



The Federal Bridge Corporation Limited

Annual Report

2012-13

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1.0 MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

At The Federal Bridge Corporation Limited (FBCL), we deliver! As I embark on a renewed term with the Corporation, I reflect on how very productive and challenging the last 5 years have been, in particular 2012-13. I continue to be impressed with the professionalism, commitment, integrity and can-do attitude of the FBCL team and its strong relationships with partners. With a very small workforce, FBCL is delivering on very significant infrastructure projects at nearly all of the bridge locations. The combined level of activity is unprecedented for this corporation.

Maintenance and capital works underway include:

- In Cornwall, the construction of the new North Channel Bridge (NCB) is progressing very well and is planned to be opened shortly along with the necessary Canada Border Services Agency (CBSA) facilities.
- In Sault Ste. Marie, property acquisitions for the Canadian Customs Plaza Project are nearly completed and the construction works are being initiated. Planning for a renewed U.S. Plaza Project is also underway.
- At the Thousand Islands Bridge, plans are being elaborated for a new and enlarged Canadian Customs Plaza.
- In Montreal, extensive maintenance works are being carried out on the Champlain Bridge while awaiting the completion of the new bridge across the St. Lawrence. In addition we are completing the rehabilitation of the federal section of the Honoré Mercier Bridge, developing a new temporary île des Soeurs causeway-bridge, continuing important repairs to the Jacques Cartier Bridge and the Bonaventure Expressway as well as developing mitigation measures for the contaminated Technoparc lands.

Further to these works, the linkages of the FBCL assets in Cornwall and Montreal with Mohawk territories provide important opportunities for dialogue and the participation of these communities in the delivery of large scale projects, providing great benefit for all.



Micheline Dubé

From a budgetary perspective, FBCL continues to exercise fiscal prudence in the delivery of its mandate. FBCL's assets are costly and the safety of the FBCL bridges must be ensured at all times. These bridges and associated structures are maintained in accordance with applicable inspection standards set by Canadian and U.S. federal agencies. Inspection programs are in place at all locations to ensure that the most up to date information is available to inform decision-making on short and long-term maintenance programs. The maintenance, repairs and rehabilitation of the bridges that are aging must be optimized to ensure maximum duration and safety. Timing of infrastructure investments is critical. Any new assets must be constructed based on high sustainability principles.

At international bridges, the financial performance is closely linked to the tolls generated by traffic levels that are highly dependent on the strength of the Canadian and U.S. economies. The current financial results are positive however challenges are inherent in our business model. The international bridges continue to experience increased



*Virtual view of the new
Customs Plaza in Sault Ste. Marie*

pressures limiting self-sufficiency. Tolls generated from existing traffic levels are insufficient to build reserves to fund major rehabilitation or replacement projects and, in some cases, to pay for full operations. Direct investment by the Government of Canada has narrowed the gap. As we look to the future, the cost of operating and maintaining the new border facilities are projected to consume or exceed most of the free cash flow. FBCL and its international bridge subsidiaries are reviewing toll rates and other opportunities to increase revenues. FBCL is also working with federal partners to identify funding sources for the future border facilities expenditures.

Montreal area bridges have funding in place to meet immediate needs and we are working to define the future resources needed to meet the long-term maintenance and capital requirements. Resource requirements must be balanced as assets that are at the end of their lifecycle must diligently be monitored and risks actively managed. Proactive investments are also required to ensure that the Montreal transportation network is sustainable. The expenditures are at an all time high for this location as major works are ongoing on the majority of the structures.

As a matter of good business, FBCL continuously reviews its operating costs to ensure it is delivering value for Canadians. It procures its bridge works in an open, fair and transparent manner to ensure best value, it maintains strong control on employee costs and it limits travel to essential business. FBCL also makes efficient use of technology to reach out through social media to communicate essential bridge user information and to provide Canadians with direct visual access to the investments being made in their communities. It also embraces its public accountability responsibility by continuously being responsive to access to information requests, exchanges on a continuous basis with bridge users and meeting all of its legislative reporting requirements.

As long-term success is never achieved on our own, I must conclude by thanking the numerous FBCL partners who provide us with essential support, encouragement and understanding. The past year was filled with accomplishments and I look forward to the year ahead, to deliver even more.



Micheline Dubé, President and CEO



Existing North Channel Bridge in Cornwall

2.0 MESSAGE FROM THE VICE-CHAIR

FBCL is a bridge company focused on infrastructure safety and sustainability. It delivers its mandate with the assistance of three subsidiaries, The Jacques Cartier and Champlain Bridges Incorporated (JCCBI), The Seaway International Bridge Corporation, Ltd. (SIBC) and St. Mary's River Bridge Company (SMRBC) and important international partners. FBCL can look to the accomplishments of the year as a clear demonstration that we are living up to our mandate of "providing the highest level of stewardship so that its assets are safe and efficient for users."

In order to achieve its objectives, FBCL has been clearly focused in recent years on bridge safety and financial sustainability. The firm belief that each of these two elements is integrated has been the guiding principle in all of the FBCL Board's decisions.

The current year financial results of the international bridges have been positive, however even over a number of years these are not sufficient to cover the large capital investments required in these massive bridge structures. In Montreal, the operations are funded through parliamentary appropriations. We have been fortunate to receive continued government support for the major capital projects that have come due at all locations.



Deborah Tropea

As a member from the community of Cornwall, Ontario, I am extremely proud of the advancement of works on the new North Channel Bridge and look forward to the opening of this new low-level crossing in the year ahead. With the demolition of the existing bridge, the realization of this project will forever change the landscape of the City of Cornwall and result in great efficiency improvements for the crossing as well as unlimited opportunities for the City's waterfront.

Equally important is the FBCL renewal project of the customs plaza facilities at the Sault Ste. Marie international bridge. That project will improve the flow of international traffic and result in a very effective northern gateway for decades to come in the heart of the City of Sault Ste. Marie. In addition, a full rehabilitation of the customs plaza at the Thousand Islands international bridge has just recently been announced and FBCL looks forward to starting the detailed planning on that initiative in the next year.

In Montreal, the integration of the transportation networks, which in many cases are operating at capacity, requires extensive coordination between the responsible entities. Significant efforts are being expended to ensure decisions are not made in isolation. The major structures under our responsibility are aged and require major repairs. The particular challenge of the Champlain Bridge continues to be a primary focus with significant investment in maintenance of the structure as we await its replacement by 2021. Most recently, the Government has announced important funding for access to the île des Sœurs crossing that requires a temporary causeway-bridge to be delivered within a few years along with the replacement of three overpasses on Highway 15. The major rehabilitation of the federal section of the Honoré Mercier Bridge is also ongoing.

The past fiscal year has been one of renewal for the FBCL Board of Directors. With the vacancy in the Chair position, as Vice-Chair, I was delegated the responsibility to assume the interim responsibility of leading the Corporation. We welcomed two new members this fall and in a very short time they have strongly contributed to the Board. We were also fortunate to have the CEO's term renewed for an additional two years ensuring consistent leadership for the entity.

FBCL endeavours to continue strengthening the relationships with its subsidiaries and partners. It also continues to participate fully in various government initiatives to improve border crossings, to inform decision-making and to respect fiscal restraint direction. Subsidiaries have also been requested to support FBCL in its efforts. The next five years will be important ones for FBCL as it invests in safety by renewing major infrastructure at all of its bridge locations.



Deborah Tropea



3.0 GOVERNANCE

3.1 FBCL BOARD

RESPONSIBILITY

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

INDEPENDENCE

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

COMMITTEES OF THE FBCL BOARD

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

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

AUDIT COMMITTEE

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

3.2 BOARD OF DIRECTORS REMUNERATION

The Governor in Council establishes the remuneration paid to the FBCL Chair, other Board members and the President and CEO. The remuneration of the Chair and other Board members follows the Government's Remuneration Guidelines for Part-time Governor in Council Appointees in Crown Corporations and is pursuant to section 108 of the FAA. The Chair receives an annual retainer of \$7,500 and a per diem of \$400 for attending meetings of the FBCL and its committees, while other Board members are paid an annual retainer of \$3,800 and a per diem of \$400 for attending meetings of the FBCL

and its committees. Board members are reimbursed for all reasonable out-of-pocket expenses including travel, accommodations, and meals while performing their duties on behalf of FBCL.

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

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

3.3 CODE OF CONDUCT

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

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

3.4 PORTFOLIO MANAGEMENT

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

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



4.0 WHO WE ARE

4.1 MANDATE

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

4.2 VISION

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

4.3 ORGANIZATIONAL OVERVIEW

FBCL is a parent Crown corporation operating at arm’s length from the federal government and is subject to the accountability regime set out in Part X of the FAA. As a Crown corporation, FBCL is accountable to Parliament through the Minister of Transport, Infrastructure and Communities 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 directors. The FBCL Board is accountable for the stewardship of the Corporation and oversight of its subsidiaries. The President and Chief Executive Officer (CEO) is accountable to the FBCL Board for day-to-day management and performance of the Corporation and supports the Board in its oversight role. Each of these positions is appointed by the Governor in Council on the recommendation of the Minister of Transport, Infrastructure and Communities.

