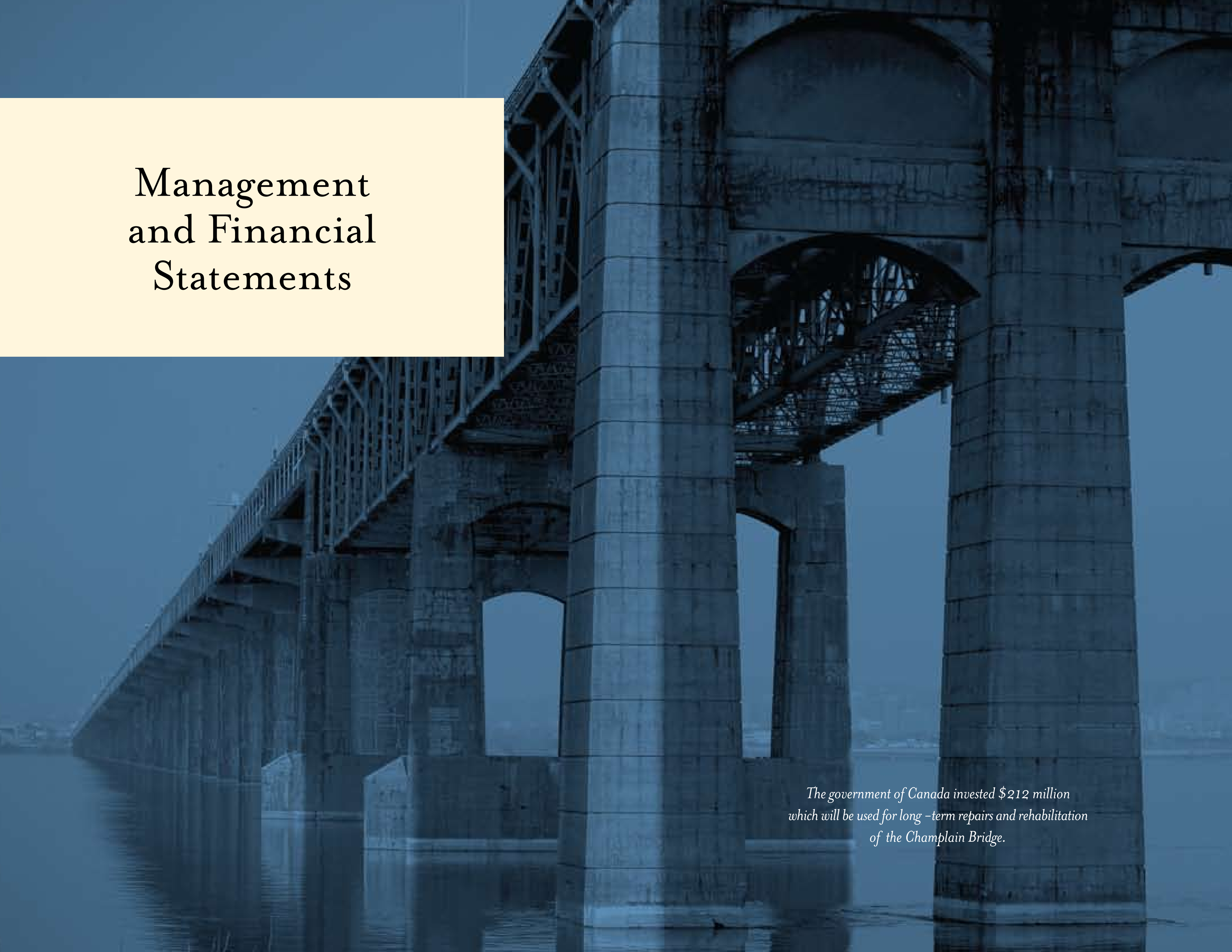
Management and Financial Statements



The government of Canada invested $212 million which will be used for long-term repairs and rehabilitation of the Champlain Bridge.

