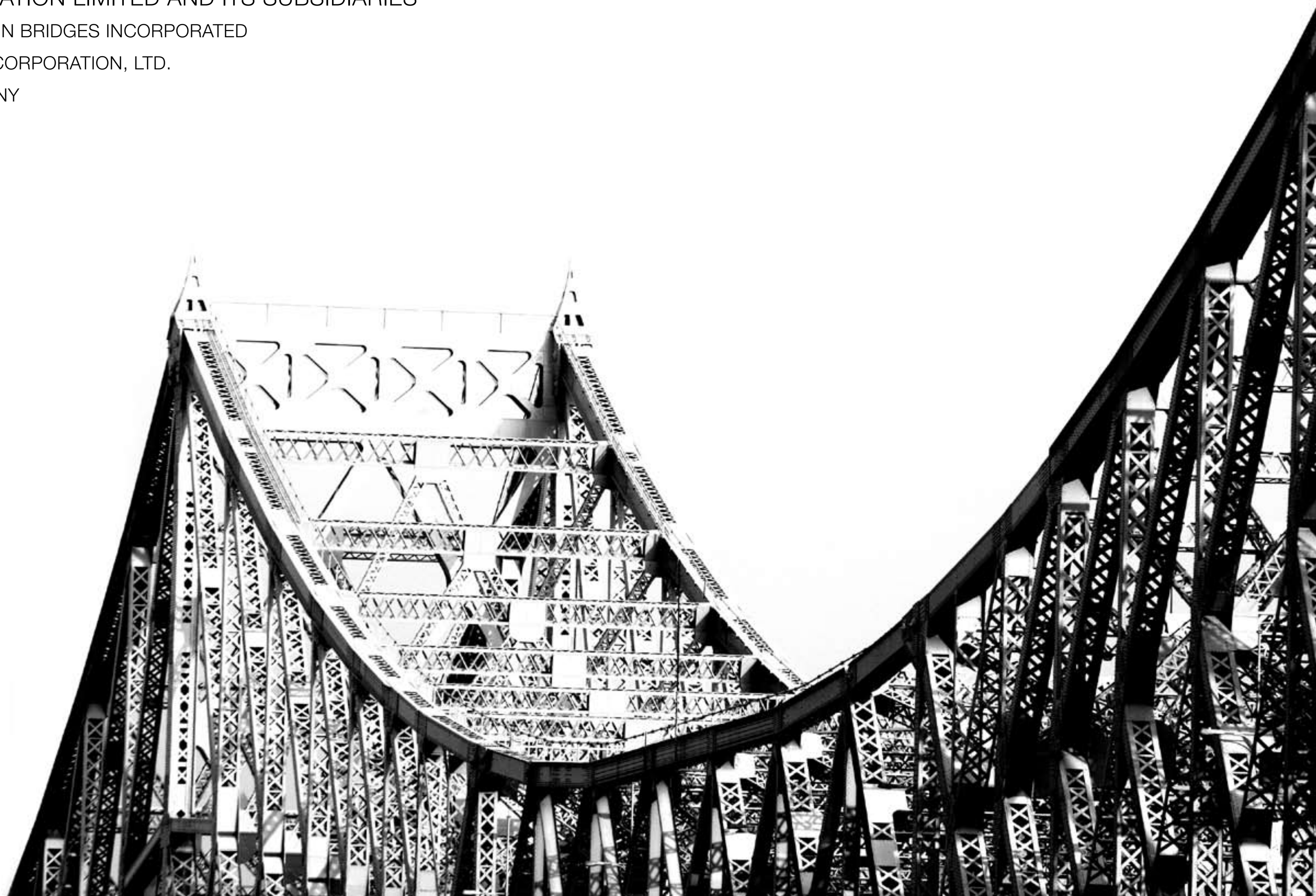
ANNUAL REPORT 09-10

THE FEDERAL BRIDGE CORPORATION LIMITED AND ITS SUBSIDIARIES

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

Champlain Bridge Ice Breaking Structure (Estacade) in Montreal.

2009-2010 ANNUAL REPORT

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MESSAGE FROM THE CHAIR

Steel structure underneath the Honoré Mercier Bridge in Montreal.

J. Keith Robson, *Chairperson*

Strong corporate governance is essential to effectively fulfill the Federal Bridge Corporation Limited (FBCL) mandate. It contributes directly to the Corporation's achievement of both its public policy and commercial objectives. The FBCL organization is complex as each entity within the group has a distinct corporate structure. My appointment as Chair in August 2009 followed the 2008 Special Examination by the Office of the Auditor General which concluded that the FBCL needed to address important areas of corporate governance and sustainable funding.

My primary objective and that of the FBCL Board of Directors is to lead the FBCL in making concrete changes in order to ensure that the FBCL is accountable for its operations, applies strong financial management principles and that it maintains the trust of its partners, stakeholders and most importantly the travelling public that use its bridges daily.

During the year, the emphasis of the FBCL Board of Directors has been to improve its corporate oversight. For example, the committee structure was amended for greater efficiency and a full review of the FBCL by-laws was completed. Amendments were also made to clarify roles, responsibilities and accountabilities for all directors and management of FBCL for both the parent Corporation and its subsidiaries. In clarifying these roles, greater responsibility was assumed by FBCL in the areas of finance and corporate planning. Further, a corporate engineering committee was established to share expertise and assist in ensuring the continued safety and security of the FBCL bridges. Plans were also finalized for the implementation of an enhanced and timely corporate reporting framework through the Chief Executive Officer, to improve the flow of information to the FBCL Board of Directors. Through these initiatives, progress has been made towards improving governance however more remains to be accomplished. Governance improvements will continue to be one of the FBCL's most important objectives in the years to come.

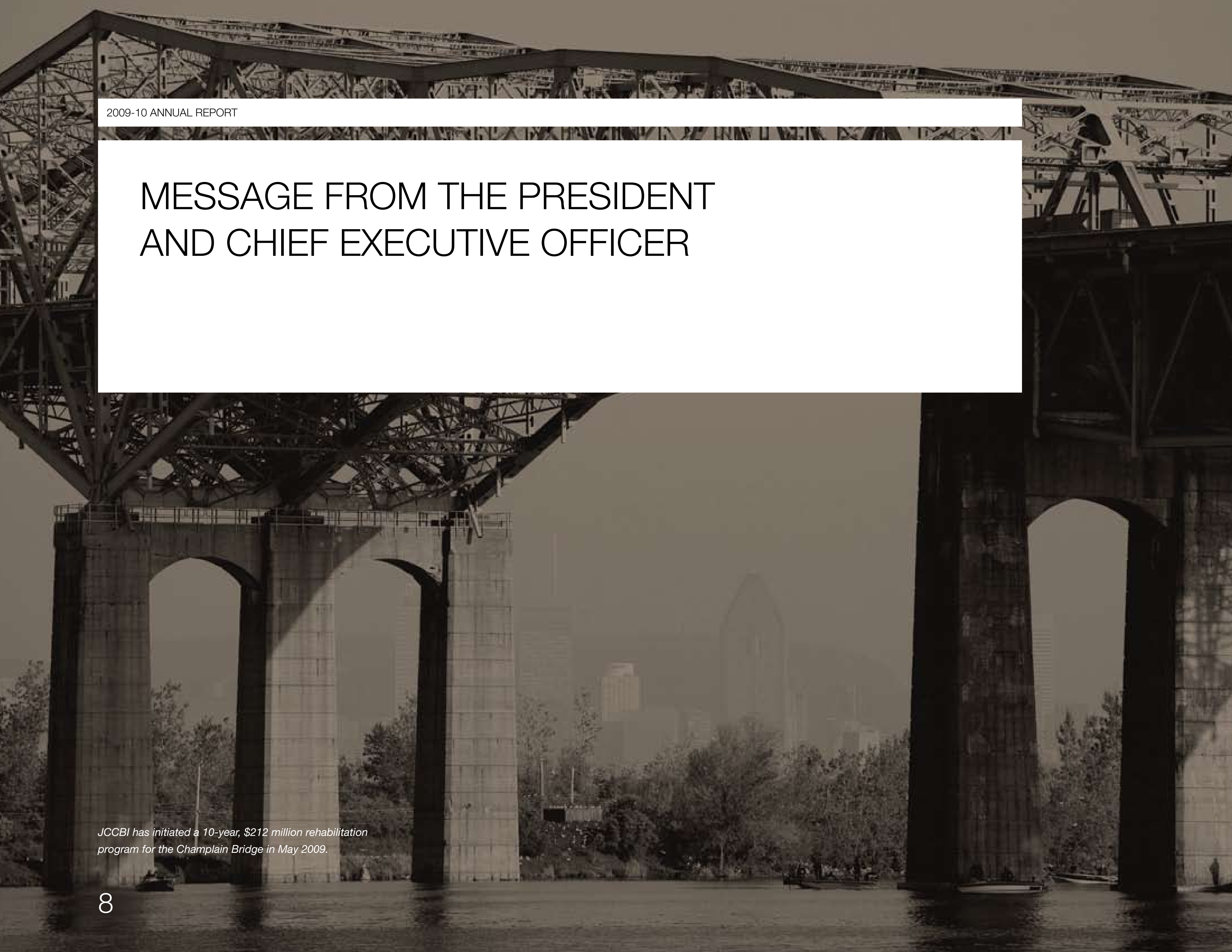
The maintenance of bridge infrastructure is costly and the FBCL with its aging portfolio of bridge structures is facing important budgetary deficits as it strives to ensure the safety and security of its assets over the long-term. Infrastructure has been an important investment area by government in recent years. The FBCL has expended much effort in communicating its urgent funding issues with success. Important funding commitments have been put in place, including the rehabilitation of the Honoré Mercier Bridge as well as a 10-year investment in the Champlain Bridge in Montreal, the rehabilitation of the customs plaza in Sault Ste. Marie and the construction of a new North Channel Bridge. Special funding was also provided to offset the costs related to the temporary bridge closures in Cornwall in the summer of 2009.

While each of these investments are important, much of the FBCL bridge infrastructure, particularly in Montreal, is approaching the end of its life expectancy and significant expenditures will be required over the next 10 years to continue to ensure their safety and security. FBCL is continuing to work closely the government to identify longer term sustainable funding for the effective operation of all the bridges in its portfolio.

It has been a very successful year with many accomplishments that have been made possible with the strong engagement of the Board members of FBCL and its subsidiaries as well as the dedication of the employees. The challenges ahead are significant and we will endeavor to deliver the FBCL mandate with excellence.

Champlain Bridge pile rehabilitation project underway in Montreal.

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



JCCBI has initiated a 10-year, $212 million rehabilitation program for the Champlain Bridge in May 2009.

Micheline Dubé, *President and Chief Executive Officer*

FBCL has a significant mandate, that of owning and managing some of the most important and strategic bridge crossings in Canada, including those over the St. Lawrence River in Montreal and international crossings in Cornwall, Sault Ste. Marie and the Thousand Islands. These structures play a vital role in connecting Canada's transportation and economic network with the world. We are proud to provide the highest level of stewardship so that these structures remain safe and efficient for all Canadians and visitors alike.

The 2009-10 annual report describes the significant actions of FBCL and its subsidiaries towards achieving five key objectives:

- Maintain safe and efficient bridge structures;
- Achieve financial viability sufficient to maintain safe bridge structures;
- Manage major bridge projects successfully;
- Ensure the FBCL Board functions according to best governance practices; and,
- Create effective communications to keep Parliament well informed.

Within this complex organization, much of my energy in 2009-10 has been given to relationship building, both within FBCL and with our partners and collaborators such as Transport Canada. It has been my pleasure to work closely with our new Chair, Mr. Keith Robson, in this role as we develop and implement improvements in governance so that the FBCL Board of Directors can be most effective in overseeing the Corporation's activities and accomplishments.

One of the major highlights in 2009-10 was the delivery by Jacques Cartier and Champlain Bridges Incorporated (JCBBI) of the first year of the largest bridge rehabilitation project ever undertaken in Canada, that being to replace the deck of the Honoré Mercier Bridge in Montreal. This project is the result of a three-way agreement between the governments of Canada and Quebec, and the Mohawk Council of Kahnawake, a first ever in this country. The project is divided into two phases. Contract A covers the federally owned section over the Kahnawake reserve and was awarded to a consortium of Mohawk contractors. It began in spring 2009 and is progressing as planned. Contract B applies to both federal and provincial sections of the bridge and is presently being tendered for start later in 2010. The project is scheduled to finish by the end of 2012.

Another major undertaking initiated by JCCBI is a 10-year, $212 million rehabilitation program for the Champlain Bridge that was announced by the Government of Canada in May 2009. Like most bridges built in the 1960s, the Champlain Bridge undergoes regular maintenance to ensure its continued safety. However, to preserve its future safety, a comprehensive ten-year maintenance program was developed to implement specific projects outside the scope of annual maintenance and regular repairs. Disruption for commuters, truckers and travellers during the bridge's rehabilitation is expected to be minimal, as most of the work will be executed underneath the bridge and during off peak hours.

In addition, with the Champlain Bridge approaching 50 years of age, a one-year study was launched last September to explore the feasibility and options of building a new structure along the existing bridge corridor. The study will determine the number of traffic lanes required to meet the growing demand and will also look at how a modern public transportation system might be integrated into a new structure to link the downtown Montreal core with the South Shore. The study is being undertaken in collaboration with the Ministère des Transports du Québec. Once the study is completed, options and recommendations will be shared with the federal government.

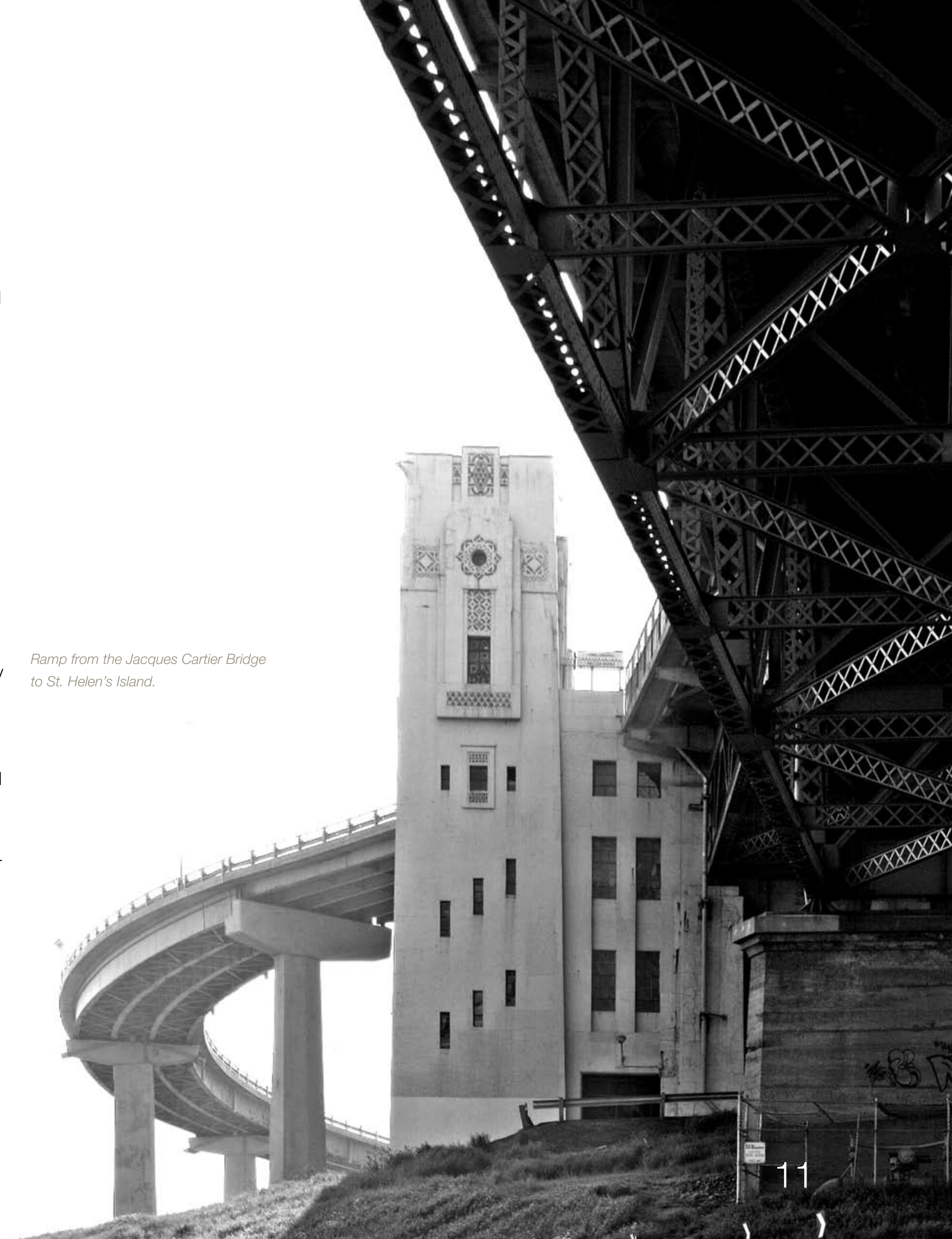
Last summer was a difficult period for the Seaway International Bridge Corporation (SIBC) in Cornwall. A dispute involving the Canada Border Services Agency (CBSA) and the Mohawk Council of Akwesasne forced the closure of the Seaway International Bridge crossing for a major part of the summer. While the dispute is still not resolved, and traffic levels remain depressed, SIBC has maintained an effective traffic flow since the crossing re-opened. Tolling operations were moved from the Akwesasne reserve to Cornwall for safety and efficiency. FBCL and its subsidiary are working with partners and stakeholders in order to resolve the issues. As well, FBCL continued its work for seeking approval to proceed with construction of a new low-level North Channel Bridge to replace the old high-level structure.