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

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

4.4 LEGISLATION AND RESPONSIBILITIES

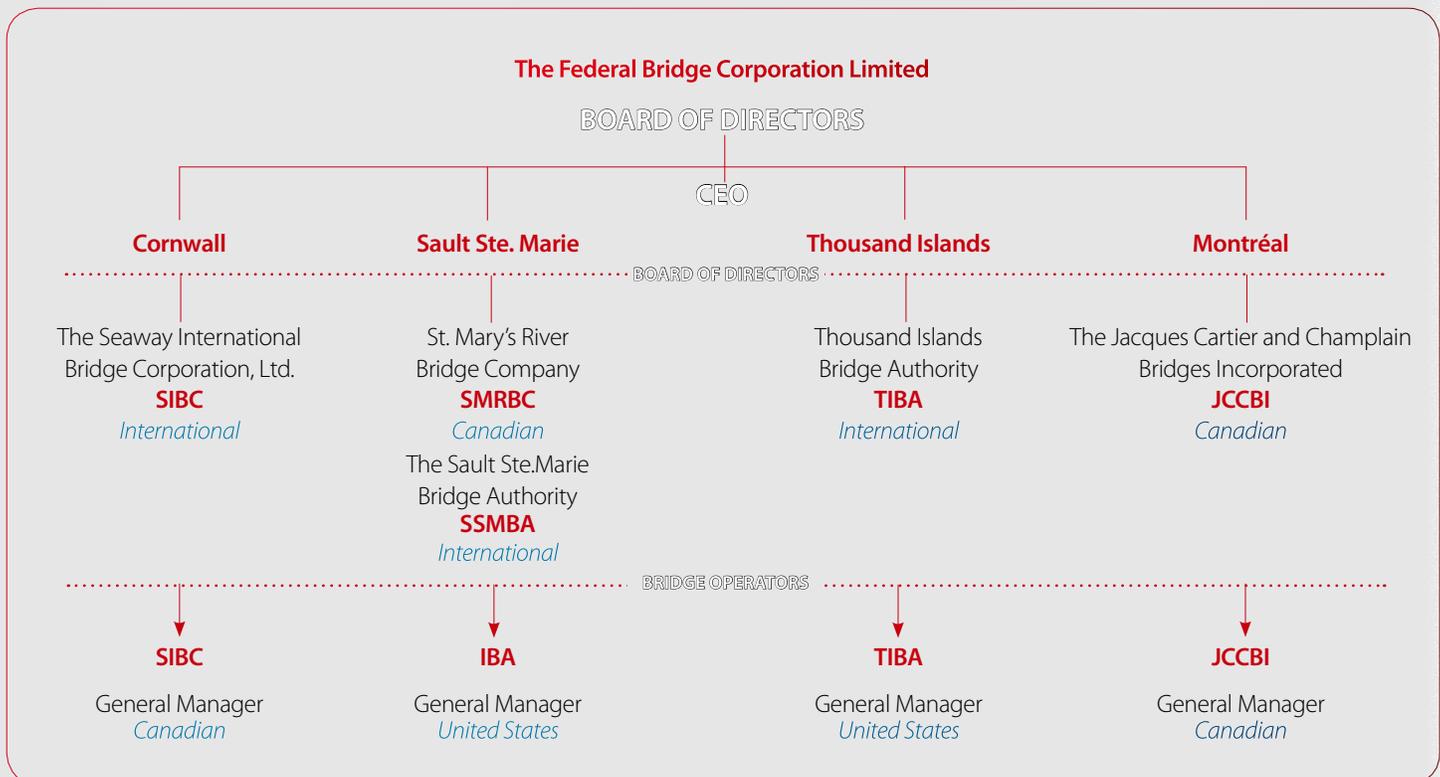
FBCL is an Agent Crown corporation listed under Schedule III-I of the FAA, incorporated in 1998 under the *Canada Business Corporations Act* (CBCA). FCBL’s Articles of Incorporation outline that the business shall, in essence, be limited to:

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

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

In September 2009, FBCL acquired all of the outstanding shares of SMRBC making it a Crown corporation and a wholly-owned subsidiary and owns the Canadian half of the Sault Ste. Marie International Bridge. The IBA (a U.S. government agency) operates the crossing. A new international agreement between the owners of the bridge, SMRBC and the Michigan Department of Transportation (MDOT) came into effect in June 2009.

4.5 ORGANIZATIONAL STRUCTURE



4.6 PUBLIC POLICY OBJECTIVES

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

INTERNATIONAL BRIDGES

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

The FBCL international bridges are:

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

DOMESTIC BRIDGES

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

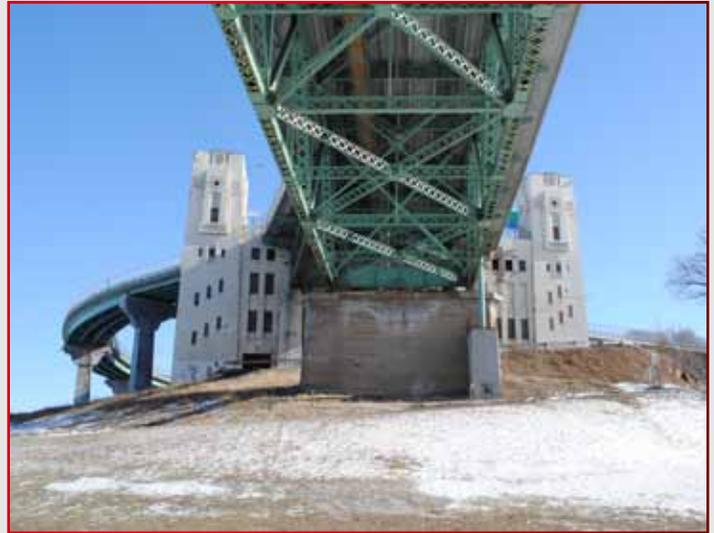
The primary domestic federal bridges include:

1. The Jacques Cartier Bridge is a steel-reinforced five lane bridge with a lane signalling system which allows the reversal of direction of lanes to accommodate rush hours. It runs between Longueuil and Montreal.

2. The Honoré Mercier Bridge connects the borough of LaSalle, on the Island of Montreal, to the Mohawk Reservation of Kahnawake, on the South Shore. The raised portion of the bridges falls under the jurisdiction of the federal government while the remainder of the bridge is under the Quebec government's jurisdiction.
3. The Champlain Bridge and Bonaventure Expressway links the boroughs of Brossard and Verdun and is the busiest bridge in Canada and one of the busiest in North America.
4. The Champlain Bridge Ice Control Structure (Estacade) runs parallel to the upstream portion of the Champlain Bridge and is also used as a bike path. It runs from Île des Sœurs to the banks of the St. Lawrence Seaway.
5. The Melocheville Tunnel, an extension of Highway 132, is located in Melocheville near the Beauharnois hydroelectric power station on the southwest shore of Montreal. The Melocheville Tunnel passes directly under the Beauharnois Canal providing one lane of traffic in each direction.



View of the Thousand Islands Bridge at dawn



The Jacques Cartier Bridge Pavilion in Montreal

4.7 SUMMARY OF OPERATIONS

| Nom | FBCL (Headquarters) | The Seaway International Bridge Corporation, Ltd. (SIBC) | The Thousand Islands Bridge Authority (TIBA) | The St. Mary's River Bridge Company ny (SMRBC) | The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) |
|---------------------------|---|--|---|---|---|
| BRIDGE CLASSIFICATION | | International | International | International | Domestic |
| ESTABLISHED | 1998 under the CBCA | 1962 under the <i>Canada Corporations Act</i> , continued in 1979 under the CBCA. | International agreement originating in 1976. | 1955 as a not-for-profit organization; continued in 2008 under the CBCA | 1978 under the CBCA |
| STATUS WITHIN FBCL | Parent Company | Wholly-owned subsidiary. Joint venture between FBCL and the St. Lawrence Seaway Development Corporation – SLSDC (U.S.). | U.S. bridge operating agency managed by international agreement. | Wholly-owned subsidiary | Wholly-owned subsidiary |
| BOARD OF DIRECTORS | Four Directors appointed by Governor in Council. | Each venturer nominates four Directors in accordance with the bi-national agreement. All eight Directors are appointed by FBCL, with the U.S. Directors appointed on the recommendation of SLSDC. | Headed by a U.S. Chair, assisted by six Authority Directors, three U.S. and three Canadian. All seven Directors are appointed by the Jefferson County Board of Legislators, the Canadian Directors being appointed on the recommendation of FBCL. | Nine Directors, appointed by FBCL. Joint owners of Sault Ste. Marie International Bridge (SMRBC and MDOT). Each owner nominates four Directors to The Sault Ste. Marie Bridge Authority (SSMBA) in accordance with the bi-national agreement. | Five to seven Directors appointed by FBCL. |
| PRIMARY RESPONSIBILITY | Ownership of JCCBI, SIBC and SMRBC. Owner of Canadian bridges and associated structures at international crossings in Cornwall and Thousand Islands. Responsible for oversight and major rehabilitation of Canadian Customs facilities at its international bridges. | 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 by FBCL. The South Channel Bridge, which spans the international border and is owned 32% by FBCL (portion in Canada) and 68% by its U.S. counterpart, SLSDC. | Oversight of international crossing consisting of separate Canadian and U.S. bridges plus small jointly owned bridges in the middle. | Owner of Canadian half of the international bridge and associated structures in Sault Ste. Marie. Appointment of Canadian Directors to SSMBA. | Ownership and management of six major bridges and associated structures in the Greater Montreal Region including: – Jacques Cartier Bridge – Champlain Bridge Corridor – Honoré Mercier Bridge (federal section) – Melocheville Tunnel – Bonaventure Expressway (federal section) – Champlain Bridge Estacade |