The Federal Bridge Corporation Limited

(As of March 31, 2009)

Board of Directors, Officers and Senior Managers

Board of Directors

Raymond Brunet[1]
Interim Chairperson

Deborah Tropea[2]
Vice-chair

Claude Francoeur[3]
Director

Officers and Senior Managers

Micheline Dubé
President and CEO

Vacant
Legal Counsel

Robert Lafontaine
Corporate Secretary

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

Chris Nicholl
Vice-President, Strategic Planning and Policy

André Girard
Vice-President, Communications

Gérard Lalonde
Director, Administrative Services and Treasurer

Robin Rensby
Senior Director, Human Resources

Thye Lee
Director, Engineering and Construction

1


2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Committees of the FBCL Board of Directors

Audit Committee

Deborah Tropea
Chairperson

Raymond Brunet
Member

Claude Francoeur
Member

Governance Committee

Claude Francoeur
Chairperson

Deborah Tropea
Member

Raymond Brunet
Member

Environment Committee

Glenn W. Hewus
Chairperson

Sylvie Lefebvre
Secretary

Glen P. Carlin
Member

Hendrik H. Saaltink
Member

Ian McPherson
Member

Raymond Denault
Member

Gérard Lalonde
Member

Thye Lee
Member

Bill Moulton
Member

The Jacques Cartier and Champlain Bridges Incorporated

(As of March 31, 2009)

Board of Directors, Officers and Senior Managers

Board of Directors

Paul Kefalas
President

Normand Brochu
Vice-President

Yvon Bourget
Director

Denise Hébert
Director

Serge Martel
Director

Officers and Senior Managers

Glen P. Carlin
General Manager

Sylvie Lefebvre
Counsel

Serge Martel
Corporate Secretary

Daniel Dupuis
Director,
Finance and Administration

Guy Mailhot
Director of Engineering

Denis Dauphinais
Director, Construction and
Project Management

Raymond Denault
Director, Operations and
Maintenance

Committees of the JCCBI Board of Directors

Audit Committee

Denise Hébert, *Chairperson*

Serge Martel, *Member*

Yvon Bourget, *Member*

Steering Committee for the Honoré Mercier Bridge Deck Replacement Project

Normand Brochu, *Chairperson*

Yvon Bourget, *Member*

Paul Kefalas, *Observer*

Human Resources Committee

Denise Hébert, *Chairperson*

Normand Brochu, *Member*

Serge Martel, *Member*

Governance Committee

Paul Kefalas, *President*

Yvon Bourget, *Member*

Denise Hébert, *Member*

Financial summary

(in dollars)	**2009**	2008
Operating results		
Revenues		
Leases and permits	765,107	797,627
Interest	64,891	130,957
Other	32,186	101,831
Charges		
Maintenance	13,443,541	19,465,953
Operation	3,793,124	3,733,259
Administration	4,019,888	3,795,464
Amortization of fixed assets	4,656,798	5,095,456
Net loss before government funding	(25,051,167)	(31,059,717)
Parliamentary appropriation for operating expenditures	20,199,531	25,865,589
Amortization of deferred capital funding	4,359,818	4,350,592
Net loss	(491,818)	(843,536)
Balance sheet		
Current assets	17,315,866	9,496,480
Current liabilities	14,124,350	6,304,964
Due from Canada	233,262	-
Goods and services tax receivable	10,812	-
Fixed assets	162,623,457	138,988,508
Holdback	244,074	-
Employee future benefits	864,146	834,608
Environmental obligations	1,000,000	1,000,000
Deferred capital funding	152,579,528	129,571,773
Shareholder’s equity	11,371,299	10,773,643
Financial position		
Operating activities	(874,779)	788,096
Investing activities	(18,743,162)	(4,577,472)
Financing activities	19,396,610	4,642,588
Increase (decrease) of cash flow	(221,331)	853,212

The Seaway International Bridge Corporation, Ltd.