For the international crossings at Sault Ste. Marie and the Thousand Islands, despite a slow economy, operating results remained stable during 2009-10. One major development involves replacing the Customs facilities at the Sault Ste.

Marie International Bridge. An environmental assessment for this project was signed off in June 2009 and $44.1M of funding was allocated by the federal government through the Gateways and Border Crossings Fund. The project's design and construction activities will be spread over approximately five years.

We are appreciative of the federal government for the allocation of funding for the projects mentioned above and to Transport Canada for working on our behalf to secure these much needed funds. In recent years the federal government introduced elements of spending restraint and FBCL and its subsidiaries will continue to abide by the spirit of these expenditure constraints. That being said, FBCL has a primary responsibility to ensure the safety of the structures within its portfolio and will manage risks accordingly to ensure safety of bridge users at all times. Within this operating context, FBCL will develop strategies during 2010-11 to ensure its financial sustainability by seeking adequate funding and exploring revenue generation opportunities that will allow it to properly maintain its bridge infrastructure over the long term.

Thanks to the hard-work and dedication of all of FBCL's and its subsidiaries' employees, we have risen to the challenge and will continue working towards achieving a brighter future together.



Ramp from the Jacques Cartier Bridge to St. Helen's Island.

Highlights of the year

May 2009	• Launch of Contract A - Honoré Mercier Bridge Deck Replacement Project • $212M federal contribution to rehabilitate Montreal's Champlain Bridge (10-year Program)
June-July 2009	• Closure of the Seaway International Bridge in Cornwall for six weeks and tolling operations for nine weeks • Minister of Transport issues an Emergency Directive for the continued closure of the South Channel Bridge citing an immediate threat to safety and security of the international crossing • New international agreement for operating the Sault Ste. Marie International Bridge
August 2009	• Appointment of Mr J. Keith Robson as FBCL Chairman of the Board • SIBC re-establishes tolling at the base of the North Channel Bridge in Cornwall and administration returns to Cornwall Island
September 2009	• The St. Mary's River Bridge Company becomes a wholly-owned subsidiary • Prefeasibility study on the Replacement of the Champlain Bridge is initiated
November 2009	• Reopening newly redecked ramp 4 at the Honoré Mercier Bridge • FBCL Annual Public Meeting • Tendering of Contract B – Honoré Mercier Bridge Replacement Project
March 2010	• Preliminary demolition begins for the $49M rehabilitation of the Canadian Customs Plaza in Sault Ste. Marie • Budget 2010 funding for JCCBI: $31.8M in 2010-11; $18.7M in 2011-12 • Funding for SIBC: $894K Supplementary Estimates to cover operational costs and lost toll revenues due to the temporary closure of the Seaway International Bridge during summer 2009

Five-Year Financial highlights

Financial Summary Year Ended March 31 ($000)	**2010**	**2009**	**2008**	**2007**	**2006**
Revenues					
Thousand Islands Bridge operating revenue	3,528	4,071	4,157	3,433	4,099
Lease and permits	4,626	4,754	4,799	4,811	4,839
Tolls	4,160	5,013	5,118	4,665	4,827
Other	250	745	1,161	1,108	677
Total Revenue	12,564	14,582	15,235	14,017	14,442
Expenses					
Maintenance & Operation	35,607	21,185	26,739	29,342	25,368
Administration	9,438	8,200	7,166	8,046	7,966
Thousand Islands expenses	2,339	3,219	2,358	2,772	2,516
Amortization	6,597	6,695	6,601	6,420	5,794
Total Expenses	53,981	39,299	42,864	46,580	41,644
Parliamentary appropriations for operating expenses	36,661	20,327	25,963	28,535	24,586
Net earnings	24	88	2,731	325	991
Parliamentary appropriations for capital expenditures	43,156	28,115	3,983	3,318	6,901
Current ratio	2.5	2.4	4.1	3.3	4.2
Fixed assets	230,306	193,133	169,649	169,438	168,175
Shareholder’s Equity	60,300	60,277	60,189	57,446	56,293

Major Capital Projects (ending March 31 (in thousands of dollars)

	2010	2009	2008
Honoré Mercier Bridge	28,625	20,498	1,784
Champlain Bridge	12,968	-	-
Nun's Island	11,792	834	-
North Channel Bridge	1,241	742	-
Sault Ste. Marie Customs Plaza	405	-	-

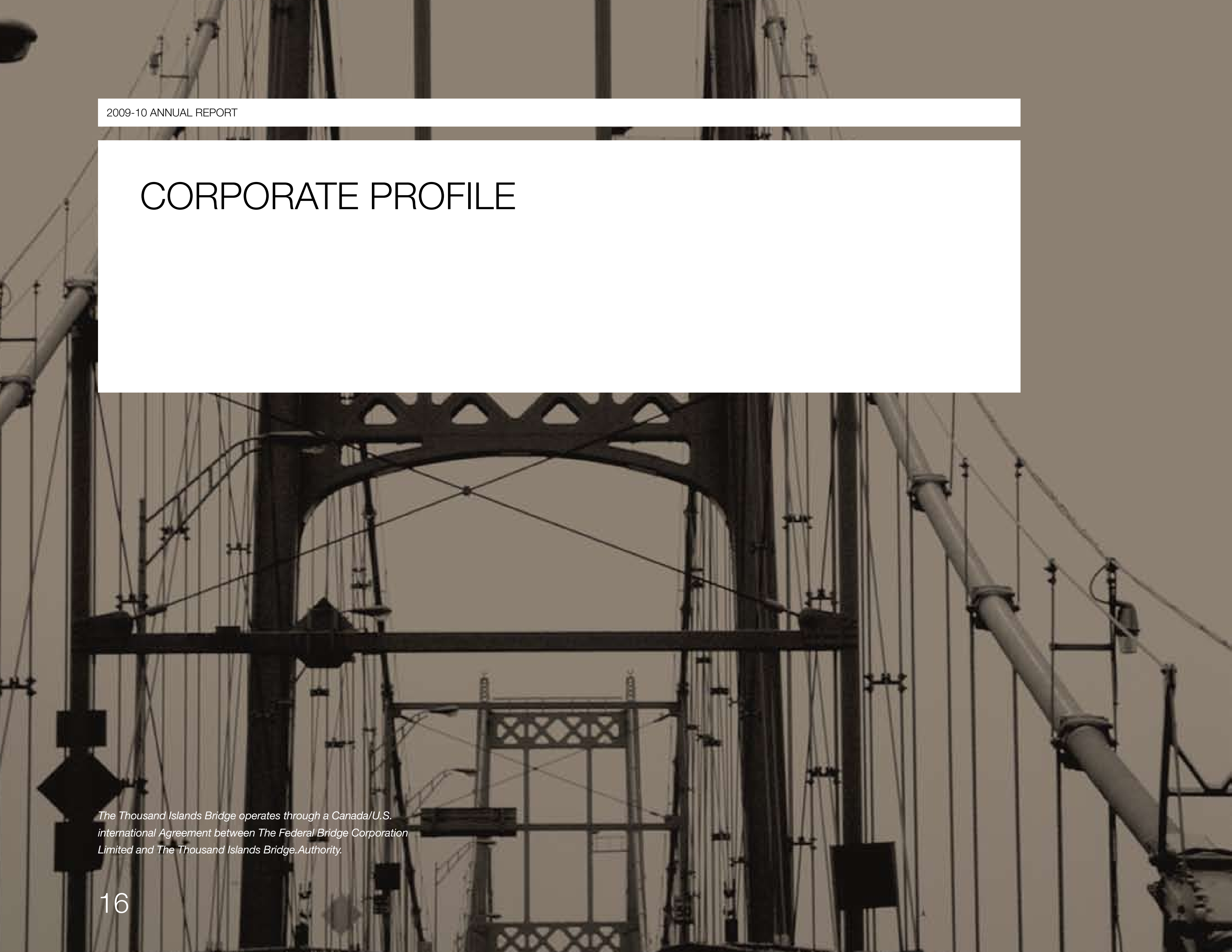
Number of full-time employees*

	2010	2009	2008	2007	2006
Federal Bridge Corporation Limited	14	11	11	10	10
Jacques Cartier And Champlain Bridges Incorporated	47	45	45	44	43
Seaway International Bridge Corporation, Ltd.	17	17	17	21	21
Total	78	73	73	75	74

* The Sault Ste. Marie and Thousand Islands crossings are managed by U.S. operators.

The Thousand Islands Bridge is located in a magnificent touristic region.

CORPORATE PROFILE



The Thousand Islands Bridge operates through a Canada/U.S. international Agreement between The Federal Bridge Corporation Limited and The Thousand Islands Bridge.Authority.

With headquarters in Ottawa, FBCL manages its bridge portfolio through its wholly-owned subsidiaries: The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) in Montreal; the Seaway International Bridge Corporation, Ltd. (SIBC) in Cornwall; and The St. Mary's River Bridge Company (SMRBC) in Sault Ste. Marie. The international crossings at Sault Ste. Marie and the Thousand Islands have U.S. bridge operators for the Canadian facilities under bi-national agreements with FBCL.

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

a) acquiring lands for, and constructing, maintaining and operating bridges connecting Canada with the United States, and, as authorized by the *St Lawrence Seaway Authority Act*, acquiring shares or property of any bridge company and operating and managing bridges;

b) acquiring lands for, and constructing or otherwise acquiring, maintaining, managing and operating such works or other property as the Governor in Council may deem necessary;

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

d) with the approval of the Governor in Council, leasing to any person any lands, property or water-power held in its name/control or in the name of SLSA or held in the name of Her Majesty.

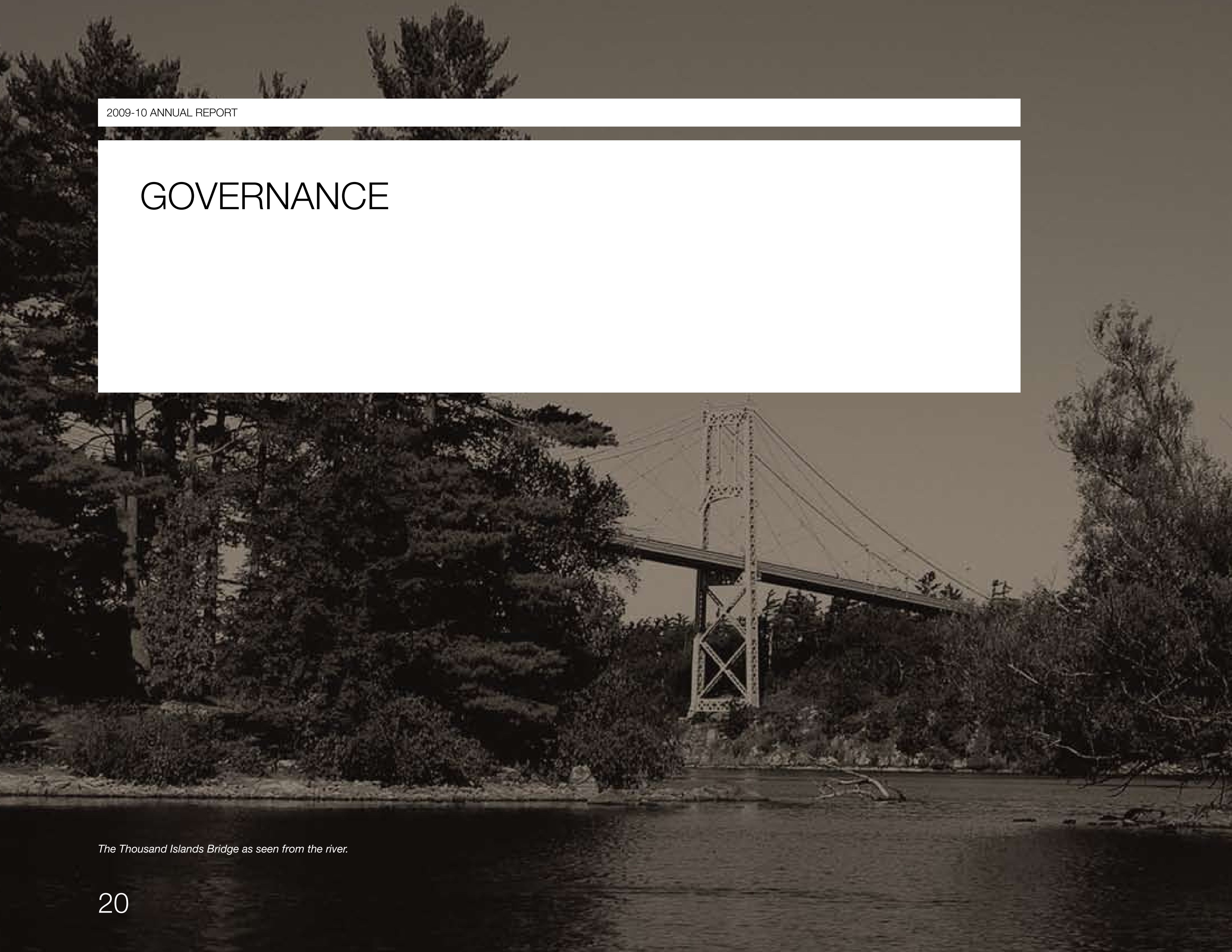
The transfer from SLSA included certain properties and structures, as well as the interests of SLSA in the issued and outstanding shares of its wholly-owned subsidiaries, JCCBI in Montreal and, in a joint venture with its U.S. partner, SIBC in Cornwall. At the same time, FBCL assumed responsibility for the Canadian portion of the Thousand Islands International Bridge with the Thousand Islands Bridge Authority (TIBA – a U.S. government organization) being the operating agency. FBCL has ultimate responsibility for all repair and maintenance of the Canadian facilities under a bi-national agreement. In 2000, FBCL acquired a 90.7% ownership in SMRBC, which acquired the Canadian half of the Sault Ste. Marie International Bridge for $2 from the International Bridge Administration (IBA), the U.S. government agency that operates the crossing. IBA reports to a joint international board of directors, the Sault Ste Marie Bridge Authority (SSMBA). In September 2009, FBCL acquired all of the outstanding shares so that SMRBC is now a wholly-owned subsidiary. A new international agreement between the owners of the bridge, SMRBC and the Michigan Department of Transportation (MDOT) came into effect in June 2009.