4.8 USE OF FUNDS

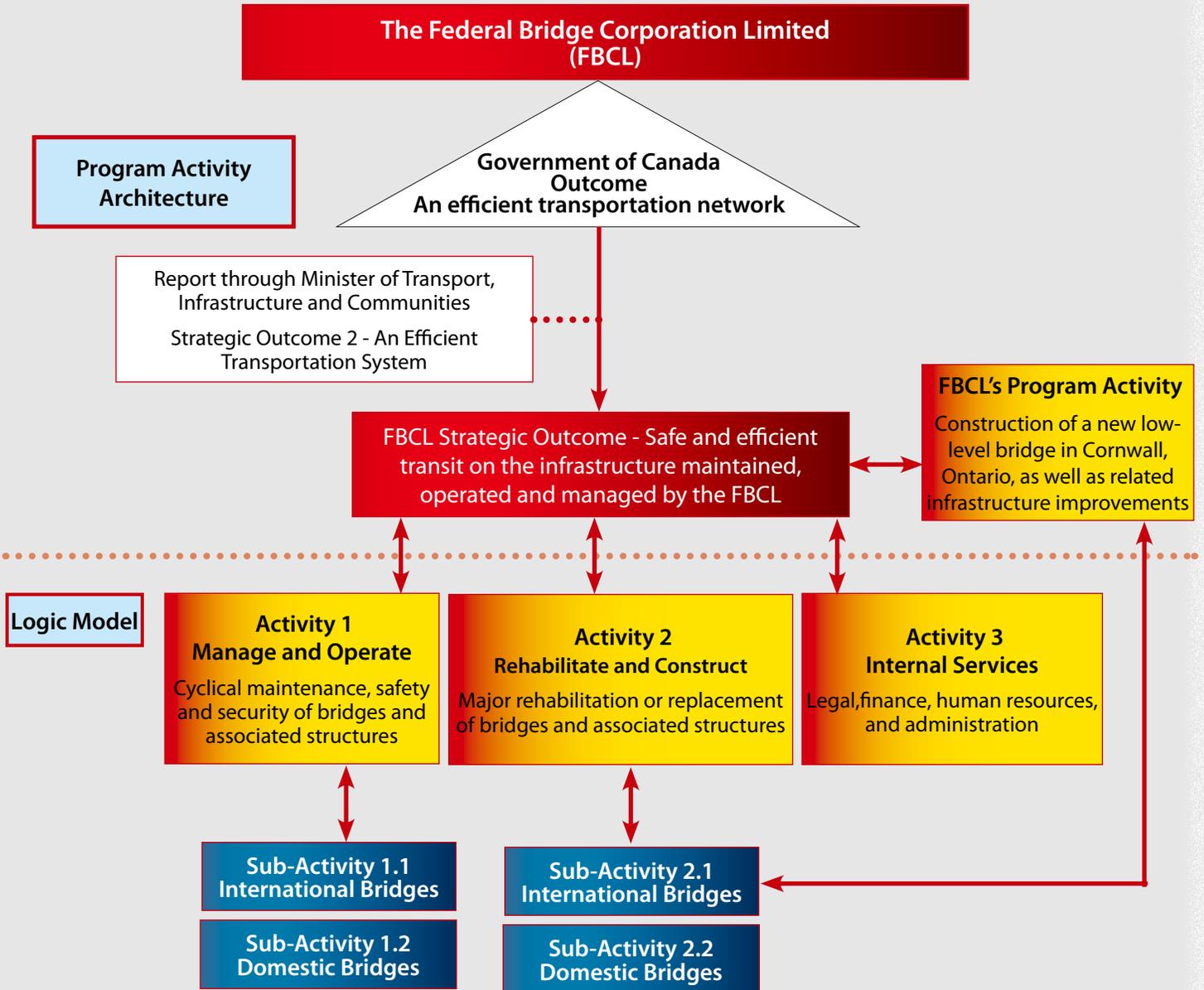
| FBCL (Headquarters) | SIBC | SMRBC | TIBA | JCCBI |
|---|---|---|--|---|
| <p>Operating costs are covered by lease revenues (i.e. TIB Duty Free Store) and publicity panels in Montreal (up to 95% of which is returned to JCCBI to fund security and traffic flow expenditures).</p> <p>Expenditures for CBSA facilities (and if necessary, FBCL operating costs) are funded from Canada's share of net earnings at international bridges.</p> <p>Appropriations and/or contributions are required to fund large capital expenditures (e.g., rehabilitation or replacement of bridges) and CBSA facilities.</p> | <p>Toll revenues cover operating, maintenance and minor capital costs.</p> <p>Each owner is allocated 50% of the remaining revenues to fund their capital expenditures.</p> <p>Canada's share of net earnings funds capital on the North Channel Bridge and 32% of the South Channel Bridge. The remainder, if any, is held to fund future capital repairs.</p> | <p>Toll revenues cover operating, maintenance and most capital costs.</p> <p>SMRBC's 50% share of profit is held in trust by IBA to fund future capital repairs.</p> <p>Major capital projects (e.g., Customs Plaza) are funded partly through federal contributions and a credit facility.</p> | <p>Toll revenues cover operating, maintenance and minor capital costs.</p> <p>Each owner is allocated 50% of the remaining revenues that FBCL disburses for operations and maintenance for CBSA facilities. The remainder, if any is held to fund future capital repairs.</p> <p>Major rehabilitation would require parliamentary appropriations or contributions.</p> | <p>Primarily dependent on parliamentary appropriations for operating and capital expenses, plus minor revenues.</p> <p>Major rehabilitation is funded from project specific parliamentary appropriations.</p> |





5.0 CORPORATE PERFORMANCE

5.1 FBCL PROGRAM ACTIVITY ARCHITECTURE (PAA) / LOGIC MODEL



5.2 PERFORMANCE HIGHLIGHTS

5.2.1 ACTIVITY 1 - MANAGE AND OPERATE

Ensure the ongoing safety of bridges and associated structures through cyclical inspections, maintenance and repairs and review of opportunities for revenue generation at all locations.

- Mitigated risks through regular bridge inspections, completed repairs and identified long-term major maintenance requirements;
- Improved maintenance and operations through innovative measures in construction techniques and materials, structural inspections tools and methodologies;
- Kept stakeholders and bridge users well informed on the status of works and resulting traffic disruptions using social media and other communication tools;
- Continued to work with CBSA to ensure safe and secure passage at all international crossings while allowing for the efficient flow of traffic;

- The fourth year of the major repair program of the Champlain Bridge (\$212M/10-years) was successfully completed. In addition to the work completed within the special funding envelope, additional works were completed for the Champlain Bridge from the 3-year \$227.6M funding for urgent repairs and asset preservation. Extensive maintenance works will need to continue Bridge while awaiting the completion of the new bridge across the St. Lawrence scheduled for 2020–21; and
- The second year of the 3-year \$227.6M funding for urgent repairs and asset preservation was completed with works delivered on Highway 15, the Bonaventure Expressway, the Jacques Cartier Bridge, the Honoré Mercier Bridge, the Melocheville Tunnel and the Champlain Bridge Ice Control Structure.

5.2.2 ACTIVITY 2 - CONSTRUCT AND REHABILITATE

Deliver key funded rehabilitation projects on time and on budget including:

- The new low-level NCB in Cornwall (\$74.8M – 2010 to 2016) - Second year of project featured Contract 2 for the construction phase of the bridge and associated structures with works begun in 2011-12 then continuing into 2013-14. Maintenance and minor repairs continued on the existing NCB;
- The Sault Ste. Marie customs plaza rehabilitation (\$51.6M – 2009 to 2014 with revised completion to 2017) - Designs were completed and approved by CBSA and land acquisitions continued from SMRBC funds. Extended timelines to deliver the project resulted in an additional investment of \$7.3M by the Government of Canada;
- The Thousand Islands Bridge Customs Facility Rehabilitation (\$60M – 2013 to 2017) - Plans are being elaborated for a new and enlarged Canadian Plaza. FBCL has developed a conceptual plan to meet the CBSA Statement of Requirements. The project is in its initial planning phase with the funding mechanism being established with TC;
- The Honoré Mercier Bridge (\$135M – 2009 to 2011 with revised completion to 2014) rehabilitation in Montreal has been extended to 2013-14 due to infrastructure issues on the Quebec portion of the bridge which requires additional works;

Plans are being elaborated with adjacent land owners to address the contaminated eastern sector of the Technoparc lands as well as to rehabilitate the elevated section of the Bonaventure Expressway (federal portion). These plans will be presented together with the longer-term JCCBI long-term funding requirements.