(As of March 31, 2008)

Board of Directors, Officers and Senior Managers

Board of Directors

Sheila Tremblay
President

Collister Johnson
Vice-President

Guy Berthiaume
Director

Salvatore Pisani
Director

Roger J. Forgues
Director

Carrie Mann-Lavigne
Director

John M. Kroon
Director

André G. Poirier
Director

Senior Officers

Gerard Lalonde
Treasurer

Roger J. Forgues
Assistant Treasurer

Vacant
General Counsel and Corporate Secretary

Hendrik H. Saaltink
General Manager

Committees of the SIBC Board of Directors

Audit Committee

John M. Kroon, *Chairperson*

Guy Berthiaume, *Member*

Roger J. Forgues, *Member*

Management Committee

John M. Kroon, *Chairperson*

Sheila Tremblay, *Member*

Salvatore Pisani, *Member*

Risk Management Committee

Hendrik H. Saaltink, *Chairperson*

Wade Dorland, *Member*

Ian McPherson, *Member*

Financial Summary

(in dollars)	**2009**	2008
Operating results		
Revenues		
Tolls	4,153,793	4,145,948
Rentals	164,866	138,638
Interest	155,143	137,876
Gain on exchange	113,106	15,627
Other	12,022	9,495
Expenses		
Maintenance	1,677,208	1,367,080
Toll collection	827,638	892,721
Administration	948,351	916,961
Amortization	192,079	166,653
Net income	953,654	1,104,169
Balance sheet		
Current assets	2,615,942	3,831,018
Current liabilities	1,340,864	571,048
Investments	2,250 000	–
Capital assets	792,545	925,983
Bridge and infrastructure betterments	57,165	90,353
Provision for employees' future benefits	269,822	294,997
Share capital and debentures payable	16,000	16,000
Due to venturers	4,088,966	3,965,309
Financial position		
Operating activities	1,270,757	1,206,875
Investing activities	(1,775,453)	(1,322,334)
Financing activities	(160,196)	(497,419)
Increase (decrease) of cash and cash equivalents	(664,892)	(612,878)

The St. Mary's River Bridge Company

(As of December 31, 2008)

Board of Directors and Officers

James McIntyre
President

Alexander Harry
Vice-President

Rick Talvitie
Director

Mary Trbovich
Director

Helen Gillespie
Director

Lorie Bottos
Director and Secretary-Treasurer

Glenn W. Hewus
Director and Member of JIBA

Financial Summary

(in dollars)	**2008**	2007
Operating results		
Revenues		
Tolls	2,879,256	3,037,246
Leases and licences	273,431	275,277
Interest	90,166	143,653
Other	162,884	137,026
Expenses		
Maintenance	1,331,682	1,448,125
Tolls collection	914,474	810,672
Administration	1,085,757	890,171
Amortization	532,697	460,434
Net income	(459,074)	(16,200)
Balance sheet		
Current assets	3,948,305	4,223,187
Current liabilities	1,601,989	1,370,415
Capital assets	7,910,968	7,921,713
Deferred capital funding	370,286	428,413
Long-term obligation under capital lease	-	-
Share capital	1,500	1,500
Retained earnings	9,885,498	10,344,572
Financial positions		
Operating activities	176,904	929,924
Investing activities	(333,996)	(212,113)
Increase (decrease) of cash and cash equivalents	(157,092)	717,811

Consolidated Financial Statements

Management's Responsibility for Financial Statements

The consolidated financial statements contained in this annual report 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 maintains 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 *Canada Marine Act* and regulations as well as 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 that 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
Chief Executive Officer

June 12, 2009

Auditor's Report

Auditor General of Canada
Vérificatrice générale du Canada

To the Minister of Transport, Infrastructure and Communities

I have audited the consolidated balance sheet of The Federal Bridge Corporation Limited as at March 31, 2009 and the consolidated statements of operations and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and of 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 *Canada Marine Act* and regulations and the articles and by-laws of the Corporation and its wholly-owned subsidiaries.