Underneath view of the Sault Ste. Marie International Bridge.

Corporate Profile

	FBCL (Headquarters)	The Seaway International Bridge Corporation, Ltd. (SIBC)	The Jacques Cartier and Champlain Bridges Incorporated (JCCBI)	The St. Mary's River Bridge Company (SMRBC)	The Thousand Islands Bridge Authority (TIBA)
ESTABLISHED	1998 under the *CBCA*	1962 under the *Canada Corporations Act*, continued in 1979 under the *CBCA*	1978 under the *CBCA*	1955 as a not-for-profit organization; continued in 2008 under the *CBCA*	International agreement originating in 1976
STATUS WITHIN FBCL	Parent Company	Wholly-owned subsidiary	Wholly-owned subsidiary	Wholly-owned subsidiary (September 1, 2009)	U.S. bridge operating agency managed by international agreement
BOARD OF DIRECTORS	Four Directors appointed by Governor in Council	Joint venture between FBCL and the St. Lawrence Seaway Development Corporation –SLSDC (U.S.). Each owner nominates four directors in accordance with the bi-national agreement. All eight members are appointed by FBCL, with the U.S. members appointed on the recommendation of SLSDC.	Five to seven member Board of Directors appointed by the FBCL Board.	Nine-member Board of Directors, appointed by the FBCL Board. Joint owners of S. S. Marie International Bridge (SMRBC and MDOT). Each owner nominates four directors to a joint board, the SSMBA in accordance with the bi-national agreement.	TIBA is headed by a U.S. Chair, assisted by six Authority members, three U.S. and three Canadian. All seven members are appointed by the Jefferson County Board of Legislators, the Canadian members being appointed on the recommendation of FBCL.
PRIMARY RESPONSIBILITY	100% ownership of JCCBI, SIBC and SMRBC. Owner of Canadian bridge infrastructure at international crossings in Cornwall and Thousand Islands. Responsible for oversight and major rehabilitation.	Operation of international crossing at Cornwall, including a land corridor across Cornwall Island and two bridges: The North Channel Bridge located in Canada and owned 100% by FBCL; and The South Channel Bridge, which spans the international border and is owned 32% by FBCL (portion in Canada) and 68% by its U.S. counterpart, SLSDC.	Ownership and management of key bridge infrastructure and approaches in the Greater Montreal Region including: Jacques Cartier Bridge, Champlain Bridge, Honoré Mercier Bridge, Melocheville Tunnel, Bonaventure Expressway (section), Champlain Bridge Ice Control Structure.	Owner of Canadian half of the international bridge infrastructure in Sault Ste. Marie. The crossing is managed by the U.S.'s IBA, with oversight by SSMBA. SMRBC appoints Canadian directors to SSMBA and is responsible for the current rehabilitation of Customs facilities.	Oversight of international crossing consisting of separate Canadian and U.S. bridges plus small jointly owned bridges in the middle, all managed by the U.S. operator, TIBA.

GOVERNANCE



The Thousand Islands Bridge as seen from the river.

PUBLIC ACCOUNTABILITY

As a Crown corporation, FBCL is accountable to Parliament through the Minister of Transport, Infrastructure and Communities (Minister), with the assistance of the Minister of State (Transport). FBCL is governed by a Board of Directors (FBCL Board) consisting of a Chairperson and three other directors, who along with the President and Chief Executive Officer (CEO), are appointed by or with the approval of the Governor in Council. The Board is accountable to the Minister for the stewardship of the Corporation. The FBCL Board is guided in its decision-making throughout the year and in developing a new corporate plan annually by broad policy directions provided by the government through the Minister.

FBCL is accountable publicly through responses to questions by its Minister and tabling of its annual report and summary of its corporate plan each year in Parliament. Through these documents, FBCL reports on its performance in relation to objectives, strategies and performance targets set in its corporate plan.

Responsibility

The duties and responsibility of the FBCL Board are to provide high-level oversight and strategic direction, monitor financial performance, approve consolidated budgets and financial statements, approve policies and by-laws, appoint the directors of subsidiaries, ensure that risks are identified and measures in place to deal with them, and ensure good governance. Through this latter role, in addition to ensuring that corporate resources are safeguarded, and used effectively and efficiently, the Board strives to foster good relations with all levels of government, the public and other stakeholders. The CEO is accountable to the FBCL Board for day-to-day management and performance of the Corporation. The Board assesses the performance of the CEO annually.

Independence

The positions of Chairperson and CEO are separate. In addition, the Board normally holds its meetings with the CEO, and the Vice-President, Legal affairs and Corporate Secretary being present. Senior management attends board meetings when required for presentation or reports. Members of the FBCL Board are required to act honestly, diligently, carefully and in good faith, in accordance with the *Financial Administration Act (FAA)*. They are briefed on and operate under the terms of corporate by-laws designed to prevent conflict of interest, and they are required to excuse themselves from decision making related to potential areas of conflict of interest. FBCL requires that each new member review and acknowledge his or her understanding of the principles expressed in the Conflict of Interest Code for Directors.

Committees of the FBCL board

In accordance with sound governance practices, the two standing committees of the Board listed below ensure that all significant measures and initiatives are fully reviewed in order to make recommendations to the FBCL Board on matters within their purview. Each Committee is composed of at least three directors, one of whom is appointed Chair of the Committee by the Board.

Governance committee

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

Audit committee

The Audit Committee is responsible for making recommendations to the Board in matters of oversight in the areas of standards of integrity and behaviour, the reporting of financial information, management control practices, risk management and insurance needs.

Audit regime

The audit regime consists of external and internal auditors. The Office of the Auditor General of Canada (OAG) conducts an annual independent audit of FBCL's consolidated accounts to verify that the financial statements fairly reflect the Corporation's operating results and financial position, and that its transactions have been carried out in accordance with generally accepted accounting principles and Part X of the *FAA*. It also conducts a special examination at least once every ten years (most recently 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. The OAG has been actively monitoring FBCL's progress in the transition to the Standards of the Public Sector Accounting Board.

The subsidiaries, JCCBI and SIBC as stand alone Crown corporations, are also audited by a the OAG. SMRBC is audited by a private firm.

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 latest internal audit was completed in June 2009, providing an analysis of the Risk Assessment Framework that will support the development of Enterprise Risk Management. The previous audit looked at information technology, purchasing and professional services, and found no deficiencies. Each subsidiary also executes internal audits specific to their operations. The Audit Committee has since approved a new Internal Audit Direction, and a draft Policy Framework to guide the multi-year internal audit plan.

Orientation

Through a strengthened training program, FBCL welcomes new board members with a presentation and training on accountability, reporting structures and by-laws. Incoming members learn about FBCL's bridge portfolio and reviews strategic issues with senior management. They also receive copies of federal documents on corporate governance, and attend an information session on roles and responsibilities, ethics and conflict of interest, as well as a formal course on governance.

Performance evaluation

FBCL's Board conducted a self-evaluation during 2009 with the performance of most members rated above average.

Accomplishments

During 2009-10, the FBCL's Board approved the previous annual report, the corporate plan, revised By-Laws on governance, the financial statements, and a new governance strategy. As well, they reviewed performance relative to corporate plan targets. In total, there were:

- 7 FBCL Board meetings;
- 9 Board conference call meetings;
- an Annual Public Meeting;
- the Corporation's annual strategic retreat to establish the objectives and strategies for the 2010-11 corporate plan, attended by the FBCL Board, the Chairs of subsidiary boards and senior executives across the Corporation;
- 7 meetings of the Audit Committee;
- 5 meetings of the Governance Committee;
- a joint meeting of the FBCL and SIBC Boards; and
- Board visits to JCCBI, SIBC and TIBA facilities.

Remuneration

Pursuant to the *FAA*, the Governor in Council establishes the remuneration paid to the Chair, other board members and the CEO. The Chair's remuneration follows the government's "Remuneration Guidelines for Part-Time Governor-in-Council Appointees in Crown Corporations" consisting of an annual retainer between $6.4K and $7.5K and a per diem of $400 for attending board/committee meetings and for special executive responsibilities approved by the FBCL Board. Under the Guidelines, board members receive a retainer between $3.2K and $3.8K and the $400 per diem for similar duties. Per diems are also paid for time spent performing FBCL business as approved by the Board of Directors in accordance with the Remuneration Guidelines for part-time Governor in Council appointees in Crown Corporations (2000). Board members are reimbursed for all reasonable out-of-pocket expenses, including travel, accommodation and meals, while performing their duties on behalf of FBCL.

FBCL portfolio accountability

The three wholly-owned subsidiaries are governed by a board of directors who are appointed by the FBCL Board pursuant to section 106 of the *CBCA* (four of eight members of SIBC's Board are recommended by its U. S. partner, SLSDC - one of which is a Canadian). Subsidiary Boards are also governed by the duties and responsibilities set out in the *FAA* (e.g., sections 109 to 116).

Each subsidiary board is responsible for establishing the board committees necessary to ensure appropriate oversight of the subsidiary for which they are accountable. These committees may include but are not limited to audit, governance, risk management and human resources. General Managers of each subsidiary report to their respective subsidiary board who, in turn, are accountable to the FBCL Board. As well, FBCL recommends the Canadian directors to be appointed by TIBA to whom the U.S. bridge operator reports at the Thousand Islands International Bridge.

The relationship between the FBCL Board and its subsidiary boards balances the legal reality that the parent company and its subsidiaries are distinct legal entities with the need to ensure compliance and strategic alignment of all these entities with corporate objectives. Strategic directions are set for FBCL through its mandate, government policies, approvals and letter of expectations from the responsible Minister. As it adopts leading governance practices of the private/public sectors over the next few years, the FBCL Board will issue letters of expectations annually to the Chairs of the subsidiary Boards to outline their expected roles and responsibilities in line with these strategic objectives. The letters will serve as an agreement between the FBCL Board and each organization on the corporate mandate, including public policy issues, strategic priorities, and high-level performance expectations and reporting requirements. Progress reports will allow results to be monitored and actions taken accordingly.

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

In this regard, the parent Crown is the sole link to Transport Canada and central agencies (e.g., exchange of information, preparation of documents) and is responsible for presenting all business aspects to be considered by the FBCL Board. FBCL encourages all parts of the organization to work together and to share wisdom and experience through organizing corporate-wide committees in key areas (engineering, risk management) and communicating best practices for dealing with the many common issues (funding shortfalls, stakeholder needs, etc.).

FBCL also has certain project responsibilities at the international crossings. As the bridge owner in Cornwall, FBCL will manage the replacement of the North Channel Bridge. At the Thousand Islands crossing, FBCL is responsible for capital projects on the Canadian bridge. At the Sault Ste. Marie crossing, FBCL undertakes the work of its subsidiary, SMRBC, for example, by managing the major rehabilitation of the Canadian Customs plaza.

Mandate

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

Values

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

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

Code of Conduct

FBCL has a policy and procedures concerning the disclosure of personal holdings of employees whenever these personal holdings might be, or appear to be, in conflict with the duties of the employees of the Corporation. There are also policies and procedures to ensure that the company's affairs are conducted in the best interests of the Canadian public.

The Bonaventure Expressway leading to the Champlain Bridge in Montreal.


FARINE
FIVE ROSES

The Federal Bridge Corporation Limited (As of March 31, 2010)

Board of Directors, Officers and Senior Management

Board of Directors

J. Keith Robson[1]
Chairperson

Deborah Tropea[2]
Vice-chair

Raymond Brunet[3]
Director

Claude Francoeur[4]
Director

Officers and Senior Management

Micheline Dubé
President and CEO

Natalie Kinloch
Chief Financial and Administrative Officer

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

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

Chris Nicholl
Vice-President, Strategic Planning and Policy

André Girard
Vice-President, Communications

Gérard Lalonde
Director, Administrative Services and Treasurer

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Committees of the FBCL Board of Directors

Audit Committee
Deborah Tropea
Chairperson

J. Keith Robson
Member

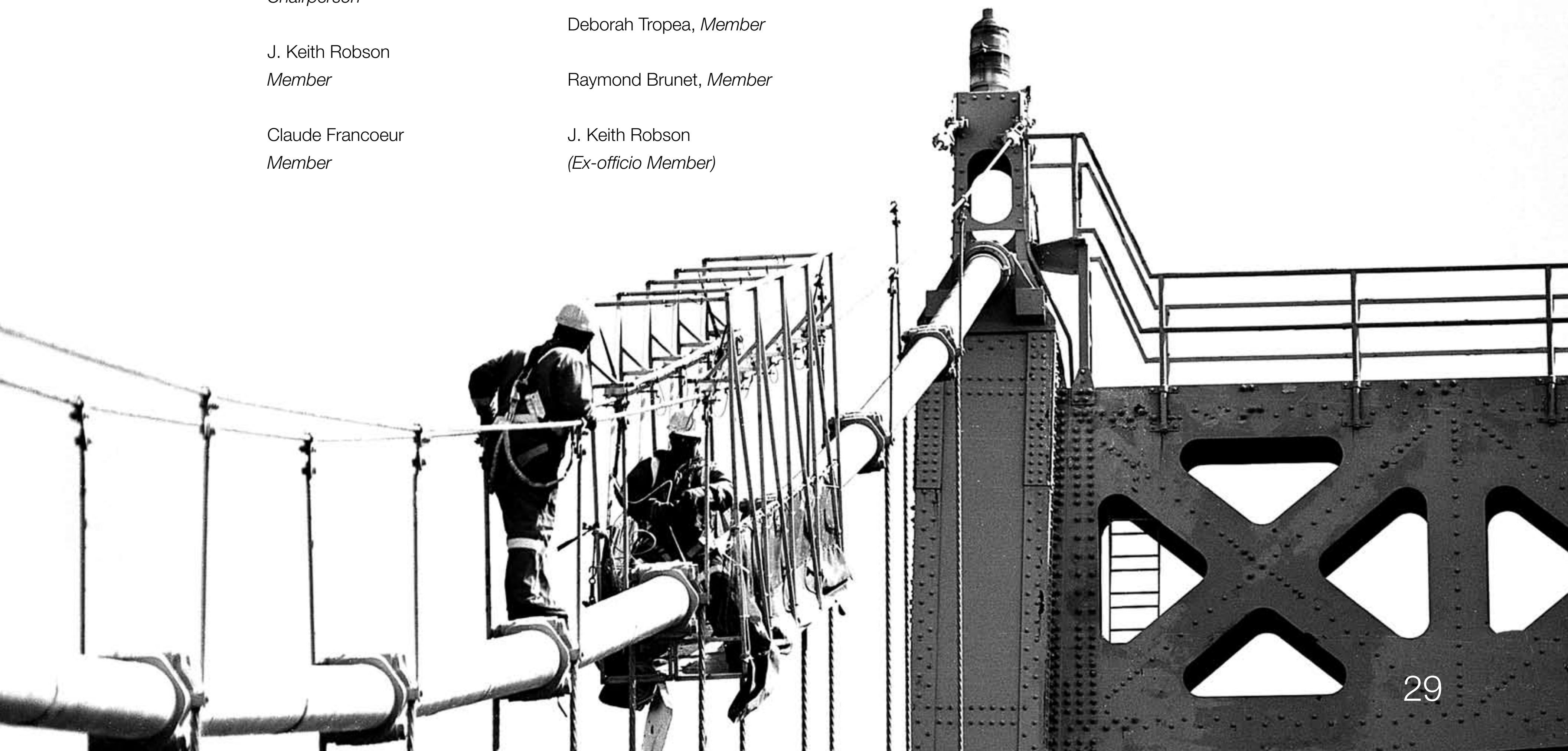
Claude Francoeur
Member

Governance Committee
Claude Francoeur, *Chairperson*

Deborah Tropea, *Member*

Raymond Brunet, *Member*

J. Keith Robson
(Ex-officio Member)



Work in progress at the North Channel Bridge on the Seaway International Bridge.