On July 12th, 2012, the Minister of Transport, Infrastructure and Communities and Minister of the Economic Development Agency of Canada for the Regions of Quebec announced the replacement of three overpasses on Highway 15 and the construction of a temporary causeway-bridge between île des Sœurs and Montreal to be managed by the subsidiary, JCCBI. This causeway-bridge, to be constructed by 2014-15 will be in place until the île des Sœurs Bridge is permanently replaced as part of the construction of the new crossing over the St. Lawrence River (\$124.9M – 2013 to 2015).

5.2.3 ACTIVITY 3 – INTERNAL SERVICES

Internal Services are groups of related activities and resources that support the strategic outcome and issues and other corporate obligations of FBCL. As a small entity, FBCL's internal services include management support, and resource management services including finance, internal audit, risk management, strategic planning and reporting, and human resources activities. This professional expertise is integrated in all activities to appropriately manage risks, deliver projects as planned and complete liaison with external federal agencies. Accomplishments included:

- Meeting all legislative and regulatory reporting requirements;
- Continuing to improve the Enterprise Risk Management process by implementing quarterly risk analysis for the FBCL Audit Committee;
- Keeping stakeholders and bridge users well informed on the status of works and resulting traffic disruptions using social media and other tools.
- Completing of the first corporate-wide Internal Audit Plan multi-year plan and of development of a new plan;
- Supporting government budget restraint measures; and
- Completing the conversion to Public Sector Accounting Standards to meet regulatory obligations.

5.3 ACTIVITIES AND MAJOR PROJECTS

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

INTERNATIONAL BRIDGES

Sault Ste. Marie



Bridge condition and planned projects – The annual inspection concluded that the overall condition of the bridge is good. No items which require immediate attention and remedial measures to ensure public safety and structural integrity were identified, due to the strength of the ongoing maintenance program. Regular maintenance activities consistent with the recommendations from the inspection report were carried out this year. Major works planned for the next five years is the repainting of the bridge.

Canadian Customs Plaza Rehabilitation - This project is governed by a contribution agreement from the Gateways and Border Crossings Fund managed by Transport Canada. It includes the expansion and redesign of the existing Canadian plaza at the International Bridge, a new CBSA commercial off-load facility and accompanying passenger processing facility, construction of a third lane inspection area to permit safe undertaking of bus inspections; installation of facilities to support use of NEXUS and FAST frequent traveller programs. The project also includes construction of new Duty Free shop and brokerage operations building.

In 2012, SMRBC successfully completed negotiations with property owners. SMRBC entered into an agreement with TC to realize the project within a funding envelope of \$44.1M. Due to delays the project completion date has been revised to 2017 and the project budget (excluding property acquisitions) now stands at \$51.6M. Property acquisitions are being financed by SMRBC primarily through a \$5M credit facility.

Cornwall

Bridge condition and planned projects - The South Channel Bridge is considered to be in good condition according to inspection reports. The application of a new corrosion protection coating system was completed at a total budgeted cost of \$22M (\$7M Canadian portion). Contract provisions supported hiring labour from the Mohawk community. The existing NCB is currently being replaced. Its concrete deck is rated in poor condition based on annual inspections however; repairs and maintenance will continue to ensure that the bridge can be operated safely.



New Low Level NCB - This \$74.8M project encompasses the construction of a new low-level bridge in Cornwall, to replace the deteriorating North Channel Span of the Seaway International Bridge Crossing, as well as related infrastructure improvements. The new NCB is starting its second year construction in 2012-13 with a completion target of spring 2013 and demolition of the current bridge by 2015-16. The new bridge is scheduled for opening to traffic in the near future with completion of the final approaches and demolition of the old NCB and roadway changes to be completed by 2016.



The project is in Phase III with the construction of the bridge and its approaches progressing very well. The project is on time and on budget. The superstructure support for the deck is completed and the deck work will commence in early spring 2013. Procurement for the remainder of Phase III and Phase IV will be undertaken in 2014 and delivered by 2015-16. In addition to these works, permanent tolling facilities have been planned and will be constructed within the City of Cornwall on federal lands. Transfers will be sought for bridge corridor lands under provincial or federal ownership in order to regularise land title in the bridge corridor.

CBSA Facilities - Preparations are continuing for the relocation of the interim CBSA facilities and plans are being developed to align it with the new bridge. FBCL is currently working with CBSA and TC to build interim CBSA facilities which will align with the new tolling booths required for the opening of the new NCB.

Thousand Islands

Bridge condition and planned projects - The annual inspection concluded that the overall condition of the bridge is good as a result of the strength of the ongoing maintenance program. Regular maintenance activities consistent with the recommendations from the inspection report were carried out this year. A load bearing study will be conducted in the next year to ensure that the bridge integrity is maintained. Major maintenance and capital projects planned in the next five years are as follows:

- rehabilitation of concrete piers at the Canadian bridge;
- asphalt replacement at the Canadian maintenance garage.

Lansdowne Customs Facility Rehabilitation Project - FBCL commissioned the development of a conceptual plan that would analyze the current facilities, factor in future growth, and propose options for moving forward to achieve the CBSA Statement of Requirements conformance. This project is expected to start in 2013-14, and it is estimated that it will take five years to complete. During construction, interim facilities may be needed to maintain CBSA operations and security.

DOMESTIC BRIDGES IN MONTREAL

Honoré Mercier Bridge Rehabilitation

The Honoré Mercier Bridge is a major transportation link that carries some 30 million transits annually. There are two owners that are responsible for the bridge, the federal portion is owned by JCCBI and the provincial portion is owned by Ministère des transports du Québec (MTQ). The bridge is operated by MTQ.

Contract A (original scope) has been completed. Contract B involves fabrication of bridge deck panels being carried out, off of the Mohawk territory. Fabrication of panels is 66% completed and will be 100% completed in 2013-2014. These panels are planned to be installed by the Mohawk Bridge Consortium retained under Contract A. Quebec has requested additional important repairs to be added into Contract A. These works are expected to continue into 2013. Strengthening of JCCBI's section of the bridge was started in 2012-13 and will continue in 2013.



Conflicting jurisdictional issues involving the Mohawk Council of Kahnawake (MCK) and the Government of Quebec required resolution and Quebec modified its law empowering the MCK to determine competency for all Mohawk labour working on the bridge. The project was delayed by 17 months while Quebec and the MCK negotiated labour conditions. In order to resolve labour issues on the Mohawk territory with the Quebec government, a portion Contract B's work was incorporated into Contract A. The challenge is to oversee this unique contract, ensuring that its impact on the travelling public is mitigated. Under Contract A steel work originally in Contract B was started in July 2012 to be completed in 2014-2015. In March 2012, the MTQ withdrew its deck replacement work from the Contract B based on its own assessment of the bridge structure (Quebec portion). Subsequent of the government of Québec's decision, Contract B was limited to the engineering and the fabrication of the concrete panels for the federal section which will be completed in 2013-2014.

As part of Contracts A and B, detailed steel condition surveys for most of the main steel components have been carried out and strengthening works have been carried out to address all requirements. A new multi-year engineering mandate was awarded which requires the Consultant to carry out an inspection and hands-on condition survey of a select number of bearings. A follow up inspection has been completed and a report was available in February 2013. This work is currently underway.

Champlain Bridge and Approaches (Corridor)



This corridor is planned for a complete renewal in the next decade. Significant coordination between the responsible authorities is required to ensure safety and flow of traffic at all times. Timely project delivery from all parties will be essential. It is also important to note that the construction of the île des Sœurs Bridge temporary causeway-bridge impacts many other projects such as most of the overpasses. Now that the final concept has been chosen, some decisions will be taken in order to coordinate all the projects that will be concurrently under way.

Champlain Bridge Maintenance – The Champlain Bridge is approaching the end of its useful life; the bridge is aging prematurely and is slated for replacement. Due to the Champlain Bridge's unique construction involving a system of steel cables that are pre-stressed in concrete beams and post tensioned, it has resulted in this bridge being more susceptible to the impact of corrosive road salt. Important structural repairs to the pre-stressed beams, pier caps, pier shafts and the principal piers of the main span are being carried out as part of a comprehensive ten-year program. Repairs to the structural steel of the main span will also need to be carried out. Other important repairs are the replacement of the roadway expansion joints.

Due to the premature deterioration of the bridge and the large volume of traffic that it carries, JCCBI has obtained a special funding program of \$212M over a ten year period. Although the initial funding request of \$212M has been approved, new structural problems have surfaced and an additional amount funding has been allocated. The additional funding includes costs for paving operations, upgrade of inspection access devices and adjustments in the costs to install the edge-beam external support system (Queen-post system) to the 100 exterior beams, as well in increased costs to intervene on the expansion joints which are now failing on a regular basis and require increased attention.