Régent Chouinard, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
June 12, 2009

Consolidated Balance Sheet

As at March 31, 2009

(in dollars)	**2009**	2008
ASSETS		
Current		
Cash	**22,524,048**	11,901,227
Short-term investments (Note 4)	**2,005,621**	13,174,214
Accounts receivable	**1,384,533**	1,350,665
Advance to joint venturer (Note 5)	**-**	440
Accrued interest receivable	**95,387**	33,467
Prepaid expenses	**504,265**	225,008
Due from Canada	**14,526,842**	6,633,046
	41,040,696	33,318,067
Long-term		
Due from Canada (note 6)	**244,074**	-
Long-term investments (Note 4)	**1,371,771**	-
Fixed assets (Note 7)	**193,133,159**	169,648,595
	235,789,700	202,966,662
LIABILITIES		
Current		
Accounts payable	**16,355,402**	7,509,628
Deferred revenue	**610,703**	652,045
Installments on obligation under capital lease	**-**	7,248
	16,966,105	8,168,921
Long-term		
Client deposit	**171,518**	100,000
Due to joint venturer (Note 5)	**1,400,505**	1,370,263
Holdback (note 8)	**244,074**	-
Employee future benefits (Note 11)	**1,286,828**	1,332,072
Environmental obligation (Note 15b)	**1,000,000**	1,000,000
Deferred capital funding (Note 9)	**153,697,652**	130,000,186
Non-controlling interest	**746,271**	806,309
	158,546,848	134,608,830
	175,512,953	142,777,751
Commitments (Note 14) and Contingencies (Note 15)		
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	**6,612,367**	6,524,531
	60,276,747	60,188,911
	235,789,700	202,966,662

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

Approved by the Board of Directors

Director

Director

Consolidated Statement of Operations and Comprehensive Income

For the year ended March 31, 2009

(in dollars)	2009	2008
Revenues		
Tolls	**5,012,704**	5,118,034
Leases and permits	**4,753,498**	4,799,274
International Thousand Islands Bridge operating revenues (Note 10)	**4,070,657**	4,156,590
Gain on disposal of fixed assets	**-**	2,633
Interest	**661,310**	1,032,687
Other	**83,686**	126,239
	14,581,855	15,235,457
Expenses		
Maintenance	**16,052,666**	21,747,511
Operation	**5,131,800**	4,991,124
Administration	**8,200,243**	7,165,819
International Thousand Islands Bridge operating expenses (Note 10)	**3,219,457**	2,358,032
Amortization	**6,695,189**	6,602,420
	39,299,355	42,864,906
Loss before government funding and share of non-controlling interest	**(24,717,500)**	(27,629,449)
Government funding		
Parliamentary appropriation for operating expenses	**20,327,353**	25,963,296
Amortization of deferred capital funding (Note 9)	**4,417,945**	4,408,719
	24,745,298	30,372,015
Earnings before share of non-controlling interest	**27,798**	2,742,566
Share of non-controlling interest	**60,038**	(12,023)
Net earnings and comprehensive income	**87,836**	2,730,543

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

Consolidated Statement of Retained Earnings

For the year ended March 31, 2009

(in dollars)	**2009**	2008
Balance, beginning of year	**6,524,531**	3,793,988
Net earnings and comprehensive income	**87,836**	2,730,543
Balance, end of year	**6,612,367**	6,524,531