The Jacques Cartier and Champlain Bridges Incorporated (As of March 31, 2010)

Board of Directors,Officers and Senior Management

Board of Directors

Paul Kefalas
President

VACANT
Vice-President

Yvon Bourget
Director

Denise Hébert
Director

Serge Martel
Director, Corporate Secretary

Officers and Senior Management

Glen P. Carlin
General Manager

Sylvie Lefebvre
Counsel

Claude Lachance
Senior Director, Administration

Guy Mailhot
Senior Director of Engineering

Claude DeGuise
Senior Director, Project Management

Committees of the JCCBI Board of Directors

Audit Committee

Denise Hébert
Chairperson

Serge Martel
Member

Yvon Bourget
Member

Governance Committee

Paul Kefalas
President

Yvon Bourget
Member

Denise Hébert
Member

Steering Committee for the Honoré Mercier Bridge Deck Replacement

Yvon Bourget
Acting Chairperson

Paul Kefalas
Member

Human Resources Committee

Denise Hébert
Chairperson

Serge Martel
Member

The Seaway International Bridge Corporation, Ltd. (As of March 31, 2010)

Board of Directors, Officers and Senior Management

Board of Directors

Sheila Tremblay
President & Director

Salvatore Pisani
Vice-President & Director

Collister Johnson
Vice-President & Director

John M. Kroon
Director

André G. Poirier
Director

Carrie Mann-Lavigne
Director, Deputy General Counsel

Guy Berthiaume
Director

Roger Forgues
Assistant Treasurer and Director

Officers and Senior Management

Hendrik H. Saaltink
General Manager

Gérard Lalonde
Treasurer

Robert Lafontaine
Corporate Secretary

Committees of the SIBC Board of Directors

Management Committee

John M. Kroon, *Chairman*

Salvatore Pisani, *Member*

Sheila Tremblay, *Member*

Hendrik Saaltink, *Member*

Governance Committee

John Kroon, *Chairman*

Salvatore Pisani, *Member*

Roger Forgues, *Member*

André Poirier, *Member*

Audit Committee

Roger Forgues, *Chairperson*

John Kroon, *Member*

Guy Berthiaume, *Member*

Security Committee

André Poirier, *Chairman*

Salvatore Pisani, *Member*

Sheila Tremblay, *(Ex-officio Member)*

Hendrik Saaltink, *Member*

Wade Dorland, *Member*

Bill Warburton, *Member*

The St. Mary's River Bridge Company (As of March 31, 2010)

Board of Directors, Officers and Senior Management

Board of Directors

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

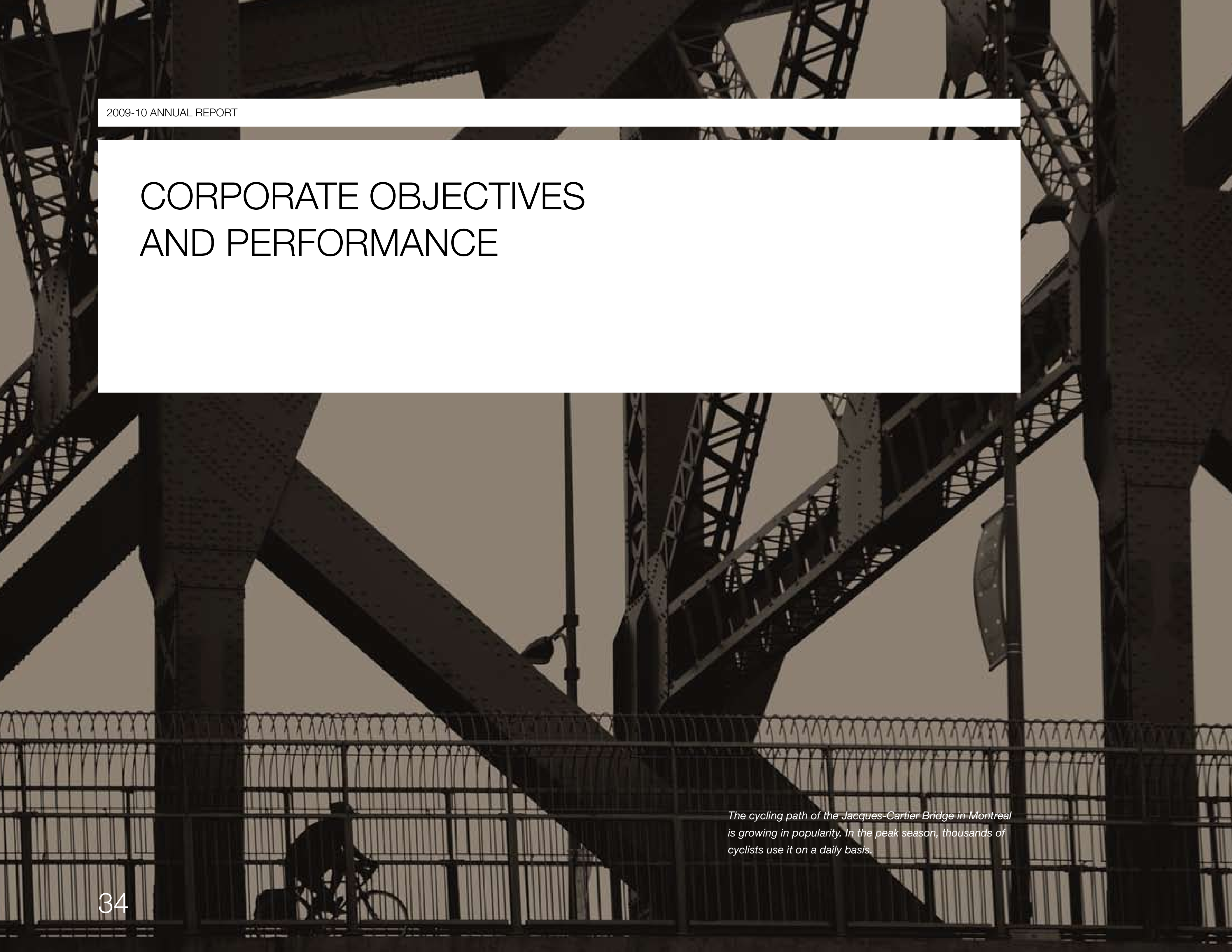
Officers and Senior Management

Micheline Dubé
President and CEO

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

The Sault Ste. Marie International Bridge is operated through a an international Canada/US agreement.

CORPORATE OBJECTIVES AND PERFORMANCE



The cycling path of the Jacques-Cartier Bridge in Montreal is growing in popularity. In the peak season, thousands of cyclists use it on a daily basis.

FBCL's overriding goal is to ensure its bridge structures remain safe and efficient and that it has the financial resources to carry out the major capital expenditures required to achieve this outcome. However, the 2008 Special Examination by the Office of the Auditor General identified two significant deficiencies in the areas of financial sustainability and corporate governance that are interfering with FBCL's efforts to attain its goal. Five key strategic objectives were set by FBCL's Board and management for 2009-10 in response to these deficiencies.

Objective 1

Ensure the FBCL Board functions according to best governance practices

The Auditor General's 2008 Special Examination 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. As well, the parent Board does not receive all the information it needs in a timely fashion to carry out effective oversight, duties are not clearly defined, parent Board members receive little training and orientation and the appointment process for subsidiary boards is not clear. Further, the small size of FBCL's Board (4 members) makes it difficult to have the appropriate mix of skills and experience needed to oversee the wide-ranging affairs of the Corporation.

During 2009-10, progress was made towards achieving this ongoing objective. In 2008-09, FBCL engaged the Conference Board of Canada to review and propose improvements to its current structure. It is now acting upon these suggestions through a proposal to simplify the corporate structure. The implementation of these changes can be complex and in some instances would require legislative amendments. In the interim, FBCL is undertaking actions within its existing authorities to overcome many of the deficiencies in governance. During 2009-10, by-laws were amended to clarify roles, responsibilities and accountabilities for the Chairperson, directors and management. Information requirements of the FBCL Board were confirmed and improvements were made in the training of directors and in assessing their performance and that of the Board.

Next Steps for 2010-11

a) A quarterly reporting system will be set up through the CEO to provide timely information for analysis and decision making by the parent Board.
b) Issues identified in board self-assessments will be addressed; progress in meeting training needs of directors will be monitored.
c) Headquarters will assume a greater role in areas of finance, strategic planning, risk management, engineering policy, and the environment.
d) A corporate-wide internal audit plan will be established and managed centrally from head office.
e) Development of an enterprise risk management system will begin.

Objective 2

Achieve financial viability sufficient to maintain safe and efficient bridge structures.

FBCL is facing a severe funding shortfall in the resources needed to carry out major rehabilitation of its ageing bridge portfolio in Montreal. JCCBI has identified large funding requirements over the next 10 years for major maintenance and capital across all of its structures based on bridge inspection reports. Yet, the subsidiary's funding (almost exclusively through parliamentary appropriations) was set to decline in 2010-11 to a level that would not allow it to continue operations.

During 2009-10, progress was made on all fronts to make FBCL more financially viable. Special funding was provided to JCCBI through the federal Budgets of 2009 and 2010 for the Champlain and Honoré Mercier bridges and the Nun's Island approach. As well, JCCBI's ongoing funding was replenished sufficient for it to continue regular operations and to undertake urgent repairs in 2010-11. Work will continue during 2010-11 on making the subsidiary financially viable over the long term.

In addition, FBCL has a sustainability risk at its Cornwall crossing due to lower toll revenues following the ongoing dispute with the Mohawk community over the potential arming of Customs officers. In 2009-10, SIBC received special government funding of $894K to partially offset higher operational costs and lost toll revenue due to the closure of the Seaway International Bridge in summer 2009 as a result of the Mohawk/CBSA dispute.

The Thousand Islands and Sault Ste. Marie international crossings remained self-sufficient. Of major note, FBCL received approval of $44M in special funding and is seeking approval for a $5M loan to rehabilitate the Customs plaza at the Sault Ste. Marie International Bridge.

Next Steps for 2010-11

a. Review all revenue-generating possibilities.
b. Seek approval of new long-term funding for JCCBI to address major rehabilitation of bridge infrastructure.
c. Seek approval to proceed with construction of a new North Channel Bridge in Cornwall.

2009-10 Indicators/Targets	2009-10 Performance
Obtain approval of appropriate reference levels for JCCBI and develop a funding plan to implement 10-year capital and maintenance programs for all FBCL bridges.	Progress was made. The 2009 and 2010 Budgets provided $212M to JCCBI for a 10-year rehabilitation program for the Champlain Bridge and additional funding for the Nun's Island approach, the Honoré Mercier Bridge project and ongoing operations and maintenance. Also, FBCL continues to work with the government in reviewing long-term funding options for JCCBI. The Sault Ste. Marie and Thousand Islands crossings remain financially viable but a long-term sustainability issue will exist at Cornwall, at a minimum until the Mohawk/Customs issues are resolved.
Review and confirm a 10-year expenditure plan for each bridge during 2009-10.	A 10-year expenditure plan was included for each bridge in the 2009-10 to 2013-14 and 2010-11 to 2014-15 corporate plans.

Objective 3

Manage major bridge and construction projects successfully (well designed, well built, on time, within budget).

1. Honoré Mercier Bridge: Major Rehabilitation

JCCBI launched the deck replacement project for both the federal and provincial sections of the Honoré Mercier Bridge following successful negotiations with the Mohawk Council of Kahnawake. With no other nearby bridges for diverting traffic, the bridge deck will be replaced with prefabricated panels to allow the four lanes of traffic to remain open while the re-decking work is underway, the same method used for the Jacques Cartier Bridge in 2001-02. Prefabrication of deck panels began in 2008-09 and the work will continue over four construction seasons from April to November of 2009 to 2012. The project is divided into two contracts, Contract A for the span crossing the Kahnawake Reserve, awarded to a consortium of Mohawk contractors (MBC – the Mohawk Bridge Consortium), and Contract B for the span over the St. Lawrence. The total budget for this project is $135M.

2. Seaway International Bridge: North Channel Bridge Replacement and Corridor Improvements.

This project originally consisted of a new North Channel Bridge, rehabilitation of the Customs plaza and relocation of the toll plaza. Costs were estimated at $75M in 2005 and funding was provided in Budget 2006. However, the project has been delayed as negotiations with the Mohawk Council of Akwesasne have failed to reach agreement on expansion of the Customs (CBSA) facilities, the arming of Customs officers, re-location of the toll booth, a new bridge pass agreement, and enforcement of tolling by the native police.

The project progressed during 2009-10 with completion of an environmental assessment and designs for the new bridge. FBCL continues to work with Transport Canada officials on a plan to proceed with construction of a new bridge.

3. CBSA Facilities at Sault Ste. Marie

The CBSA facilities must be replaced as the buildings are undersized and overcrowded and health and safety issues have been identified. In addition, the commercial and passenger vehicles are experiencing long delays and congestion. The project will take approximately five years at an estimated cost of $49M, $44M of which is coming from the Gateways and Border Crossings Fund through a contribution agreement with Transport Canada and $5M through a credit facility with a major bank.

Next Steps for 2010-11

a. Manage all major projects in a timely manner per set objectives and deliverables and within budget.

2009-10 Indicators/Targets	2009-10 Performance
1. Honoré Mercier Bridge project: tender Contract B and select the proponent.	Progress was made. Contract A is proceeding well. Ramp 4 was completed with the entire workforce composed of Mohawk personnel. Contract B was tendered and proposals were received from three qualified proponents, but the awarding of a contract has been delayed to 2010-11 due to issues regarding Quebec law and Mohawk jurisdiction.
2. North Channel Bridge project: obtain approval to use the approved $75M to construct a new North Channel bridge.	FBCL is working with Transport Canada on this issue.
3. During 2009-10, begin the project to construct new CBSA facilities in Sault Ste. Marie: acquire and demolish properties on Queen Street; construct temporary CBSA facilities; and demolish various existing CBSA buildings.	The project is progressing well with selection of a lead consultant for full design services. Properties have been acquired on Queen Street and demolition has begun.

Objective 4

Ensure FBCL's bridge portfolio is safe, well-maintained and run efficiently.

This objective was met. Annual inspections of the international bridges were performed by teams of qualified consulting engineers with FBCL participation, all critically identified deficiencies were addressed and the inspection reports were submitted to Transport Canada in accordance with requirements under the *International Bridges and Tunnels Act*.

At Montreal, actions were taken on the most important recommendations contained in reports on each bridge prepared by specialized inspection firms. Also, JCCBI awarded a tender for a Pre-feasibility Study Pertaining to the Replacement of the ageing Champlain Bridge. This study is being undertaken in collaboration with the Ministère des transports du Quebec through a cost-sharing agreement. A life-cycle cost and cost/benefit analysis will follow comparing the options of a new crossing versus repairing the existing structure. Approximately 35% of the study was completed in 2009-10 and a final report is expected in November 2010.

Next Steps for 2010-11

a. Establish preventive measures and re-confirm protocol with well-communicated roles and responsibilities among all stakeholders.
b. Expand the role of the corporate engineering committee to share intelligence and best practices for completing annual inspections and critical maintenance.
c. Ramp up JCCBI employment to give more capacity in engineering, contracting administration and the environment for delivering multi-phase projects.
d. Implement year 2 of the 10-year maintenance program for the Champlain Bridge.

2009-10 Indicators/Targets	2009-10 Performance
Complete the annual engineering inspections, address all critical deficiencies that are identified and ensure Transport Canada receives inspection reports consistent with legislative requirements.	Target was met. All recommended safety and high priority works on FBCL bridges were completed in accordance with environmental regulations and policies JCCBI has undertaken action on 26 of the most important recommendations from its inspection reports. SIBC deferred deck repairs for the North Channel Bridge due to the 2-month closure of tolling activities. Repairs will proceed in 2010-11, pending a decision on the construction of a new bridge. A $1,9M concrete deck overlay was completed on the Canadian span of the Sault Ste. Marie International Bridge within budget. Items noted in inspection reports are being prioritized for the 2010-11 maintenance program.
Implement and report on the 10-year maintenance program for the Champlain Bridge.	JCCBI successfully completed the first of a 10-year special maintenance program for the Champlain Bridge.