JCCBI successfully carried out the fourth year of the ten year program. New concerns have arisen regarding risks that need to be mitigated through accelerated maintenance interventions. The behavior and condition of certain structural components such as pre-stressed beams, piers tops and pier shafts (above and below the water line) require that significant measures be undertaken to reinforce these bridge elements.

The purchase of the latest instrumentation is being pursued in order to monitor the behavior of critical bridge elements as part of its risk mitigation strategy.

Île des Sœurs Bridge

The île des Sœurs Bridge that links île des Sœurs to the Island of Montreal and is one of the main approaches to the Champlain Bridge is quickly approaching the end of its useful service life. In 2010, JCCBI commissioned a feasibility study to look at replacement options as part of the overall Champlain Bridge corridor improvement strategy.

In 2012, JCCBI completed an assessment of the île des Sœurs Bridge condition. This assessment report completed by Delcan indicated it would be prudent from a risk management point of view to replace the bridge as planned in 2014-15 and not postpone its replacement. Based on the finding of this report, in June 2012, it was announced by the Federal government that JCCBI has the responsibility of developing a temporary bridge replacement solution involving construction of a causeway-bridge. This will provide an interim solution while the replacement of the overall Champlain Bridge corridor is planned and constructed to align with the new bridge over the St. Lawrence. Funding of \$124.9M was announced in Budget 2013 for construction of the temporary causeway-bridge.

Following the government's announcement in July 2012, a tender document was drafted by JCCBI and provided to Public Works and Government Services Canada (PWGSC) in order to retain a consultant to undertake an environmental assessment and construction drawings and specifications to construct a temporary causeway-bridge. Engineering work and environmental assessment will be completed in spring 2013 in order to launch tenders for the construction of temporary causeway-bridge by summer 2013.

In parallel, JCCBI is examining various maintenance strategies and risk mitigation measures for the current bridge. Works will be carried out on piers, beams and slabs, but also on instrumentation devices and special inspections to ensure adequate risk management for this structure. These strategies must ensure that the crossing between île des Sœurs and the Island of Montreal remains safe.

Highway 15

For safety reasons the lane configuration for Highway 15 was changed permanently to a four (4) lane divided highway. The traffic through this corridor has increased dramatically causing traffic to overflow onto the Champlain Bridge and onto the Turcot interchange. This section of highway needs to undergo a major rehabilitation; the concrete foundation needs to be reconstructed, or portion of the pavement dates back to 1994 and the overpasses along the highway are in need of reconstruction. A project to widen the highway to six (6) lanes is part of the new Champlain Bridge corridor project.

Before works of this important nature can be implemented, temporary pavement works will be needed to address safety issues due to important rutting. Such rutting led the JCCBI to undertake partial

paving works in 2012 and similar works will be needed for the remaining sections before the year 2016 including pavement replacement for the overpasses. Some construction and engineering was completed to further these works in 2012. Further to the pavement works, repairs have been planned on most of the overpasses. As these overpasses are located on Highway 15, within the future Champlain Bridge Corridor, the rehabilitation of these structures will need to be coordinated with the project to ensure funds will be well invested.

Jacques Cartier Bridge



The Bridge is in relatively good condition however the bridge is now over 80 years old and certain elements will require repairs in the next few years, notably repairs to the piers, replacement of bearings, repairs to certain steel components and renewal of the roadway pavement and painting.

The same consultant that carried out the inspection and structural evaluation also had a mandate to prepare drawings and specifications in order to carry out the repairs to some of the most deficient steel members. These engineering works are currently underway. Part of the piers of the downstream ramp were completely repaired and reinforced in 2012 and all pier works will be completed by June 2013.

Following a general assessment of several of the piers, two were targeted for works on a priority basis and a construction contract was awarded in June 2012. A contract to repair one pier was completed in 2012. All construction projects for 2012-13 have been awarded and completed.

Estacade

The Estacade required concrete repair to the piers but these were delayed due to strong water currents. JCCBI is replacing crash barriers on this structure in order to maintain and improve safety for the cyclists and heavy vehicles travelling across the structure (in connection with repair works to the Champlain Bridge). The replacement of these barriers and works were being carried out over two fiscal years. Note as well that the Estacade is used by heavy trucks and cranes for JCCBI's maintenance work as well as the Seaway and Fire department in the event of an emergency or when other structures may be closed for extended periods.

Bonaventure Expressway

A new four-year inspection contract (2012 to 2015) was awarded and field inspection work was started. Inspection reports were completed and published. Works were delivered for engineering, construction

and environmental project mainly on the elevated portion of the Expressway and are a continuation of a program started in 2009. JCCBI therefore adjusted the estimates in order to replace the deck and extend the rehabilitation for one additional year. Due to financial problems of a contractor, some construction works have been delayed to 2013-2014. Other funding was spent for the construction of a portion of roadway which will be used for buses during rush hours to mitigate traffic disruptions caused by the works over the next 5 years. The project is co-funded by the MTQ and the City of Montreal. The traffic disruption consists in the closure of 2 of the 6 traffic lanes necessary to carry out the major repair works to the Expressway. The contract was awarded in October 2012.

Melocheville Tunnel

The Melocheville Tunnel is in relatively good condition however the mechanical and electrical systems for dewatering and ventilation need regular inspection and maintenance. Rehabilitation of the concrete components of the tunnel is also required in both tubes.

A detailed study was started in order to confirm the investments to be done on this tunnel. For the asphalt pavement, a 10 year life cycle for the design life was considered and the paving will have to be replaced in 2013 and 2014. In order to minimize the impacts on traffic in one direction per year, the paving works in the tunnel have been combined with concrete slab repairs, paving the approaches and other concrete repairs in 2015 and in 2016.

Works were completed related to repairing concrete surfaces (to control risks of spalling concrete), repairing/protecting the tunnel's footing, roadway repair work along the approaches and replacing/upgrading mechanical systems which date back to the time of construction and do not meet actual standards. Finally, mechanical and electrical works are required to this structure to manage risks and replace obsolete lighting devices. An engineering mandate to rehabilitate concrete components of the Tunnel was awarded in 2012. This mandate included a hands-on condition survey of almost all of the exposed concrete components (walls, soffit, facades, etc.). The condition survey was completed in April 2012. In January 2013, a photometric study was ordered to install new lighting equipment in the tube's lane.

Environment

Important mitigation measures will be required to contain contaminated groundwater at the former landfill site that borders the Bonaventure Expressway and the St Lawrence River. JCCBI is planning an eventual public tender for a Design-Build-Operate-Transfer (DBOT) project for the confinement of the West Sector of the Bonaventure Expressway. As owner of 50% of the site, the project is being developed in partnership with the Québec Ministry of Environment (MDDEFP). A first agreement with the MDDEFP for the engineering phase was signed in 2011-12 with negotiations of the construction/operation phase agreement completed in 2012-13. A business case has been developed to secure long term funding of the West and East Sector.



Aerial view of a section of the Technoparc and the Bonaventure Expressway

5.4 FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

(Unaudited - for the year ending on March 31)

| (thousands of dollars) | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|-----------------|-----------|----------|----------|----------|
| Revenues | | | | | |
| Tolls | 5,663 | 5,535 | 5,278 | 4,160 | 5,013 |
| Leases and permits | 4,926 | 4,566 | 4,534 | 4,626 | 4,754 |
| Thousand Islands Bridge operating revenue | 3,735 | 3,490 | 3,590 | 3,528 | 4,071 |
| Interest | 550 | 390 | 320 | 173 | 661 |
| Other | 5 | 207 | 280 | 77 | 84 |
| | 14,879 | 14,188 | 14,002 | 12,564 | 14,583 |
| Expenses | | | | | |
| Maintenance | 68,324 | 72,059 | 60,589 | 30,096 | 16,053 |
| Operations | 5,583 | 5,739 | 5,567 | 5,511 | 5,132 |
| Administration | 11,720 | 10,570 | 10,238 | 9,438 | 8,201 |
| Thousand Islands Bridge operating expenses | 3,592 | 3,414 | 3,512 | 2,339 | 3,219 |
| Provision for environmental obligation | 5,402 | 27,100 | - | - | - |
| Amortization * | - | - | - | 6,597 | 6,695 |
| | 94,621 | 118,882 | 79,906 | 53,981 | 39,300 |
| Deficit before government funding | (79,742) | (104,694) | (65,904) | (41,417) | (24,717) |
| Government Funding | 131,326 | 64,076 | 57,900 | 36,661 | 20,327 |
| Amortization of deferred capital funding | - | 7,598 | 5,573 | 4,628 | 4,418 |
| Non-controlling interest | - | - | - | 13 | 60 |
| Extraordinary gain | - | - | - | 138 | - |
| Annual surplus (deficit) | 51,584 | (33,020) | (2,431) | 23 | 88 |

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

6.0 MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) assesses the operations and financial condition of the Corporation for the fiscal year ended March 31, 2013, compared with the corresponding periods. This MD&A should be read in conjunction with our consolidated financial statements and related notes. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Corporation's annual consolidated financial statements prepared in accordance with Canadian Public Sector Accounting Standards.