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

Consolidated Statement of Cash Flows

For the year ended March 31, 2009

(in dollars)	**2009**	2008
OPERATING ACTIVITIES		
Net earnings	**87,836**	2,730,543
Non-cash items		
Variation in fair value of financial instruments	**7,458**	(70,656)
Amortization of fixed assets	**6,695,189**	6,602,420
Gain on disposal of fixed assets	**-**	(2,633)
Amortization of deferred capital funding	**(4,417,945)**	(4,408,719)
Increase of client deposit	**71,518**	-
Increase in long-term amount due from Canada	**(244,074)**	-
Increase of holdback	**244,074**	-
Increase (decrease) in provision for employee future benefits	**(45,244)**	86,717
Share of non-controlling interest	**(60,038)**	12,023
Net changes in non-cash working capital items (Note 12)	**(377,435)**	(763,724)
Cash flows from operating activities	**1,961,339**	4,185,971
INVESTING ACTIVITIES		
Acquisition of short-term investments	**(16,999,517)**	(12,772,497)
Disposal of short-term investments	**26,788,881**	12,607,976
Acquisition of fixed assets	**(20,205,850)**	(6,812,858)
Disposal of fixed assets	**-**	2,633
Cash flows used in investment activities	**(10,416,486)**	(6,974,746)
FINANCING ACTIVITIES		
Increase in amount due to joint venturer	**30,242**	47,481
Increase in deferred capital funding	**19,054,974**	3,982,539
Repayment of obligation under capital lease	**(7,248)**	(12,139)
Cash flows from financing activities	**19,077,968**	4,017,881
Net increase in cash	**10,622,821**	1,229,106
Cash, beginning of year	**11,901,227**	10,672,121
Cash, end of year	**22,524,048**	11,901,227

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

Notes to Consolidated Financial Statements

March 31, 2009

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 Federal Bridge Corporation Limited. The responsibility for the Melocheville Tunnel and the Mercier Bridge were transferred to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated in 1998.

On October 17, 2000, the Federal Bridge Corporation Limited 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.

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 Federal Bridge Corporation Limited and its subsidiary, St. Mary's River Bridge Company, and its joint venture, The Seaway International Bridge Corporation, Ltd., are self-financed using their own operating income and parliamentary appropriations.

2. Accounting changes

a) Adoption of new accounting standards

Effective April 1st, 2008, the Corporation adopted the following new sections of the Canadian Institute of Chartered Accountants' (CICA) Handbook:

Section 1535: Capital Disclosures

Section 1535: Capital Disclosures establishes standards for disclosing information about an entity's capital and how it is managed. This section specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity manages as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. Disclosure requirements pertaining to this section are contained in Note 17.

Sections 3862 and 3863: Financial Instruments – Disclosures and Presentation

Sections 3862 and 3863: Financial Instruments – Disclosures and Financial Instruments – Presentation specify the information that must be disclosed to enable financial statement users to evaluate the significance of financial instruments for the entity's financial position and performance, the nature and extent of risk arising from financial instruments, as well as how the Corporation manages those risks. It also provides guidance for the presentation of financial instruments and non-financial derivatives. This helps financial statement users assess the nature, classification and cash flows from financial instruments. Disclosure requirements pertaining to these sections are contained in Note 18.

b) Future accounting changes

Goodwill and intangible assets

In February 2008, the CICA issued new Handbook Section 3064, Goodwill and Intangible Assets, that supersedes Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from standards included in the previous Section 3062. The new standards are effective for the Corporation's year ending March 31, 2010. The Corporation will determine the impact that these standards will have on its financial reporting.

International financial reporting standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that GAAP, as used by publicly accountable enterprises, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011. The Corporation is currently preparing its IFRS conversion plan. The plan will be aimed in particular at identifying the differences between IFRS and the Corporation's accounting policies, assessing their impact on the Corporation's consolidated financial statements and where necessary, analyzing the various policies that the Corporation could elect to adopt. Accordingly, at this time, it is not possible to reasonably determine the impact of this anticipated accounting change on the Corporation's consolidated financial results and position.