Objective 5

Effective communications to keep Parliament well informed.

This objective was met by maintaining sustained communication links with key staff, including a standing committee composed of inter-governmental representatives. Over the coming years, communications with key stakeholders will be maintained and reinforced through projects such as the construction of a new North Channel bridge in Cornwall, the deck replacement project at the Honoré Mercier Bridge and the new Customs Plaza in Sault Ste. Marie. An excellent ongoing relationship has been established regarding key announcements, crisis resolution, advance notice and systematic exchange of information.

Next Steps for 2010-11

a. Continue improving communications within the FBCL portfolio.
b. Initiate community contribution studies to clearly identify the value of the various bridge crossings for all stakeholders.

2009-10 Targets	Results
Ensure the government is informed of all important communications issues in a timely manner.	This objective was met. Communications issues were dealt with proactively through a standing committee involving all key government and private stakeholders (if required) with systematic proactive information distribution on all upcoming events and operational issues.

Photos: Charles-Henri Debeur

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Within days of launching the Internet blog for the Honoré Mercier Bridge deck replacement project, hundreds of bridge users subscribed to the site. The blog provides real time information on the progression of the project and allows bridge users to share opinions and concerns. André Girard, FBCL's Vice-President, Communications appears in the top photos at a conference on social media. In the bottom photo, M. Girard celebrates with Jean-Vincent Lacroix, Communications Chief at JCCBI (on the right), and the AGC Communications team after receiving the Gold Prize from the "Société québécoise des professionnels en relations publiques" in the Electronic Interactive Category.

MANAGEMENT DISCUSSION AND ANALYSIS

The Honoré Mercier Bridge connects Kahnawake on the South Shore to the Island of Montreal.

This Management Discussion and Analysis (MD&A) assesses the operations and financial status of the Corporation for the fiscal year ending March 31, 2010, compared with the corresponding prior year. It should be read in conjunction with the 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 audited financial statements.

Corporate Overview

During 2009-10, FBCL successfully completed its 11th year of owning and operating some of the most important and strategic fixed-link crossings in Canada. The financial results for the year were influenced by the economic slowdown in North America, the temporary closing of the international crossing at Cornwall, the strong Canadian dollar and low interest rates throughout the year. As well, expenditures were significantly higher as major bridge rehabilitation projects are under way. The Corporation nevertheless maintained its attention to crossing safety and security, fiscal responsibility and protection of the environment. Those factors are, and will remain, top priorities for FBCL and its subsidiaries.

Business Environment

In delivering its mandate, FBCL is affected by external trends which highlight its strengths, generate opportunities, create challenges and contribute to its risks. These trends are monitored continuously and plans are adapted to address significant fluctuations.

As a federal Crown corporation, FBCL is first and foremost impacted by the operating environment of the federal government. The 2009 Budget led to important infrastructure spending throughout Canada as part of the Economic Action Plan. FBCL received funding in Budgets 2009 and 2010 for maintenance and rehabilitation of its bridge infrastructure in the Montreal area. However, as the economy recovers, the federal government is putting forward plans to eliminate the deficit which includes spending restraint for all of government, including Crown corporations. FBCL will need to aggressively manage its risks and proactively seek partnerships and revenue generation opportunities together with government funding and approvals to realize necessary major bridge rehabilitation projects.

Economic Situation

Most of the world's largest economies appear to be exiting the global economic recession and have shown some growth. The global recession has had a significant impact on Canadian export markets with important economic and employment losses in the manufacturing sector. This situation may continue as policies of protectionism and a strong Canadian dollar will likely affect the Canadian export market for the foreseeable future. The substantial reduction in Canadian exports has had a direct impact on cross-border trade and by extension tolling revenue on international bridges.

Traffic Patterns

Within FBCL's core mandate, traffic patterns directly impact the operation of each bridge crossing and related approaches. With the new passport requirements to enter the U.S. and cross-border trade and tourism declining due to the recession, traffic on FBCL's international bridges was forecast to drop by 10% in 2009-10 before slowly recovering over the next few years. Traffic in Montreal is a function of the population and is increasing over time. Migration from the Island of Montreal to the suburbs including south shore municipalities continues and has increased traffic congestion at all South Shore bridges. This trend requires continuing modifications to accommodate a greater demand for public transportation.

Stakeholder Relationships, Coordination and Communication

FBCL has a variety of stakeholders who interact and influence the operations and policies of FBCL bridges on an ongoing basis. For instance, federal partners such as Transport Canada and Canada Border Services Agency, provincial and municipal governments and agencies, U.S. governments and agencies, and law enforcement agencies each add a layer of complexity. FBCL bridges are also economic, social and tourism lifelines for surrounding communities, as both transportation infrastructure for bridge users and a consumer of goods and services from local businesses. Changing stakeholder needs or new government policies can significantly impact bridge operations. FBCL must remain cognizant of each stakeholder's objectives and concerns so that it can continuously coordinate and communicate mutually beneficial plans.

Aboriginal Communities

Bridges in both Cornwall and Montreal are located on, adjoin or cross the Mohawk reserves of Akwesasne and Kahnawake, which adds to the complexities of operating these crossings. FBCL must satisfy the Crown's "duty to consult" aboriginal groups whose actual or potential rights could be affected by government actions. This introduces several opportunities, risks and complexities not faced elsewhere and the building of relationships can lead to extended negotiations that impact major capital projects as well as operations.

Strategic Issues

FBCL's strategic considerations relate to its mandate of ensuring its bridge structures are safe and efficient and that it has the significant financial resources to undertake the major capital expenditures required to deliver this mandate. FBCL's structures are among the busiest and most important fixed-link crossings in Canada, however, much of this infrastructure is approaching the end of its 50 to 80 year life expectancy and will soon require major work.

There are two significant issues as identified in FBCL's 2008 Special Examination:

1. Unresolved funding requirements and a threat to financial sustainability – Significant (and unfunded) capital expenditures must be undertaken in Montreal and Cornwall where the structures will require considerable rehabilitation over the next 10 years. This funding shortfall threatens FBCL's ability to maintain current service levels and could increase the risk to safety. Also, FBCL is experiencing a decrease in toll revenues at international bridges.

2. The complex organizational structure has interrupted the flow of appropriate and timely information, leading to difficulties in oversight by the FBCL Board with respect to the affairs of FBCL and its subsidiaries. FBCL is in the process of addressing these deficiencies by adopting best practices to improve corporate governance.

The Sault Ste. Marie International Bridge.

Location Specific Overview FBCL (Head Office)

The FBCL Head Office manages the affairs of the Corporation and supports the FBCL Board in overseeing all activities. It is responsible for major capital projects as the owner of the Canadian portions of the Cornwall and Thousand Islands crossings and at the Sault Ste. Marie international crossing (since SMRBC has no employees).

Significant 2009-10 Activities

- The appointment of a permanent Chairperson in 2009 has allowed FBCL to take a leadership role in communications with the government, corporate planning and the adoption of best governance practices. At the same time, head office responsibilities were increased in the functional areas of finance and bridge management. To help deliver on these responsibilities, FBCL's management team was strengthened with the addition of a Chief Financial and Administrative Officer and a Vice-President Legal Affairs and Corporate Secretary.
- Additional federal funding was secured for the Montreal bridge infrastructure in 2010-11 and the next few years while the government considers long-term funding options to allow JCCBI to carry out the major rehabilitation that will be necessary over the next 10 years.
- FBCL is moving ahead with a major project to re-construct the Canadian Customs plaza at the Sault Ste. Marie international crossing through the acquisition of properties and the selection of a consultant for design services.
- FBCL is also working with the government to obtain approval to begin construction of a new North Channel Bridge in Cornwall. An environmental assessment and design for the new low-level Bridge were completed and transmitted to the government.
- FBCL initiated negotiation for the renewal of the TIBA Agreement.
- FBCL has set up an Internet real time Blog site to exchange information with bridge users affected by the Honoré Mercier Bridge deck replacement project.

JCCBI

JCCBI's bridge Infrastructure in the Greater Montreal Area was built between 1930 and the mid 1960's and today it is one of the more complex transportation networks in the country. Several structures are jointly owned by the federal and provincial governments, and in the case of the Honoré Mercier Bridge, it is also subject to historical agreements with the local Mohawk community. It requires a high degree of coordination and partnership at all levels of government.

The state of the infrastructure requires continuous monitoring that goes beyond a regular inspection program. Over the next decade, this infrastructure is facing concurrent major rehabilitation projects that have large funding and human capacity requirements to ensure its safety and efficiency.

JCCBI must maintain a partnership with the federal government through FBCL to address funding issues that are of utmost importance to ensure the safety and security of its structures.

Significant 2009-10 Activities

- One of JCCBI's major successes is its management of large contracts to re-deck the federal and provincial portions of the Honoré Mercier Bridge. An agreement between both levels of government and the Mohawk Council of Kahnawake is a first in Canada for a project of this scope, leading to the largest bridge rehabilitation project in Canadian history. A prefabricated concrete deck panel process is being used so that the panels will be replaced one at a time during the night, allowing full access to the bridge during peak rush hours.

- The first year of the 10-year $212M Champlain Bridge Rehabilitation was successfully completed with works valued at almost $13M including: repair and structural reinforcement of 9 pier caps and 9 pre-stressed girders; replacement of support bearings; reconstruction of 2 expansion joints; fabrication of an emergency support beam; and various inspection and monitoring activities. The Corporation also tendered three major contracts for future works valued at $28.4M.

- A cost-shared study with the Province of Quebec was commissioned to examine replacement options for the Champlain Bridge that could support a new public transportation system.

- As per the contractual target dates, 90% of the works to re-construct JCCBI's roadways and overpasses at the northern point of Nun's Island were completed.

SIBC

SIBC operates the Seaway International Bridge crossing at Cornwall through a joint venture between FBCL and the U.S. owner, SLSDC. The toll bridge system comprises a high level bridge in Canada connecting Cornwall to Cornwall Island (North Channel Bridge), roadway across Cornwall Island (Akwesasne reserve), a high level international bridge to Rooseveltown in New York State (South Channel Bridge) and a connecting roadway to U.S. Customs. Toll revenues pay for operating, maintenance, administration and some capital expenses (tolls are not collected for over 60% of transits, mostly Mohawk related).

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

In July 2009, the bridge re-opened and a temporary CBSA customs facility was established in Cornwall. Soon thereafter, a temporary toll plaza was located at the same location and SIBC resumed tolling in Cornwall during August 2009. U.S. Customs and Border Services celebrated the opening of their new port of entry on June 1, 2009. This new facility provides state of the art facilities to support their operations and will be a factor in coaxing travelers to return to this crossing.

Significant 2009-10 Activities

- Bridge closure resulted in important financial impact as no tolls were collected during June and July 2009. Since then, traffic flow has significantly decreased resulting in a large decline in revenues so that the long-term self-sufficiency of the crossing is in doubt. Because of the long duration of the closure, temporary CBSA commercial inspection facilities and the possibility of further disruptions, many commercial truckers have lost business or have re-routed their shipments elsewhere and automobile traffic has declined. The impact was a 39% drop in toll revenues during 2009-10 (from $4.2M in 2008-09 to $2.5M in 2009-10) of which 50% represents the Canadian share.

- Additional expenses were incurred to set up the temporary tolling installations (increase of $592K) and, with the shortfall in revenues, major repairs to the deck of the North Channel Bridge were deferred to future years (maintenance expense down by $725K from 2008-09). On March 31, 2010, Parliament approved special funding of $894K to allow SIBC to break even in 2009-10 years (compared to net income of $954K in 2008-09).

- Stakeholder relationships remain complex and at times strained due to lack of communication or conflicting objectives. This dispute has further delayed construction of the new North Channel Bridge for which funds were allocated in 2006. Without an agreement in principle with the Mohawks concerning all project requirements for the new bridge and the Cornwall Island scope of work, to date only the design for the project and the environmental assessment has been completed.

- SIBC also manages the South Channel (international) Bridge, which is jointly owned with the U.S. and is in good condition. A major re-painting project over the next four years was initiated in 2009-10 at an estimated cost of $22M. (Canadian portion of the works $7M). It involves the application of a new corrosion protection coating system with removal and disposal of the existing coatings, and is being funded from prior years' revenues previously allocated to the Canadian and U.S. owners.

SMRBC – Sault Ste. Marie

IBA, a U.S. agency under the Michigan Department of Transportation, is the bridge operator, reporting to the SSMBA. The bridge is in good condition. Since 2005, the tolling policy has been to adjust tolls as necessary to fund required capital replacement projects (excluding major projects such as the Canadian Customs plaza discussed below).

During 2009-10, the global recession had a negative impact on traffic flow at this border crossing as the downturn in the U.S. housing market reduced demand for Canadian exports, particularly forestry exports. Despite a 10% drop in traffic, however, revenues were maintained through a toll increase in April 2009 and a gain on foreign exchange. Cash flow from operations rose as administration expenses were reduced by almost 30%. The cash flow plus existing investments were used to acquire property needed for the project to renew the Canadian Customs plaza.

Significant 2009-10 Activities

SMRBC received $44.1M from the Gateways and Border Crossings Fund for the renewal of the Custom's plaza. The design work was tendered and awarded to the local firm of EPOH who will undertake the design in a two-staged approach to facilitate the phasing of the construction work. New construction is expected to start in early spring 2011 and work should be completed by March 2014.

Other notes of interest:

- A new international operating agreement came into effect in June 2009.
- SMRBC became a wholly-owned subsidiary of FBCL in September 2009.
- In 2009, a new deck overlay was completed for the Canadian arch span (approximately 250m)

Thousand Islands

This bridge crossing is in a strategic location as the direct gateway for the Capital Corridor initiative, a 500-mile transportation network stretching across one of the busiest geographic areas of Canada and the United States and linking the capital cities of both countries, Ottawa and Washington. The crossing is managed by the U.S. operator, TIBA, with FBCL responsible for overseeing capital projects on the Canadian side. The bridge infrastructure is in good condition and the bridge operations remain profitable, although traffic flow related to U.S. tourism has been negatively impacted by the economic downturn and new U.S. passport requirements. Still, operating income remained positive with the strong Canadian dollar and a reduction in maintenance costs.

Significant 2009-10 Activities

- FBCL is negotiating a new 10-year joint operating agreement with TIBA as the current agreement expires in June 2010. The existing agreement is working well and only minor changes are expected.

- The Warren Truss span deck repair study was successfully undertaken in the fall of 2009. The procedures and methodology to repair the concrete grating infill will be refined and incorporated into future capital deck repair projects.

- The aging Customs facilities will soon require a complete renewal to accommodate CBSA's upgraded requirements for border crossings. Until then, the existing facilities will be minimally maintained.