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

6.1 CORE BUSINESS AND STRATEGY

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

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

6.2 OPERATING CONTEXT

6.2.1 FEDERAL GOVERNMENT PRIORITIES

Budget 2012

Budget 2012 announced the continuation of the Economic Action Plan with a focus on the drivers of growth and job creation, innovation, investment, education, skills and communities. The Government remains committed to return to balanced budgets over the medium term.

- Returning to Balanced Budgets - As an appropriated Crown, JCCBI participated in government initiative to return to balanced budgets and other non-appropriated crowns within FBCL's portfolio are complying with the spirit and intent of this initiative.
- Strengthening Canada's Public Infrastructure and Funding to Upgrade and Modernize Federal Infrastructure - continuation on FBCL's major projects.

- Investing in Border Infrastructure – modernizing customs facilities at international bridges.
- Building a New Bridge over the St. Lawrence – new bridge to be built and managed by Transport Canada will replace the existing Champlain Bridge currently owned and managed by JCCBI in Montreal. JCCBI is also constructing a temporary causeway-bridge for the Nun's Island Bridge which will be replaced by a new bridge to be constructed by TC to align with the new bridge over the St. Lawrence.
- Improving Conditions for Business Investment – reducing time of environmental assessments and the effect of increased travellers' exemptions on cross-border traffic.

Border Plan

The Declaration on a Shared Vision for Perimeter Security and Economic Competitiveness includes a border action plan led by the Department of Public Safety and the U.S. department of Homeland Security. The plan sets out a range of initiatives to promote security and support trade and economic growth, by improving the shared border, by addressing security threats and by supporting prosperity through improved cross-border trade. As CBSA facilities are located at each of FBCL's international bridge crossings, these initiatives have a direct impact on the flow of traffic and the facilities requirements. FBCL continues to engage with its partners, CBSA and Transport Canada to meet the objectives of this action plan. Most notable is the direct mention of significant improvements at the Lansdowne crossing where the Thousand Islands International Bridge is located. Also of importance are the growing scope and footprint of CBSA facilities requirements which are presenting challenges in regards to funding operating and maintenance expenses.

6.2.2 SUPPORT OF GOVERNMENT DIRECTION ON EXPENDITURE RESTRAINT

The Government of Canada continues to be committed to fiscal prudence and expects all federal organizations including those that are not appropriated by Parliament, to adopt the spirit and intent of this direction. FBCL and its subsidiaries remain committed to vigilance in regards to the use of public funds. As such, FBCL and its subsidiaries are focusing on the following:

- i. Changes to Voluntary Severance Benefits - FBCL and its subsidiary SIBC have moved forward to adopt the initiative of ending voluntary severance eligibility to its employees as of January 1, 2012. These benefits were similar to those offered in the broader public service that has now been largely eliminated. JCCBI has negotiated this change with one of its bargaining units, excluded employees and is currently in negotiations with its other bargaining unit.
- ii. Salaries and Other Benefits - FBCL will continue to look to broader federal Government trends when reviewing compensation matters.

- iii. Return to balanced budgets - As part of savings identified in the Budget 2012, JCCBI will reduce its spending annually starting in 2013-14 and ongoing for future years through cancellation of property insurance policies. Other non-appropriated entities within the group have, under their own authority, realized savings in excess of 5% of operating budgets initiated in 2012-13 and continuing. Saving areas included the alignment with policies on severance upon termination and retirement, the realignment, optimization and sharing of internal services across the portfolio, a reduction in travel expenditures and potentially self-insurance on property (entity specific, dependent on guidance from Treasury Board Secretariat).
- iv. Information Technology - Through the above-mentioned governmental reviews, the Government has given specific direction to all government organizations in regards to the coordination of spending on technology. FBCL continues to monitor developments in a number of areas including the coordination of financial systems and archives management.

6.2.3 ECONOMIC IMPACT

The Bank of Canada's recent analysis reported that the growth of the global economy has slowed in all major regions. The economic expansion in the United States is progressing but with continued uncertainty, while Europe is in recession and growth has been tempered in China and other major emerging economies. However, prices for oil and other commodities produced in Canada have, on average, increased in recent months. In Canada, domestic factors are supporting a moderate expansion. Following the recent period of below-potential growth, the economy is expected to pick up and return to full capacity by the end of 2013.

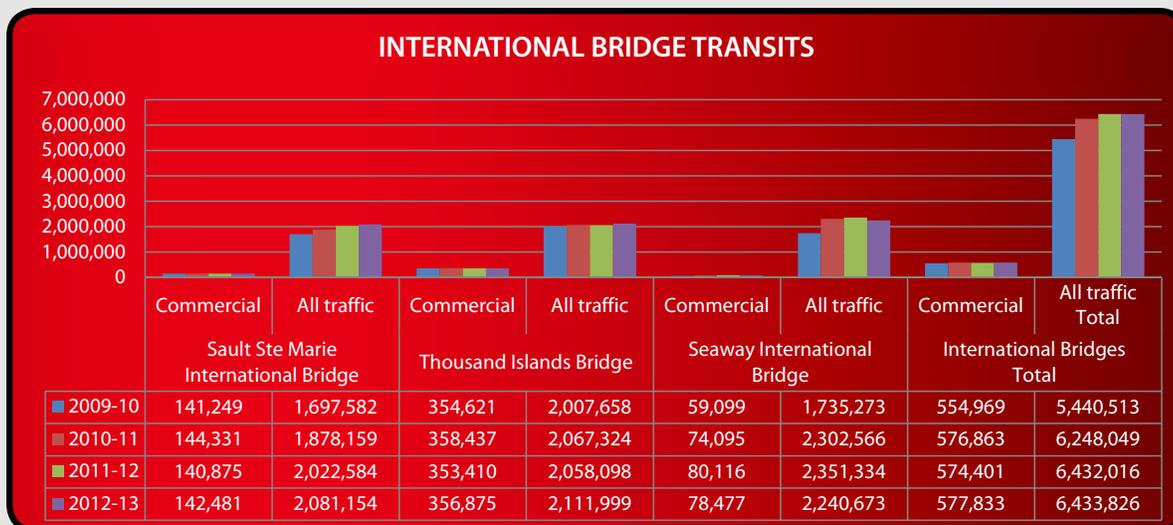
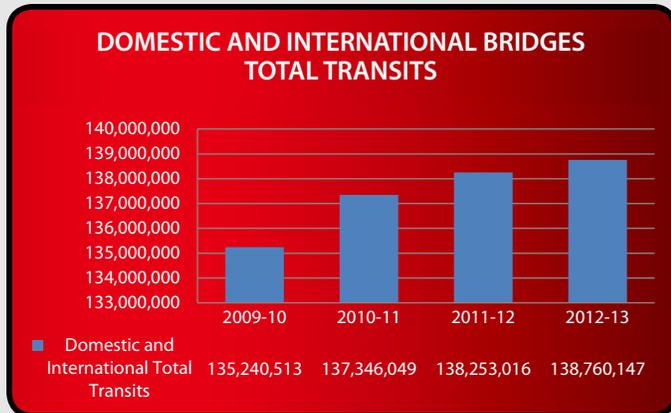
TRAFFIC PATTERNS

Overall traffic using FBCL's international and domestic bridges has only increased by 0.4% in 2012-13 due to many factors which are explained in the individual sections.

International Bridges

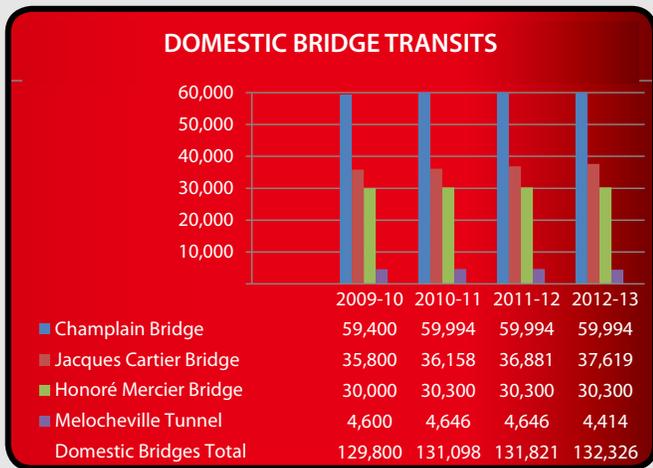
At international crossings, fluctuations in the value of the Canadian dollar continue to impact traffic patterns. As the dollar rises, there is an increase in passenger vehicle traffic to the U.S. and lower export volumes, thus a decrease in truck traffic; as the dollar declines, the opposite occurs. Other factors such as variations in gas prices and the decrease in consumer spending are also expected to affect tourism and traffic patterns in the planning period.