3. 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 Federal Bridge Corporation Limited, its wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, the 90.67% owned subsidiary, 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 and the joint venture is March 31 while that of the 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 is 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. Costs that permit the extension of the lifespan of the Corporation's assets, increase their capacity, safety or effectiveness, or are committed to reduce or prevent environmental contamination, can be capitalized. Repairs and maintenance are charged to operations as incurred.

Mitigation measures arising from environmental obligations are recorded according to the present value of the estimated discounted cash flows of costs that are most likely to be incurred.

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%
Rehabilitation work	5% - 10%
Bridge and infrastructure betterments	10%
Vehicles, equipment and equipment under capital lease	3% - 33%
Buildings	2% - 20%

d) Revenue recognition

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

Leases and permits revenue is recognized using the accrual method of accounting 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:

- 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

Termination benefits
Employees of the Corporation, its wholly-owned subsidiary 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 reflects 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 Federal Bridge Corporation Limited 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 and contingencies are the most significant items where estimates are used. Actual results could differ significantly from those estimates.

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, estimated future costs are recorded as a liability in the financial statements. Other expenses related to environmental measures are expensed as soon as they are incurred.

h) 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 a yearly weighted average exchange rate. Exchange gains or losses on financial assets and liabilities are recognized in the Consolidated Statement of Operations and Comprehensive Income.

i) 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 Treasury bills Deposit certificates Guaranteed debentures
Financial assets held to maturity	Term Deposits
Loans and receivables	Accounts receivable Advance to the joint venturer Accrued interest receivable
Other financial liabilities	Accounts payable Client deposit Due to the joint venturer

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 less any allowance for doubtful accounts.

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

4. Investments

The Corporation invests in the money market. The investments are mainly composed of term deposits and deposit certificates. These investments are held-to-maturity and held-for-trading and the rate of return on investments varied between 2.19% to 4.78% for the year ended March 31, 2009 (2008 - 3.75% to 5.16%). On average, the term to maturity is 315 days (2008 - 174 days).

(in dollars)	**2009**	2008
Short term		
Held-to-maturity investments		
Term deposits (Fair value of $898,431 in 2009 and $1,408,368 in 2008)	**875,000**	1,375,000
Held-for-trading financial assets		
Treasury bills	**-**	10,226,418
Deposit certificates	**1,130,621**	999,317
Guaranteed debentures	**-**	573,479
Total	**2,005,621**	13,174,214
Long term		
Held-to-maturity investments		
Term deposits (Fair value of $1,177,634 in 2009)	**1,125,000**	-
Held-for-trading financial assets		
Deposit certificates	**246,771**	-
Total	**1,371,771**	-

5. Advance and amount due to joint venturer

The advance and amount due to the joint venturer bear interest at a rate which varies between 3.03% and 3.82% (2.57% and 4.39% in 2008) 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, 2009, their carrying amounts approximated their fair value.

6. Due from Canada

This amount represents the consideration for the portion of the holdback of the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, on a contract which will only be paid in December 2013 (see Note 8 below).

At the disbursement of the holdback in 2013, the subsidiary will make a funding request to Treasury Board.

7. Fixed assets

(in dollars)	2009			2008
	Cost	Accumulated amortization	Net book value	Net book value
Land	4,615,223	-	4,615,223	4,234,733
Bridges and roads	306,293,287	148,234,667	158,058,620	150,585,081
Vehicles and equipment	7,584,588	5,699,407	1,885,181	1,966,607
Buildings	5,567,358	3,259,126	2,308,232	2,221,146
Bridge and infrastructure betterments	1,109,142	1,080,559	28,583	45,177
Projects in progress	25,237,320	-	25,237,320	9,595,851
Environmental obligation (Note 15 b)	1,000,000	-	1,000,000	1,000,000
Equipment under capital lease	58,245	58,245	-	-
	351,465,163	158,332,004	193,133,159	169,648,595

The cost of the Bonaventure Expressway, the initial cost of the Jacques Cartier 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. Holdback

The subsidiary The Jacques Cartier and Champlain Bridges Incorporated temporarily retains an amount on the total due to a contractor during the performance of work to ensure that the latter fulfils its obligations pertaining to warranty, rectification and correction of defects in work. The project is divided into three parts and the warranty period applicable to each of the components will begin following the issuance of the certificate of completion of the related works. 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 certificates of completion.