Operational and Financial Review (Year 2009-10)
Vehicle transits

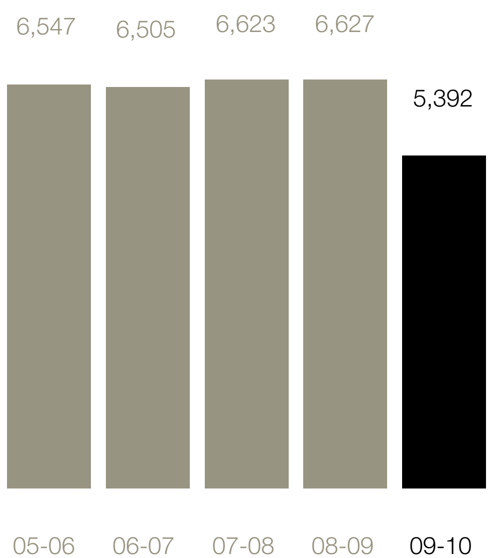
(in millions)

Vehicle transits	Facility
59,400,000[1]	Champlain Bridge
35,800,000[1]	Jacques Cartier Bridge
30,000,000[1]	Honoré Mercier Bridge
4,600,000[1]	Melocheville Tunnel
1,989,274[3]	Thousand Islands Bridge
1,729,120[2]	Seaway International Bridge
1,673,000[4]	Sault Ste. Marie International Bridge
135,191,394	Total

[1] Source - JCCBI
[2] Source - Seaway International Bridge Corporation, Ltd.
[3] Source - Thousand Islands Bridge Authority
[4] Joint International Bridge Authority – Basic Financial Statements

Number of transits–international bridges

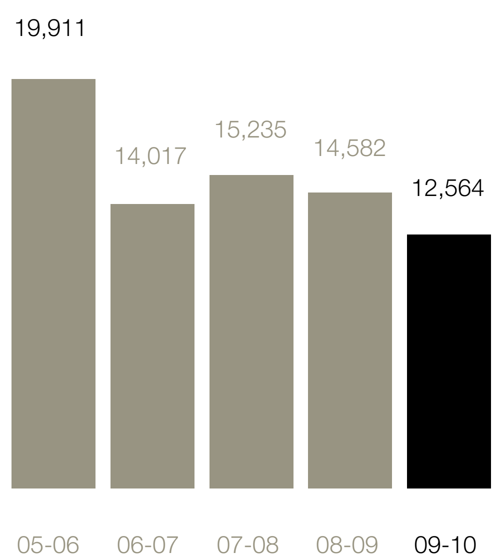
(in millions)



Comment: The number of transits was down over 10% at Sault Ste. Marie and Thousand Islands due to the economic slowdown and new U.S. passport requirements. However, traffic declined by 33% at Cornwall with the additional impact of the Mohawk/CBSA dispute.

Operating Revenues

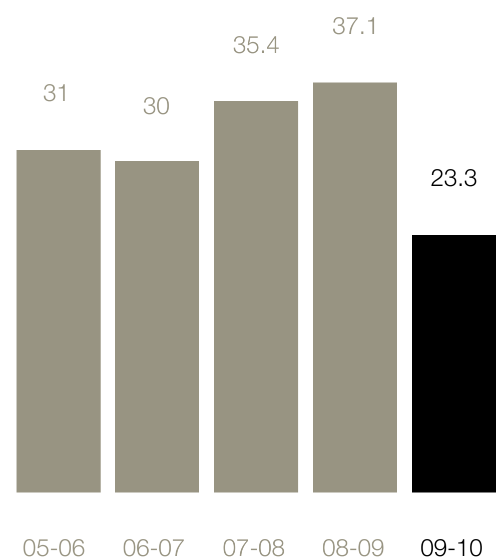
($000)



Comment: With lower toll revenues in Cornwall and low interest rates on investments, operating revenues declined by 12% in 2009-10.

Portion of expenses covered by revenues for all of our structures

(%)



Comment: As a result of the lower revenues, a large rise in maintenance and operations expense in Montreal, and the special funding in Cornwall, the portion of total FBCL expenses covered by revenue fell to 23.3% in 2009-10, almost 40% lower than the portion covered in 2008-09.

Financial Performance

The following provides a review and management perspective of FBCL's:

Consolidated performance versus the prior year

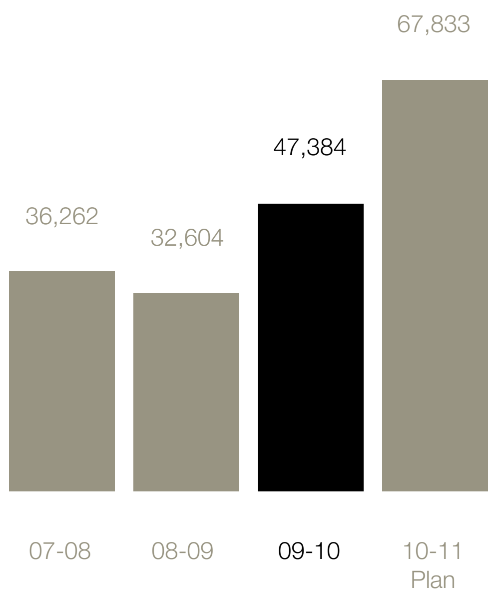
Year ended March 31 ($000)	2010	2009	Change	Explanation of Change
Revenue				Decrease in tolls is attributable to the global recession and new U.S. passport requirements that contributed to overall traffic decline at all FBCL international bridge locations.
Tolls				
Cornwall	1,261	2,134	(41%)	In Cornwall, toll revenues were lower due to the closure of the bridge, and upon reopening, traffic remaining about 25% lower than in past years. In Sault Ste. Marie, a toll increase offset a 10% traffic decline. Thousand Islands traffic declined by 10% as well.
Sault Ste. Marie	2,899	2,879	1%	
Operating revenue - Thousand Islands	3,528	4,071	(13%)	
Leases and Permits	4,626	4,754	(3%)	Decrease due to decline in traffic impacting revenues of duty-free leases.
Other	250	745	(66%)	Decrease due to lower interest rates and a higher exchange rate due to the strength of the Canadian dollar.
Total revenue	12,564	14,582	(14%)	

Year ended March 31 ($000)	2010	2009	Change	Explanation of Change
Expenses				
Maintenance and Operations	35,606	21,185	68%	Increase primarily due to expenditures of the Champlain Bridge 10-year maintenance program ($12.9M). In Cornwall, expenses were reduced due to the bridge closure offset by additional costs incurred to setup temporary tolling facilities in Cornwall.
Administration	9,438	8,200	15%	Increase due to staffing of senior positions in finance, engineering and legal services at JCCBI and FBCL to strengthen the oversight role, ensure delivery of major projects, and meet federal reporting requirements.
Thousand Islands – Operating Expenses	2,339	3,219	(27%)	Decrease due to adjusted spending and deferral of works to offset the reduction in toll revenues.
Total expenses (excluding amortization)	47,383	32,604	45%	
Parliamentary appropriations for operating expenses	36,661	20,327	80%	Increase reflects 2009-10 funding received for Champlain Bridge ten year $212M maintenance program as well as special funding for the bridge closure in Cornwall.
Net Earnings (loss)	24	88	72%	Decrease due primarily to lower toll revenues and higher maintenance, operations and administration expenses.

Year ended March 31 ($000)	2010	2009	Change	Explanation of Change
Consolidated Balance Sheet				
Current Assets	42,642	40,473	5%	Increase due to a higher proportion of short-term investments versus long-term investments.
Current Liabilities	17,107	16,398	4%	-
Fixed Assets	230,306	193,133	19%	Increase due to Honoré Mercier and Nun's Island bridges rehabilitation, Champlain Bridge maintenance works, design works for the Customs plaza rehabilitation project in Sault Ste. Marie and the new North Channel Bridge.
Long term liabilities	196,963	158,547	24%	Increase due to deferred capital funding.
Shareholder's Equity	60,300	60,277	-	-
Parliamentary appropriations for capital	43,156	28,115	53%	Increase due to additional funding for major projects including Honoré Mercier and Nuns Island bridges rehabilitation, Customs plaza rehabilitation project in Sault Ste. Marie and the new North Channel Bridge.

Total Expenses (excluding amortization)

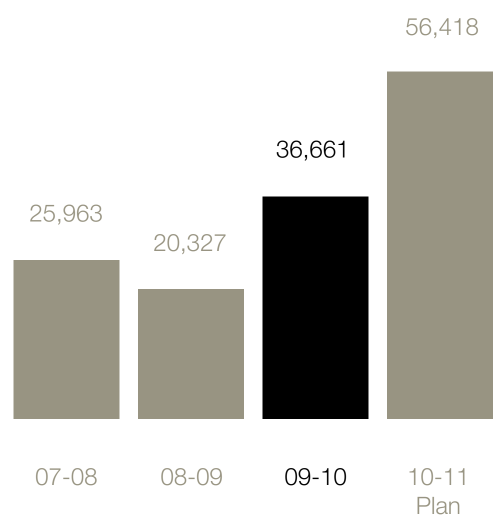
($000)



Comment: Total operating expenses and capital expenditures will continue to rise in order to meet the major rehabilitation requirements in Montreal.

Operating appropriations

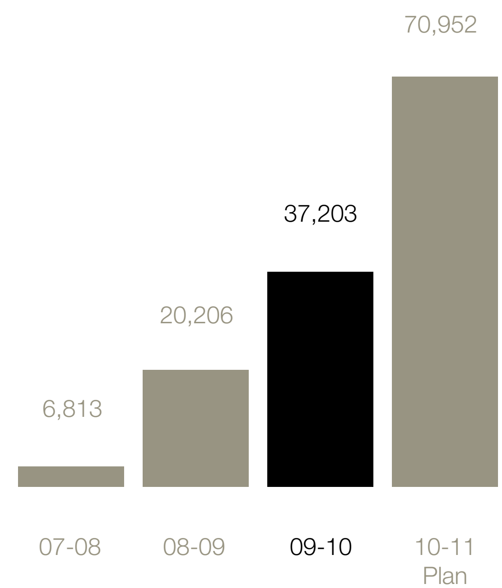
($000)



Comment: Operating appropriations are rising sharply to cover planned major maintenance costs for the Champlain Bridge.

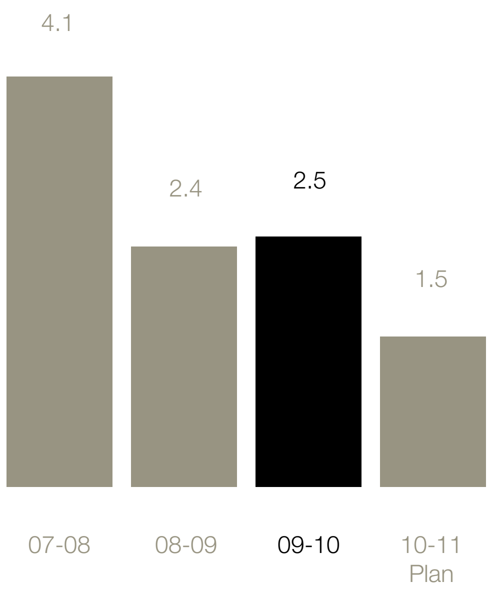
Capital expenditures

($000)



Comment: Capital expenditures are increasing quickly with major projects, on the Honoré Mercier Bridge, the Sault Ste. Marie Customs Plaza and the North Channel Bridge in Cornwall.

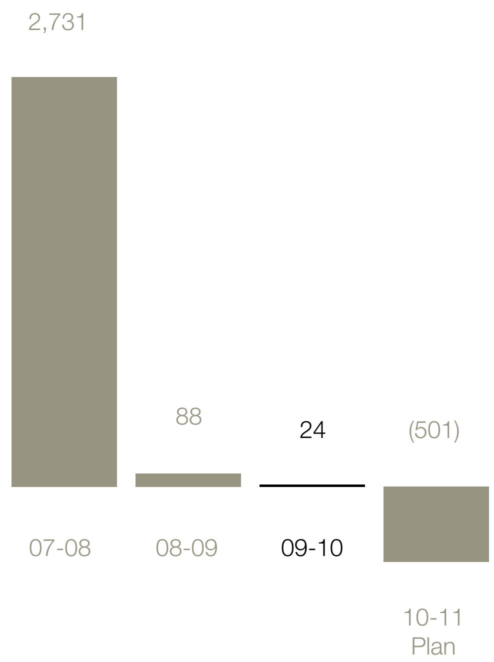
Current ratio



Comment: The current ratio (current assets / current liabilities) gives an indication of liquidity. Higher expenditures for major maintenance and capital will reduce working capital reserves leading to a lower liquidity position in future years.

Net income (loss)

($000)



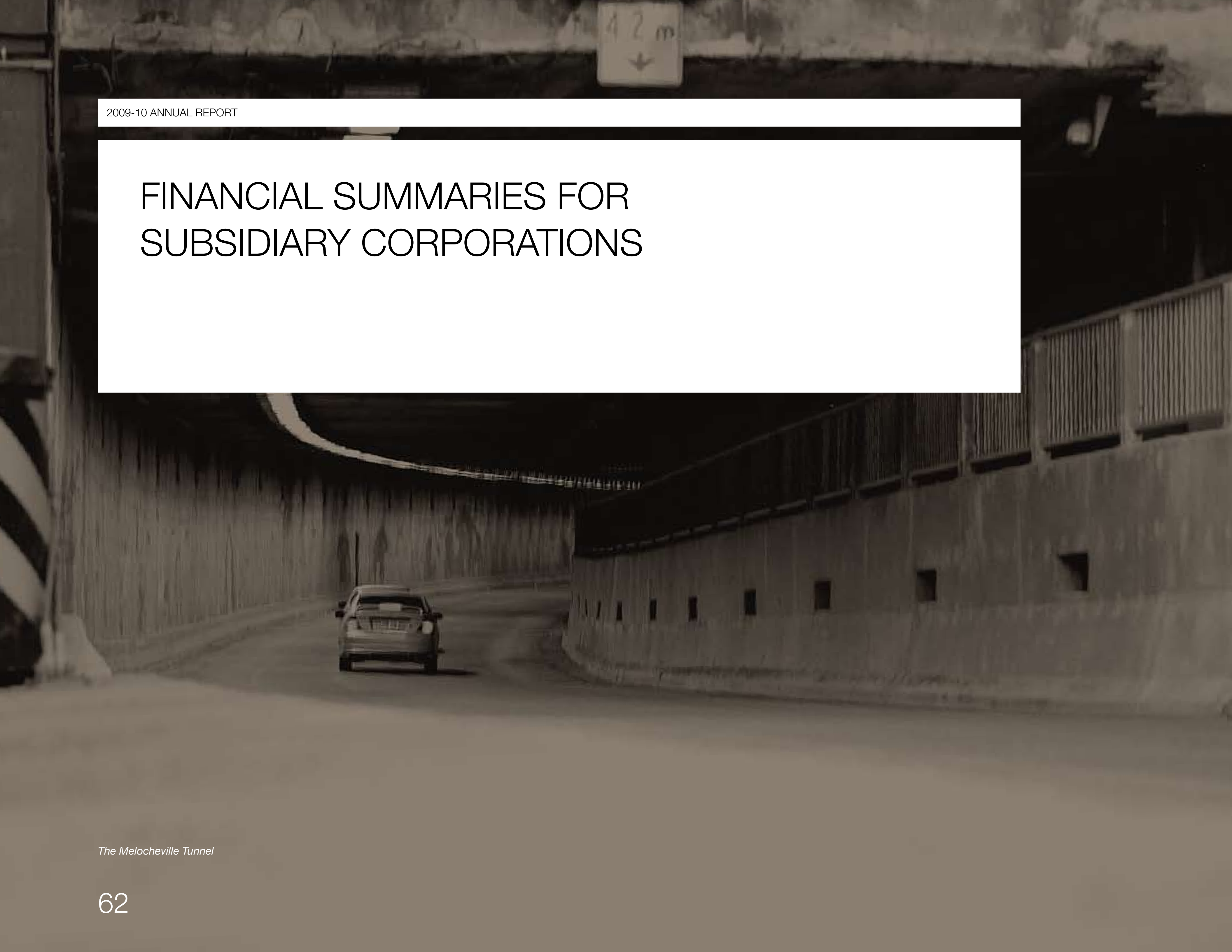
Comment: Net income (loss) steadily declining and representative of high level of infrastructure investment required at this time. Only funded expenditures will be committed.

Consolidated performance versus plan

Year ended March 31, 2010 ($000)	Actual*	Plan	Change	Explanation of Change
Toll revenue	4,160	1,854	124%	Increase primarily due to inclusion of SMRBC toll revenue, partially offset by a small decrease at the Cornwall location.
Other revenue	8,404	6,191	36%	Increase due to inclusion of SMRBC other revenue, partially offset by lower operating revenues at Thousand Island Bridge, a decline in duty-free lease revenues, interest rates and exchange rates
Total revenue	12,564	8,045	56%	
Total expenses	53,981	49,470	9%	Increase due to inclusion of SMRBC expenses.
Loss before government funding	(41,417)	(41,425)	-	-
Parliamentary appropriations for operating	36,661	34,834	5%	Increase due to additional operating costs at JCCBI and special funding for the bridge closure in Cornwall.
Capital expenditures	37,203	77,712	(52%)	Decrease due to delays in awarding of the Contract B and other expenditures on Honoré Mercier Bridge and the painting contract for Cornwall's South Channel Bridge.