Commercial traffic was averaging 630,000 transits annually before 2009. Since 2009, commercial transits declined particularly due to difficulties in the export market linked to the U.S. economy. It has been recovering slowly over the last few years as shown in the chart above. However, in 2012-13, SIBC experienced a 2% decrease in commercial traffic and a 4.7 decrease in overall transits. FBCL must continue to monitor these factors and adjust its plans including tolls to ensure long-term financial sustainability of all its international crossings. Toll increases have had a moderate impact as FBCL's three crossings charge some of the lowest commercial and overall transit rates (seventh, eighth and ninth) out of the ten international crossings in Ontario.



Domestic Bridges

The Greater Montreal Area transportation network is fully integrated. Traffic continues to increase with important population shifts to the South Shore which creates additional commuter traffic and a continuous extension of the rush-hour traffic. The network is in many areas operating beyond capacity with major structures that are aged and in some cases showing advance signs of deterioration. Any disruption due to planned works or a specific incident has significant repercussions across the entire region. This environment leads to extended rush hours and the requirement for most works to be completed off peak hours contributing to higher costs. The completion of Highway 30 in December 2012 was anticipated to divert traffic, particularly commercial traffic, away from the core of Montreal. The effect was that truck traffic was reduced by approximately 5% in the Melocheville Tunnel and is expected to be down slightly on the Mercier Bridge. Conversely, the Jacques Cartier Bridge saw a 2% increase in overall traffic volume.



The Champlain Bridge accommodates a counter flow reserved bus lane during rush hours. The presence of this vital public transportation avenue adds additional constraints to JCCBI's ability to carry out maintenance of Champlain Bridge. In October 2011, the federal government announced it would proceed with the construction of a new bridge across the St. Lawrence within 10 years (replacing the Champlain Bridge) and assigned Transport Canada with the responsibility for carrying out the entire process to have a new crossing in place by 2021. The Province of Quebec is planning an inclusion of a new modern public transportation system within the structure.

6.2.4 STAKEHOLDER RELATIONSHIPS

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

At international bridge locations, FBCL is also working with CBSA, TC and the surrounding communities to accommodate and to coordinate the needs of CBSA to ensure efficient and effective border crossings including the alignment in Cornwall to the new bridge. In Sault Ste. Marie, FBCL and its subsidiary SMRBC are concluding the purchase of properties required to begin the rehabilitation of the Canadian Customs Plaza Project. At Thousand Islands Bridge, FBCL is planning

the expansion project for CBSA; details will be communicated to all the stakeholders to ensure their support and to answer their inquiries.

Domestic bridges and associated structures in Montreal are owned and managed by FBCL's subsidiary, JCCBI. The strategic locations of these structures results in having to consult and coordinate activities with numerous stakeholders including municipal, regional and provincial governments. The Honoré Mercier Bridge spans the Mohawk territory of Kahnawake where jurisdictional issues between the Mohawks and the Quebec government come into play with regards to the regular and major maintenance of this bridge. In the Greater Montreal Area both municipal and Quebec government institutions have major construction projects underway or in the planning stages. JCCBI has to compete with these authorities in procuring professional engineering services and construction contracts to carry out its work program.

With the above noted projects, JCCBI aligns its efforts in areas such as stakeholder agreements and developing partnerships through consultations with the public and private sectors. Building relationships with the media and consulting with users, affected residents and municipalities are essential to its success. JCCBI is working with Transport Canada to ensure coordination of its entire works, including responsibility for the existing Champlain Bridge, to align with construction of the New Bridge for the St. Lawrence project.

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

In Cornwall, there are historical agreements in place, interpretation of acquired rights and a land claim over the original purchase of the corridor for the construction of the crossing. FBCL and SIBC's presence on Cornwall Island requires continuous and diligent communications with the Mohawk community. These issues and others factors have resulted in a number of important security incidents at this crossing causing customs and tolling facilities being relocated off Cornwall Island to the City of Cornwall since 2009. However, FBCL has contracted out some of the work required for the construction of the new NCB to the Mohawk community in Akwesasne and its subsidiary, SIBC also has employees from of the Mohawk community.

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

6.2.5 CANADIAN ENVIRONMENTAL ASSESSMENT ACT

Report on Activities on Federal Lands and Outside Canada under sections 67-68 of the *Canadian Environmental Assessment Act*, 2012

Report on Activities

FBCL completed environmental evaluations for one project in the Fiscal Year 2012-2013.

| NUMBER OF DETERMINATIONS FOR PROJECTS | |
|--|--|
| Projects Not Likely to Result in Significant Adverse Environmental Effects | Projects Likely to Result in Significant Adverse Environmental Effects |
| 1 | 0 |

6.3 KEY PERFORMANCE DRIVERS

6.3.1 RISK MANAGEMENT

The 2008 Special Examination by the OAG and ongoing strategic analysis of FBCL have identified three broad subject matters considered to be strategic issues or risks for FBCL: safety of bridges, financial sustainability and corporate structure. FBCL is also reporting on the risk of Bridge Security separately from Bridge Safety as it is now a higher risk area, so there are now four strategic risks. The FBCL Board continues to set strategic directions and oversee operations based on the most recent letter of expectations and focuses its efforts on addressing these interrelated strategic issues and risks.

The revised FBCL Enterprise Risk Management (ERM) is advancing with the introduction of a risk register and the Corporate Risk Profile that was approved and is being actively monitored by the FBCL Audit Committee in 2012-13. The FBCL Board through the Audit Committee is accountable for the ERM corporate framework which assists in its role of reporting to Parliament through the Minister on key risk areas.

The FBCL Risk Register contains the strategic risks from the Corporate Risk Profile (CRP). The strategic risks were assessed and their controls and mitigation plans identified. These risks were rated at residual risk level high enough that they need to be managed and reported to the FBCL Board and Audit Committee (AC). The three highest risk areas are the key risk areas that must be managed directly by the AC. However, circumstances may dictate changes to these key risk areas.

The Risk Register is used by the AC as a living document where there are discussions on current developments which may have an impact on the key risk areas and the mitigations measures. The impact, based on the developments may change the different risk ratings and ultimately the Residual Risk may increase or decrease. FBCL Management reports on these developments for every AC meeting and updates the Risk Register as and when required based on direction received from the AC. These changes are also used to update the CRP.

6.3.2 STRATEGIC ISSUES/KEY RISK AREAS

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

Bridge Safety

Aging infrastructures continues to be a concern. Proper funding for the maintenance and repairs of structures remains a concern as well as the aging infrastructure.

FBCL's first priority is ensuring safety at all times on all of its structures. FBCL is judiciously administering its bridge programs to extend the life of its infrastructure as much as possible. However, economic realities related to the scope of repairs must be taken into consideration. At a critical point where regular maintenance and repairs are no longer sufficient to sustain a bridge structure, government support is sought for major rehabilitation and replacement projects such as the NCB Project in Cornwall, the new bridge over the St. Lawrence and the île des Sœurs Bridge replacement projects in Montreal.

In the management of international crossings, FBCL is subject to the requirements and standards outlined in the *International Bridges and Tunnels Act* (IBTA) together with related regulations and codes under which specific and timely reporting to the Minister must be provided. The inspection reports completed for the international crossings at Sault Ste. Marie, Thousand Islands and South Channel Bridge in Cornwall evaluated them as being in good condition and a bridge maintenance program is in place for these structures. In Cornwall, the original NCB is being maintained and repaired as required to ensure safety. The replacement of the new bridge is progressing well with completion of the piers and work on the approaches and bridge substructure well underway.

The domestic bridges in Montreal are aged and have been subjected to years of heavy traffic, climate exposure and heavy use of road salt. Despite all the major works to date and being presently delivered, these structures will concurrently require major rehabilitation over the next decade. Traffic congestion on all South Shore bridges has a major impact on JCCBI's ability to carry out regular and major maintenance work during normal working hours, thus impacting the planning, execution and costs of repairs. There are major works either planned or underway at almost all of the domestic bridge structures and some structures are demonstrating advanced stages of degradation and the risk to safety is increasing. JCCBI continues to focus on funded works and to monitor the condition of the bridges and associated structures closely. Planning for the longer term and communication of issues and resource requirements are ongoing.

Bridge Security

Intentional acts such as terrorism, protests and vandalism resulting in risks to the users of the bridges and associated structures and/or property damage causing closure of crossing or flow of traffic will bring into question FBCL's capacity and credibility in managing the assets. Security can only be achieved in parallel with the achievement of a reduction in bridge safety risks.

FBCL is in the planning process of implementing a security plan and security management system at each crossing as per IBTA requirements. In Cornwall, the unusual challenges at the international bridge crossing may place a burden on the limited resources. FBCL and SIBC have approached Mohawk leaders, explaining the need for a cooperative approach to improving the security environment on Cornwall Island. Currently, international bridges are being selected by the "Idle No More" movement by First Nations that may bring volatility to certain crossings and is presently having a negative effect on already strained revenues.