9- Deferred capital funding

(in dollars)	**2009**	2008
Balance, beginning of year	**130,000,186**	130,426,366
Parliamentary appropriations to finance the acquisition of amortizable fixed assets	**28,115,411**	3,982,539
Amortization	**(4,417,945)**	(4,408,719)
Balance, end of year	**153,697,652**	130,000,186

10. 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 Federal Bridge Corporation Limited and the Thousand Islands Bridge Authority.

11. 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 Federal Bridge Corporation Limited and all its eligible employees participate in a defined contribution plan. During the year, the Corporation's and employees' contributions to these plans were as follows:

(in dollars)	2009	2008
Corporation	805,396	673,212
Employees	308,525	253,121

b) Severance benefits

The Federal Bridge Corporation Limited, 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. 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)	**2009**	2008
Accrued benefit obligation, beginning of year	**1,616,918**	1,505,258
Current service cost for the year	**204,402**	229,672
Benefits paid during the year	**(263,090)**	(118,012)
Accrued benefit obligation, end of year	**1,558,230**	1,616,918
Short-term portion included in accounts payable	**(271,402)**	(284,846)
Long-term portion	**1,286,828**	1,332,072

12. Net changes in non-cash working capital

	2009	2008
Increase in accounts receivable	**(33,868)**	(268,689)
Decrease in advance to joint venturer (Note 5)	**440**	248,270
Decrease (increase) in accrued interest receivable	**(61,920)**	61,983
Decrease (increase) in prepaid expenses	**(279,257)**	77,870
Decrease (increase) in amount due from Canada	**1,166,641**	1,042,324
Increase (decrease) in accounts payable	**(1,128,129)**	(1,993,727)
Increase (decrease) in deferred revenue	**(41,342)**	68,245
Net changes	**(377,435)**	(763,724)

In this chart, an amount of $9,973,903 (nil in 2008) is excluded from the amount of the due from Canada due to capital asset acquisition and an amount of $9,973,903 (nil in 2008) is excluded from the accounts payable which are also due to capital asset acquisition.

13. 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 $401,976 ($312,835 in 2008) from related parties. As at March 31, 2009, the Corporation recorded accounts receivable of $341,476 ($246,835 in 2008) from related parties.

14. Commitments

a) Operations

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 2011, 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 $79,706,916 until 2014. Minimum payments over the next years are as follows:

(in dollars)	
2010	53,428,656
2011	24,884,829
2012	1,317,202
2013	69,159
2014	7,070

15. Contingencies

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

b) With regards to the environment, the Corporation reviewed all of its properties to determine their environmental condition. The 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 Montréal (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 Montréal 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, 2009 ($1,000,000 as at March 31, 2008). The subsidiary will eventually submit 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.

16. 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: 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, 2009, the total estimated cost amounts to $135 million. The deck replacement work began on the bridge during the spring of 2008 and is expected to be completed in the fall of 2011.

Northern Point of Nuns' Island: Following significant work on the road network of the Northern Point of Nuns' Island carried out by the city of Montréal – Borough of Verdun, the Treasury Board approved an amout of $11 million in January 2009 in order to carry out certain civil engineering work and thus facilitate the integration of these projects with the existing network. The work will be carried out during the summer of 2009.

Champlain Bridge: 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 will begin during the spring of 2009.

17. 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. Therefore, the Corporation has no access to external financing and does not have a flexible financial structure.

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.

18. Financial instruments

Fair value
The carrying value of accounts receivable, accounts payable and the advance to joint venturer approximate their fair value due to the short-term maturity of these financial instruments.