*Results include the actual revenue and expenses of SMRBC as it became a wholly owned subsidiary in September 2010.
The planned revenues and expenses of SMRBC are not included Plan 2010 data.

FINANCIAL SUMMARIES FOR SUBSIDIARY CORPORATIONS



The Melocheville Tunnel

JCCBI Financial summary

Year ended March 31 (in dollars)	**2010**	**2009**
Operating results		
Revenues		
Leases and licenses	786 536	765,107
Interest	16 201	64,891
Other	25 154	32,186
Expenses		
Maintenance	27,639 283	13,443,541
Operation	3,864 383	3,793,124
Administration	5 542 452	4,019,888
Amortization of fixed assets	4 891 460	4,656,798
Net loss before government funding	(41 109 687)	(25,051,167)
Parliamentary appropriation for operating expenditures	36 032 932	20,199,531
Amortization of deferred capital funding	4 569 818	4,359,818
Net loss	(506 937)	(491,818)
Balance sheet		
Current assets	17 476 268	16 747 982
Current liabilities	14 284 752	13 556 466
Due from Canada	994 585	233,262
Goods and services tax receivable	46 099	10,812
Fixed assets	199 567 514	162,623,457
Holdback	1 040 684	244,074
Employee future benefits	930 441	864,146
Environmental obligations	1 000 000	1,000,000
Deferred capital funding	189 514 227	152,579,528
Shareholder's equity	11 314 362	11,371,299
Financial position		
Operating activities	5 024 434	(874,779)
Investing activities	(35 078 867)	(18,743,162)
Financing activities	35 197 867	19,396,610
(Decrease) increase of cash flow	5 143 434	(221,331)

SIBC Financial summary Year ended March 31

(in dollars)	**2010**	2009
Operating results		
Revenues		
Tolls	2,521,265	4,153,793
Rentals	175,705	164,866
Investments	127,220	155,143
Gain on exchange	-	113,106
Others	7,800	12,022
Expenses		
Maintenance	952,121	1,677,208
Tolls collection	1,378,677	827,638
Administration	887,903	948,351
Amortization	186,756	192,079
Foreign currency loss	54,997	-
Net (loss) income before special funding	(628,464)	953,654
Contribution from the Federal Bridge Corporation	628,464	-
Net income	-	**953,654**
Balance sheet		
Current assets	5,460,952	2,615,942
Current liabilities	1,642,785	1,340,864
Investments	-	2,250,000
Capital assets	638,749	792,545
Bridge and infrastructure betterments	24,205	57,165
Provision for employees future benefits	296,318	269,822
Capital stock and debentures payable	16,000	16,000
Due to venturers	4,168,803	4,088,966
Financial position		
Operating activities	(405,550)	1,270,757
Investing activities	250,000	(1,775,453)
Financing activities	(29,012)	(160,196)
Decrease in cash	(184,562)	(664,892)

SMRBC Financial summary Year ended March 31

(in dollars)	**2009**	2008
Operating results		
Revenues		
Tolls	2,899,054	2,879,256
Leases and licences	252,448	273,431
Investments	54,793	90,166
Other	106,586	162,884
Expenses		
Maintenance	1,364,926	1,331,682
Tolls collection	884,739	914,474
Administration	780,425	1,085,757
Amortization	554,489	532,697
Net income	(271,698)	(459,074)
Balance sheet		
Current assets	3,244,078	3,948,305
Current liabilities	1,538,933	1,601,989
Capital assets	8,222,314	7,910,968
Deferred capital funding	312,159	370,286
Capital stock	1,500	1,500
Retained earnings	9,613,800	9,885,498
Financial positions		
Operating activities	161,044	176,904
Investing activities	(599,936)	(333,996)
Increase (decrease) of cash and cash equivalents	(438,892)	(157,092)

Risk and Risk Management

At FBCL, there are three levels of risk that need to be identified, assessed, managed and communicated:

- **Strategic Risks** are key risks that can impact on the successful achievement of the strategic outcomes of the organization (changes in legislation, regulations, compliance, people risks, organizational structure and business processes);

- **Operational Risks** are key risks that generally impact activities, program or project outcomes (business continuity, people risks, insurance, project management, documentation and records, security and IT); and

- **Financial risks** are risks focusing on financial targets, budgets, financial monitoring and internal controls (accuracy of financial information, fraud, forecasts and funding requirements).

FBCL's risk management regime is designed to identify these risks and develop mitigation strategies. Key risks are those which could impede our ability to achieve the strategic outcome – to provide the highest level of custodianship so that our bridge structures are safe and efficient for users. The two key risk areas identified in the 2008 Special Examination by the Office of the Auditor General and confirmed by FBCL's Board of Directors that impact our ability to achieve our strategic outcome are: (i) financial sustainability; and (ii) corporate governance. The efforts of FBCL to mitigate these risks are summarized in the previous two sections: Corporate Objectives and Performance and MD&A. During 2010-11, FBCL will begin development of an Enterprise Risk Management system that will allow it to mitigate risks using a systematic process.

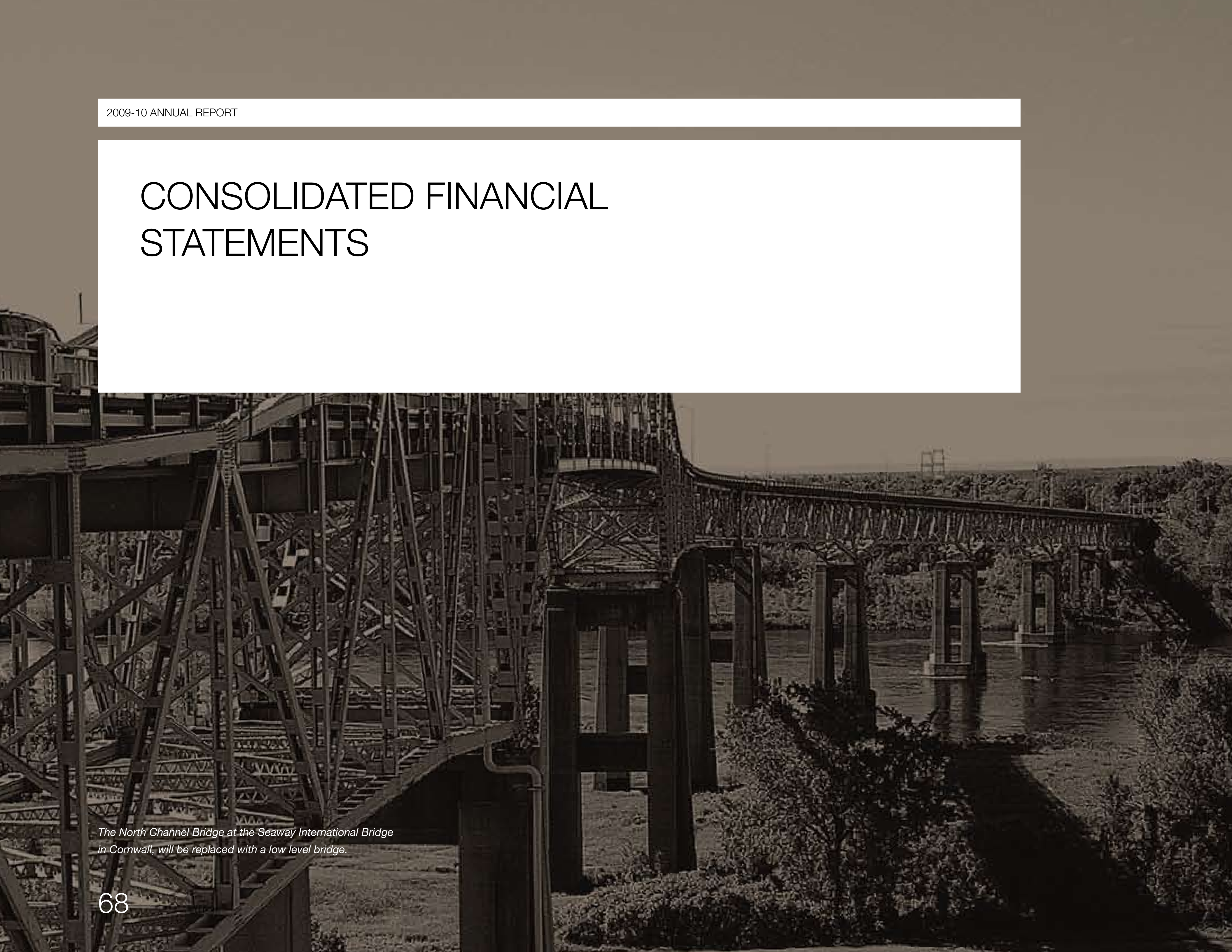
Financial Reporting and Public Sector Accounting Standards

In September 2009, the Public Sector Accounting Board of Canada approved an amendment to the Introduction to Public Sector Accounting Standards. As a result, entities that are classified as Government Business Enterprises with self-sustaining, commercial-type operations will be required to follow International Financial Reporting Standards for periods beginning January 1, 2011. The Government Business-Type Organization classification has been eliminated. Organizations that were considered Government Business-Type Organizations are now categorized as Other Governmental Organizations and must make a choice between International Financial Reporting Standards and Public Sector Accounting Standards dependant on an evaluation of user needs for their financial information. FBCL is an Other Governmental Organization and, after completing this analysis, will make the transition to Public Sector Accounting Standards.

The amendments take effect for fiscal periods beginning on or after January 1, 2011. The transition requires a retroactive application with re-statement of prior periods, under guidance to be issued by the PSAB for first-time adoption of Public Sector Accounting Standards by government organizations.

This is a significant undertaking from both a governance and accountability perspective for FBCL's management, the respective Audit Committees and the Board of Directors. Extensive coordination with all of the FBCL subsidiaries is required. The transition will impact current accounting policies, procedures and processes, internal controls and financial systems.

CONSOLIDATED FINANCIAL STATEMENTS



The North Channel Bridge at the Seaway International Bridge in Cornwall, will be replaced with a low level bridge.

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 *Act to incorporate St. Mary's River Bridge Company*, 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 11, 2010

Auditor General of Canada
Vérificatrice générale du Canada

Auditor's Report

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, 2010 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, 2010 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 *Act to incorporate Sf. Mary's River Bridge Company*, the *Canada Marine Act* and regulations and the articles and by-laws of the Corporation and its wholly-owned subsidiaries.

John Rossetti

John Rossetti, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 11 , 2010

Consolidated Balance Sheet As at March 31, 2010

(in dollars)	2010	2009
ASSETS		
Current		
Cash	**16,800,979**	22,524,048
Short-term investments (Note 5)	**12,586,890**	2,005,621
Accounts receivable	**735,153**	816,649
Accrued interest receivable	**86,343**	95,387
Prepaid expenses	**354,274**	504,265
Due from Canada (Note 6)	**12,078,261**	14,526,842
	42,641,900	40.472,812
Long-term		
Due from Canada (Note 6)	**1,040,684**	244,074
Long-term investments (Note 5)	**381,203**	1,371,771
Fixed assets (Note 7)	**230,306,054**	193,133,159
	274,369,841	235,221,816
LIABILITIES		
Current		
Accounts payable	**16,246,101**	15,787,518
Deferred revenue	**860,569**	610,703
	17,106,670	16,398,221
Long-term		
Client deposit	**110,389**	171,518
Due to joint venturer (Note 8)	**1,445,066**	1,400,505
Holdback (note 9)	**1,040,684**	244,074
Employee future benefits (Note 12)	**1,141,371**	1,286,828
Environmental obligation (Note 19)	**1,000,000**	1,000,000
Deferred capital funding (Note 10)	**192,225,346**	153,697,652
Non-controlling interest	**-**	746,271
	196,962,856	158,546,848
	214,069,526	174,945,069
Commitments (Note 17) and Contingencies (Note 18)		
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized		
Unlimited number of shares, without par value		
Issued and fully paid		
1 share	**1**	1
Contributed capital	**53,664,379**	53,664,379
Retained earnings	**6,635,935**	6,612,367
	60,300,315	60,276,747
	274,369,841	235,221,816

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, 2010

(in dollars)	**2010**	2009
Revenues		
Tolls	**4,159,687**	5,012,704
Leases and permits	**4,626,172**	4,753,498
International Thousand Islands Bridge operating revenues (Note 11)	**3,528,049**	4,070,657
Interest	**172,694**	661,310
Other	**77,528**	83,686
	12,564,130	14,581,855
Expenses		
Maintenance	**30,095,600**	16,052,666
Operations	**5,511,552**	5,131,800
Administration	**9,437,623**	8,200,243
International Thousand Islands Bridge operating expenses (Note 11)	**2,339,246**	3,219,457
Amortization	**6,597,312**	6,695,189
	53,981,333	39,299,355
Loss before government funding and share of non-controlling interest	**(41,417,203)**	(24,717,500)
Government funding		
Parliamentary appropriation for operating expenses	**36,661,396**	20,327,353
Amortization of deferred capital funding (Note 10)	**4,627,945**	4,417,945
	41,289,341	24,745,298
Earnings (loss) before extraordinary gain and share of non-controlling interest	**(127,862)**	27,798
Extraordinary gain (Note 4)	**137,952**	-
Earnings before share of non-controlling interest	**10,090**	27,798
Share of non-controlling interest	**13,478**	60,038
Net earnings and comprehensive income	**23,568**	87,836

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

Consolidated Statement of Retained Earnings

For the year ended March 31, 2010

(in dollars)	**2010**	2009
Balance, beginning of year	**6,612,367**	6,524,531
Net earnings and comprehensive income	**23,568**	87,836
Balance, end of year	**6,635,935**	6,612,367

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

Consolidated Statement of Cash Flows

For the year ended March 31, 2010

(in dollars)	**2010**	2009
OPERATING ACTIVITIES		
Net earnings	**23,568**	87,836
Non-cash items		
Variation in fair value of financial instruments	**-**	7,458
Amortization of fixed assets	**6,597,312**	6,695,189
Amortization of deferred capital funding	**(4,627,945)**	(4,417,945)
Increase (decrease) of client deposit	**(61,129)**	71,518
Increase in long-term amount due from Canada	**(796,610)**	(244,074)
Increase of holdback	**796,610**	244,074
Decrease in provision for employee future benefits	**(145,457)**	(45,244)
Extraordinary gain (Note 4)	**(137,952)**	-
Share of non-controlling interest	**(13,478)**	(60,038)
Net changes in non-cash working capital items (Note 13)	**3,397,560**	(377,435)
Cash flows from operating activities	**5,032,479**	1,961,339
INVESTING ACTIVITIES		
Acquisition of investments	**(11,593,093)**	(16,999,517)
Disposal of investments	**2,002,392**	26,788,881
Business acquisition (Note 4)	**(140)**	-
Acquisition of fixed assets	**(37,202,664)**	(20,205,850)
Cash flows used in investment activities	**(46,793,505)**	(10,416,486)
FINANCING ACTIVITIES		
Increase in amount due to joint venturer	**44,561**	30,242
Increase in deferred capital funding	**35,993,396**	19,054,974
Repayment of obligation under capital lease	**-**	(7,248)
Cash flows from financing activities	**36,037,957**	19,077,968
Net increase (decrease) in cash	**(5,723,069)**	10,622,821
Cash, beginning of year	**22,524,048**	11,901,227
Cash, end of year	**16,800,979**	22,524,048

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

Notes to Consolidated Financial Statements

As at March 31, 2010

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. On September 1, 2009, the Federal Bridge Corporation Limited acquired the remaining 9,33 % of the outstanding voting and participating shares, for an amount of $140 (Note 4).