Derivatives
The Corporation did not hold derivative financial instruments at March 31, 2009.

Financial risk management objectives and policies
The Entity 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, term deposits, treasury bills, deposit certificate, accounts receivable, advance to joint venturer 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.

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 also 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.

Market risk
The Corporation is subject to interest rate risk on its investments. To minimize this risk, the investment policy specifies that the Corporation invest excess cash in very liquid and low risk instruments. If these interest rates were 1% lower during the year, the interest revenue from cash balances would have been approximately $136,366 lower ($19,994 in 2008).

Term deposits, deposit certificates, advance 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% increase in interest rates for similar investments at March 31, 2009 would have resulted in change in the fair value of the Corporation's long term investments of approximately $29,803 ($62,961 at March 31, 2008).

The Corporation is subject to foreign currency exchange rate risk on tolls collected in US dollars at international crossings. A 1% increase in the average exchange rate during the year would have resulted in a change in net income of approximately $12,996 ($5,562 for the year ended March 31, 2008).

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.

19. Asset retirement obligations

a) The Jacques Cartier and Champlain Bridges Incorporated received a permit to install, maintain and use one cable for closed-circuit television signals on land it does not own. This permit for a "during pleasure" term contains a cancellation clause under which the owner or the subsidiary may cancel the permit at any time by giving the other party written notice. Upon cancellation, the permit stipulates that the subsidiary must immediately remove its installations from the owner's land and premises, at its own expense, failing which the owner shall remove them and shall restore them at the subsidiary's expense or, at the owner's option, it may keep them without compensation. Neither the landowner nor the subsidiary have indicated their intent to cancel the permit. Since the potential permit cancellation date is undetermined no fair value can be estimated. Consequently no retirement obligation for this asset has been recognized for the year ended March 31, 2009.

b) The Jacques Cartier and Champlain Bridges Incorporated owns certain structures erected on land it does not own. The landowner has transferred management and administration thereof to the Government of Canada. The legal documents of the transfer provide that, in the event there is a change in the use of these structures from the use at the time of the transfer, the owner will resume control of the land without compensation for the structures erected provided they are in a condition that is satisfactory to the owner. At this time, the subsidiary does not intend to change the current use of these structures. Accordingly, no retirement obligation for these assets has been recognized in the financial statements.

20. Foreign exchange gain or loss

The Corporation incurred a foreign exchange loss of $62,528 in 2009 (gain of $672,267 in 2008).

21. Interest in a co-venture - the Seaway International Bridge Corporation

The consolidated financial statements of the Corporation include 50% of the assets, liabilities, revenues and expenses of the co-venture The Seaway International Bridge Corporation Limited at March 31 2009 which reflect the payments made to FBCL in previous years for its share of the revenues over expenses.

(in dollars)	2009	2008
Assets		
Current	**1,307,971**	1,915,509
Long-term	**1,549,855**	508,168
Liabilities		
Current	**670,432**	285,524
Long-term	**2,183,394**	2,138,153
Operations		
Revenues	**2,299,465**	2,223,792
Expenses	**2,299,465**	2,223,792
Net earnings	**-**	-
Cash flows		
Operating activities	**635,379**	603,438
Investment activities	**(887,727)**	(661,167)
Financing activities	**(80,098)**	(248,710)

22. Subsequent events

a) As of midnight May 31st, 2009, the access to the bridge located in Cornwall Ontario and operated by the subsidiary The Seaway International Bridge Corporation, Ltd., has been closed to international traffic and consequently the operator has stopped collecting tolls. Management cannot estimate the extent of the loss in revenue nor the re-opening date.

b) FBCL has received approval to acquire the outstanding shares of St. Mary's River Bridge Company (SMRBC) which will result in a 100% ownership and the implementation of a new intergovernmental agreement for the operation of this bridge.

23. Comparative figures

Certain figures from the previous year have been reclassified to be consistent with the presentation adopted in the current year.

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