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

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

2. ACCOUNTING CHANGES

a) Adoption of new accounting standards

Effective April 1, 2009, the Corporation adopted the following new sections of the Canadian Institute of Chartered Accountants' (CICA) Handbook:

Financial Instruments - Disclosures

In June 2009, the CICA amended Handbook Section 3862, "Financial Instruments – Disclosures" to improve financial instrument fair value and liquidity risk disclosures. All financial instruments measured at fair value should be classified according to three levels of importance:

Level 1 – Financial instruments are considered Level 1 when their valuation can be based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

Level 3 – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Disclosures on liquidity risk have also been amended to include a maturity analysis of the financial and non-financial liabilities.

The amendments apply to annual financial statements for years ending after September 30, 2009, and early adoption is permitted. To allow financial statement preparers the chance to adapt, the CICA has decided not to require comparative figures for the new disclosures in the first year of application. Since the amendments only concern disclosures, there is no impact on the Company's earnings or financial position. Disclosures are included in Note 22.

b) Future accounting changes

Public sector accounting standards

During the year, the Public Sector Accounting Board (PSAB) reviewed the definitions for government organizations and eliminated the category "government business type organizations". The Corporation concluded that it is considered as an other government organization. As an other government organization, the Corporation has determined that the most appropriate basis of accounting to meet the needs of financial statements users would be accounting standards published by the PSAB. The Corporation will adopt PSAB accounting standards for the fiscal year beginning April 1, 2011. The Corporation is currently assessing the impact of adopting these accounting standards.

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

b) Parliamentary appropriations

Parliamentary appropriations used to cover the excess of expenses over operating revenues 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, are capitalized. Repairs and maintenance are charged to operations as incurred.

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

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

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

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

Bridges and roads	2% - 7%
Bridge and infrastructure betterments	10%
Vehicles and equipment	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 subsidiaries and its joint venture are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Corporation recognizes the cost of future severance benefit over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

Pension plan

All employees of the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, and the joint venture, The Seaway International Bridge Corporation Ltd., participate in the Public Service Pension Plan administered by the Government of Canada. The subsidiary and the joint venture contribution to the plan reflect the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the subsidiary and the joint venture and are charged to operations on a current basis. The subsidiary and the joint venture are not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

The 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 estimated.

g) Environmental obligations

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

h) 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 Bankers acceptance Deposit certificates
Financial assets held to maturity	Term Deposits
Loans and receivables	Accounts receivable Accrued interest receivable
Other Financial liabilities	Accounts payable Client deposit Due to the joint venturer Holdback

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

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

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

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

4. BUSINESS ACQUISITION

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

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

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

(a) The transaction created negative goodwill totalling $732,801 of which $594,849 was applied against fixed assets and $137,952 was accounted for as an extraordinary gain.

5. INVESTMENTS

The Corporation invests in the money market. The investments are mainly composed of term deposits, bankers acceptance and deposit certificates. These investments are held-to-maturity and held-for-trading and the rate of return on investments varied between 0,16% to 4,40% for the year ended March 31, 2010 (2,19% to 4,78% in 2009). On average, the term to maturity is 153 days (315 days in 2009).

(in dollars)	2010	2009
Short term		
Held-to-maturity investments		
Term deposits (Fair value of $1,918,057 in 2010 and $898,341 in 2009)	1,875,000	875,000
Held-for-trading financial assets		
Bankers acceptance	9,981,600	-
Deposit certificates	730,290	1,130,621
Total	12,586,890	2,005,621
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	381,203	246,771
Total	381,203	1,371,771

6. DUE FROM CANADA

The current amount represents parliamentary appropriations of $10,077,130 for major transactions and projects of the subsidiary The Jacques Cartier and Champlain Bridges Incorporated and amounts payable to the subsidiary St. Mary's River Bridge Company of $405,593 for reconstructing the border services square (Note 20). The current amount also includes a special financing of $894,000 to the joint venture, The Seaway International Bridge Corporation, Ltd. relating to the temporary closing of the bridge and relocation of the tollbooths (Note 15) and an amount of $701,538 for works related to the replacement of the Cornwall North Channel bridge.

The long-term amount represents the consideration for the portion of the holdback of the subsidiary The Jacques Cartier and Champlain Bridges Incorporated, related to an agreement, which will be paid only in December 2013 (Note 9).

When paying the holdback in 2013, the subsidiary will submit an application for funding to the Treasury. This application will only be a request for funds.

7. FIXED ASSETS

(in dollars)		**2010**		2009
	Cost	**Accumulated amortization**	**Net book value**	Net book value
Land	**4,556,027**	**-**	**4,556,027**	4,615,223
Bridges and roads	**307,045,951**	**154,073,915**	**152,972,036**	158,058,620
Vehicles and equipment	**7,484,339**	**5,924,340**	**1,559,999**	1,885,181
Buildings	**5,481,776**	**3,384,151**	**2,097,625**	2,308,232
Bridge and infrastructure betterments	**1,109,142**	**1,097,039**	**12,103**	28,583
Projects in progress	**68,108,264**	**-**	**68,108,264**	25,237,320
Costs arising from environmental obligation (Note 19)	**1,000,000**	**-**	**1,000,000**	1,000,000
Equipment under capital lease	**52,811**	**52,811**	**-**	-
	394,838,310	**164,532,256**	**230,306,054**	193,133,159

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

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

8. DUE TO JOINT VENTURER

Due to the joint venturer bear interest at a rate which varies between 2,27% and 3,10% (3,03% and 3,82% in 2009) 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, 2010, their carrying amounts approximated their fair value.

9. 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 work. However, these warranty periods will end at a common date specified in the contract being December 17, 2013. The contract provides that the subsidiary will pay the holdback (reduced, if applicable, by any amount payable by the contractor pursuant to the warranty clauses of the contract) after the expiration of the warranty period. Interest will be applicable to the holdback after the issuance of certificates of completion.

10. DEFERRED CAPITAL FUNDING

(in dollars)	**2010**	2009
Balance, beginning of year	**153,697,652**	130,000,186
Parliamentary appropriations to finance the acquisition of amortizable fixed assets	**43,155,639**	28,115,411
Amortization	**(4,627,945)**	(4,417,945)
Balance, end of year	**192,225,346**	153,697,652

11. INTERNATIONAL THOUSAND ISLANDS BRIDGE OPERATING REVENUES AND EXPENSES

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

12. EMPLOYEE FUTURE BENEFITS

a) Pension benefits

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

(in dollars)	**2010**	2009
Corporation	**892,950**	805,396
Employees	**368,661**	308,525

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)	**2010**	2009
Accrued benefit obligation, beginning of year	**1,558,230**	1,616,918
Current service cost for the year	**205,463**	204,402
Benefits paid during the year	**(383,867)**	(263,090)
Accrued benefit obligation, end of year	**1,379,826**	1,558,230
Short-term portion included in accounts payable	**(238,455)**	(271,402)
Long-term portion	**1,141,371**	1,286,828

13. NET CHANGES IN NON-CASH WORKING CAPITAL

(in dollars)	**2010**	2009
Decrease in accounts receivable	**81,496**	534,016
Decrease in advance to joint venturer	**-**	440
Decrease (increase) in accrued interest receivable	**9,044**	(61,920)
Decrease (increase) in prepaid expenses	**149,991**	(279,257)
Decrease in amount due from Canada	**9,610,824**	1,166,641
Increase (decrease) in accounts payable	**(6,703,661)**	(1,696,013)
Increase (decrease) in deferred revenue	**249,866**	(41,342)
Net changes	**3,397,560**	(377,435)

In this chart, an amount of $7,162,243 ($9,973,903 in 2009) is excluded from the amount of the due from Canada and from the accounts receivable due to capital asset acquisition.

14. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These operations are measured at the exchange amounts, which is the value of the consideration established and agreed upon by the related parties. During the year, the Corporation recovered costs totalling $2,486,875 ($1,149,814 in 2009) from related parties. As at March 31, 2010, the Corporation recorded accounts receivable of $1,882,659 ($625,509 in 2009) from related parties.

15. SPECIAL FINANCING FOR THE SUBSIDIARY THE SEAWAY INTERNATIONAL BRIDGE CORPORATION LTD.

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

In July 2009, the bridge re-opened and a temporary CBSA customs facility was established in the city of Cornwall. Soon thereafter, it was resolved by the SIBC Board of Directors that a temporary toll plaza be located at the same location. The SIBC resumed its tolling operations in Cornwall on August 3, 2009.

On March 31, 2010, special funding in the amount of $894,000 for the SIBC to cover operational and maintenance costs due to the temporary closure and relocation of its toll facilities in Cornwall was approved by the Parliament. This funding will be provided in the form of a contribution to the SIBC through the FBCL.

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

The reconciliation of this funding is presented below.

(in dollars)

Total contribution	894,000
Contribution used in 2009-2010	628,464
Contribution deferred in 2010-2011	265,536

Since these funds had not been received as at March 31, 2010, an accounts receivable was recorded.

16. CREDIT FACILITIES

The subsidiary, the Ste Mary's River Bridge Company has a non-revolving term credit facility totalling $5,000,000 which has not been drawn upon during the year because as at March 31, 2010, approval from the Minister of Finance regarding the term of the transaction, and approval of the Governor in Council of the corporate plan of the parent company, The Federal Bridge Corporation Limited, as per Section 127 of the *Financial Administration Act,* had not been obtained. The credit facility will be used to finance property acquisitions relating to the Canadian Plaza Rehabilitation Project at the Sault Ste Marie international bridge (Note 20).

17. COMMITMENTS

a) **Operations**

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 2012, is $3.5 million on an annual basis. This agreement is renewable at maturity unless either party gives notice to the contrary.

b) **Suppliers**

The Corporation has commitments principally for major repairs, supply contracts, maintenance contracts, professional service and rental agreements for amounts totalling $68,618,082. Minimum payments over the next years are as follows:

(in dollars)

2011	62,586,388
2012	3,538,331
2013	1,030,411
2014	559,087
2015 and subsequent years	903,865

18. CONTINGENCIES

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.

19. ENVIRONMENTAL OBLIGATION

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

The most pressing environmental issue facing the Corporation is with the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated and relates to the parcels of land situated on the Bonaventure sector in Montreal (Technoparc sector). The parcels of land, managed by the subsidiary since 1978, are located on a portion of a former waste fill site operated by the City of Montreal from 1866 to 1966. This old landfill site covers several properties belonging to various owners. Since 2003, the subsidiary has carried out investigations and ground-water toxicity tests of these parcels of land and undertaken feasibility studies to determine the required mitigation measures. In light of the complexity of the problem, as well as the presence of several owners and the high costs associated with remedial measures, the Federal government is seeking a global solution to the environmental problem of this site and, in this context, other studies may be necessary.

The cost of the mitigation measures to be put in place cannot be reasonably estimated at this time and the cost-sharing aspects between the different owners involved will need to be determined. However, based on estimates of some costs put forward in a study conducted in 2005 and a study completed in 2006-07, the subsidiary has assessed an estimated liability of $1,000,000 as at March 31, 2010 ($1,000,000 as at March 31, 2009). 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.

20. MAJOR REHABILITATION WORK

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

Honoré Mercier Bridge (Montreal)

The replacement of the deck on the federal portion of the Honoré Mercier Bridge is expected to be carried out by way of two contracts. In June 2006 the Treasury Board approved an initial amount of $85 million and a second amount of $50 million in January 2009 for this project to be carried out, including direct and indirect costs. These amounts were based on an estimate made by a consultant within the framework of a feasibility study. As of March 31, 2010, the total estimated cost amounts to $135 million. The deck replacement work began on the bridge during 2009 and is expected to be completed in 2012.

Northern Point of Nuns' Island (Montreal)

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 amount 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 was mostly carried out during 2009.

Champlain Bridge (Montreal)

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

Rehabilitation of the Canadian Customs Plaza (Sault Ste Marie)

In September 2009, a contribution agreement with the Government of Canada was reached to rehabilitate the Canadian Customs Plaza at the Sault Ste Marie international bridge. This agreement provides access to $44 million in financing originating from funds for border entrances and crossings. Work began in 2010 and should be completed by 2014.

21. CAPITAL MANAGEMENT

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

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

22. FINANCIAL INSTRUMENTS

Fair value

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

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

Financial instruments measured at fair value that must be classified in the fair value hierarchy are composed of investments held as at March 31, 2010. They are classified as Level 1.

Derivatives

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

Financial risk management objectives and policies

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

The maximum exposure of the Corporation to credit risk as at March 31, 2010 is as follows:

(in dollars)	**2010**	2009
Cash	**16,800,979**	22,524,049
Short-term investments	**12,586,890**	2,005,621
Accounts receivable		
Federal government departments	**13,118,945**	14,770,916
Other	**821,496**	1,479,920
Long-term investments	**381,203**	1,371,771
	43,709,513	42,152,277

The credit risk associated with cash and short-term investments is reduced substantially by ensuring that cash surpluses are invested in highly liquid investments. The Corporation's policy is to invest cash surpluses in low-risk instruments owned by the Government of Canada or by a member of the Canadian Payments Association. As at March 31, 2010, these financial assets are invested in term deposits, bankers acceptance and deposit certificates (note 5). Management believes the risk of loss is remote.

The credit risk associated with accounts receivable is minimized since a large portion of the amount is owed from federal government departments generally within 90 days (Note 6), except the holdbacks which are payable in 2013 (Note 9). As at March 31, 2010, accounts receivable from federal governmental departments comprised 94% of the total amount due (91% as at March 31, 2009).

Liquidity risk

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

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

The maturities of the Corporation's financial liabilities are estimated by management to be as follows:

(in dollars)	Less than 3 months	3 months to 1 year	Over 1 year	Total
Accounts payable	13,881,621	2,811,480	-	16,693,101
Client deposits	-	-	110,389	110,389
Due to joint venturer	-	-	1,445,066	1,445,066
Holdback	-	-	1,040,684	1,040,684
	13,881,621	2,811,480	2,596,139	19,289,240

Market risk

The Corporation is subject to interest rate risk on its investments. To minimize this risk, the Corporations's investment policy specifies that the Corporation invest excess cash in very liquid and low risk instruments. If interest rates had varied by 1% during the year, the interest revenue from cash balances would have varied approximately $40,832 ($136,366 in 2009).

Investments and amount due to joint venturer bear interest at a fixed rate and the Corporation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuation. A 1% variation in interest rates at March 31, 2010 would have resulted in a change in the fair value of the Corporation's investments of approximately $54,647 ($29,803 at March 31, 2009).

The Corporation is subject to foreign currency exchange rate risk on tolls collected in US dollars at international crossings. A 1% variation in the average exchange rate during the year would have resulted in a change in net income of $4,817 ($9,191 for the year ended March 31, 2009). 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.

23. FOREIGN EXCHANGE GAIN OR LOSS

The Corporation incurred a foreign exchange gain of $207,393 in 2010 (loss of $62,528 in 2009).

24. INTEREST IN A CO-VENTURE - THE SEAWAY INTERNATIONAL BRIDGE CORPORATION

The consolidated financial statements of the Corporation includes 50% of the assets, liabilities, revenues and expenses of the co-venture The Seaway International Bridge Corporation Limited at March 31 2010 which reflect the payments made to FBCL in previous years for its share of the revenues over expenses.

(in dollars)	2010	2009
Assets		
Current	2,730,476	1,307,971
Long-term	331,477	1,549,855
Liabilities		
Current	821,393	670,432
Long-term	2,236,560	2,183,394
Operations		
Revenues	1,415 995	2,299 465
Expenses	1,730 227	1,822 638
Net loss before special funding	(314,232)	476,827
Portion of the net loss allocated to the american joint venturer assumed by the subsidiary	(314,232)	–
Total subsidiary loss	(628,464)	476,827
Special funding	628,464	–
Corporation share in joint venture	–	476,827
Cash flows		
Operating activities	(202,775)	635,379
Investment activities	125,000	(887,727)
Financing activities	(14,506)	(80,098)

25. 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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List of Abbreviations

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