Additional security concerns are the multiple access points to all international bridges either by roadway or waterway that extend beyond FBCL's ability to control. Training has been provided to some workers to identify threats and the international bridge operators continue to work collaboratively with CBSA and police forces at all locations to address specific issues. Contingency plans are in place for most emergencies and there are surveillance systems on most of the bridges and associated structures. The moving of toll and CBSA facilities off Cornwall Island has also helped to alleviate and reduce some of the confrontations.

Over the years, Montreal area bridges have been targeted due primarily to their visibility by various protesters. Most recently in 2012, there were numerous student protests and anti-capitalist demonstrations that led to closure of some of the bridges and their approaches. These incidents highlight the risks associated with groups using the bridges as protest points which at times have led to violence and danger to bridge users and the general public. Standing meetings and collaborative plans are in place with the police forces to address specific issues. Contingency plans are in place for most emergencies and there are surveillance systems on most of the bridges and associated structures.

Sustainable Funding

Operating, capital long-term funds and relying on tolls remain a concern for FBCL's ability to perform maintenance and inspections.

International bridges continue to experience increased financial pressures to be self-sufficient. The premise is that toll revenues would cover operating and maintenance while capital expenditures would be funded by the accumulated share of net earnings. Traffic levels are highly dependent on a strong economy in Canada and the U.S. and therefore current toll revenues generated and projected are low. In addition, tolling revenues in Cornwall represent only 45% of the income generating capacity of this crossing due to free passage granted to the Mohawk community by the Government of Canada through an historic agreement and subsequent negotiations. These revenues are not reimbursed to the Corporation, creating a significant funding gap.

FBCL is also facing large funding requirements due to obligations of the *Customs Act* (Section 6) that require the owner and/or operator of international bridges to provide facilities for CBSA. At all international locations, the increasing CBSA requirements and expanding footprint will greatly increase in the next 5 years and covering the operations and maintenance costs is not feasible for FBCL.

FBCL and its international bridge subsidiaries review toll rates on an annual basis and review other possible commercial partnerships. However, based on the existing traffic levels at each international bridge crossing, the free passage for Mohawks in Cornwall, and the growing CBSA requirements, there is no ability to fund major rehabilitation or replacement projects. Capital expenditures for identified projects have required funding through government appropriations, contributions or other transfers (new NCB, new CBSA facilities in Sault Ste. Marie, Thousand Islands and Cornwall.) FBCL is therefore also developing a proposal with Transport Canada (TC) to identify other funding sources for the CBSA expenditures.

In the management of domestic bridges in Montreal, JCCBI is forecasting expenditure requirements for the next decade at some

\$1.5B. The issue of sustainability stems from an ongoing operation base that declines annually on an ongoing basis as of 2015-2016. This amount does not fulfill the basic operation needs for the bridges and infrastructure. Despite important investment levels in the recent years, JCCBI continues to be faced with critical long-term infrastructure deficits. Currently, other than specific funding for the Champlain Bridge 10-year maintenance plan and the Honoré Mercier rehabilitation project, JCCBI does not have the authority to issue multi-year contracts resulting in significant operational planning delays and cost escalation.

JCCBI has received substantial investments for specific asset needs or short-term operating requirements however many important upcoming works require additional funding. The Corporation has been working with TC to address short and long term funding requirements

Corporate Structure

FBCL's complex governance model does not permit effective oversight and accountability for the performance of all of FBCL, including its subsidiaries, as identified by the OAG in its 2008 Special Examination.

FBCL's corporate structure involving a head office in Ottawa, three wholly-owned subsidiaries and two joint international boards of directors, including U.S. directors and U.S. bridge operators is quite complex. While the FBCL mandate is to provide the highest level of stewardship so that its bridge structures are safe and efficient for users, the current governance structure continues to provide unique challenges.

Key steps were undertaken to address some of the issues identified. Executive members of FBCL have been appointed to SMRBC, SIBC and TIBA Boards of Directors. Annual letters of expectations from the FBCL Board to each Subsidiary Board continue to be issued annually to ensure communication of corporate direction, government initiatives, resource management and governance regime. Quarterly reporting standards have also been communicated.

FBCL endeavours to continue strengthening the relationships with its subsidiaries.

6.3.3 CONSOLIDATED FINANCIAL RESULTS

FBCL has a significant responsibility inherent in the ownership and management of its bridges and associated structures, that of stewardship and public interest. International bridges are intended to sustain their operations through revenue generated at each crossing location. While this has been possible in the past, requirements for major rehabilitation or replacement of bridges (i.e. new North Channel Bridge - NCB) and requirements arising from replacement of CBSA facilities (i.e. Sault Ste. Marie Customs Plaza rehabilitation) are being funded on a project-by-project basis through federal transfer payments. By the nature of historical government decisions, all expenditures for domestic structures are funded by government appropriations. These appropriations are renewed based on needs for future years. With the lifespan of a number of its assets extending beyond their intended useful life, resources are focused primarily on safety repairs. As financial considerations can never be placed ahead of public security, risks continue to be prioritized and managed and important works are identified and addressed within available resources. The most recent 10-year operations and capital plan for domestic bridges in Montreal has been developed and communicated to Transport Canada for funding consideration.

Capital expenditures totalled \$77.2M in 2012-13 (\$44.8M in 2011-12) and the total net book value of all tangible capital assets at March 31, 2013 is \$363.0M (\$300.3M – 2011-12). Major investments continued to include the new NCB construction project, the Honoré Mercier Bridge rehabilitation project, Champlain Bridge 10-year maintenance program, the Canadian Customs Plaza rehabilitation in Sault Ste. Marie and studies for the replacement of the île des Sœurs Bridge by a temporary causeway-bridge.

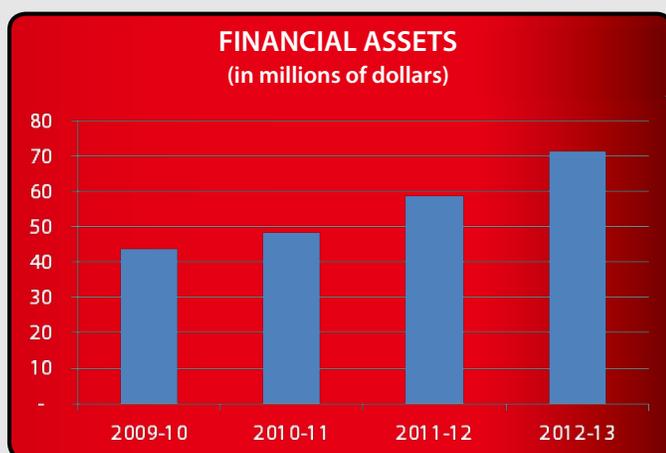
In its operations, FBCL revenue levels at international bridges have surpassed the prior year and are higher than budget. Maintenance works, while still considerably higher than two years ago, have slowed slightly to \$68.3M (\$72.1M in 2011-12) as more capital projects were delivered instead in Montreal and the South Channel Bridge painting project in Cornwall was completed. The environmental obligation related to contaminated lands owned by the subsidiary JCCBI has increased to \$33.2M this year based on updated findings and assumptions. FBCL reports a consolidated surplus of \$51.6M for the year ended March 31, 2013, which compares to a deficit of \$33.0M for the year ended March 31, 2012. The consolidated net debt of FBCL at March 31, 2013 is \$35.7M as compared to \$273.7M in the prior year. These variances are the result of a new accounting standard (Public Sector Accounting Standards – PSAS) concerning the recognition of Government Transfers (PS 3410), discussed in detail within the section on “Changes in Accounting Policy”.

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

6.4 ANALYSIS OF RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Financial Assets

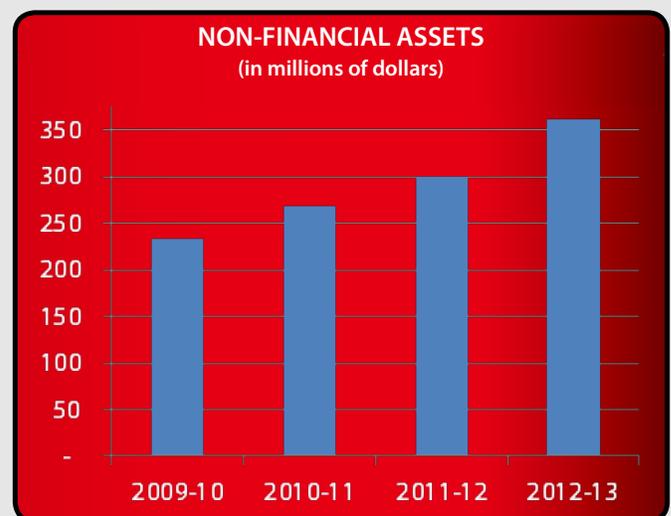


Total financial assets have increased to \$70.7M at March 31, 2013 (2012 - \$58.8M). The cash position continues to be closely linked to the timing of payment of federal funding principally for domestic bridges in Montreal and the NCB construction project in Cornwall. At March 31, 2013 the receivable due from federal departments and agencies increased to \$19.4M (2012 - \$14.2M). A primary driver of these items resulted from a \$14.0M increase at JCCBI in cash and amounts due from federal departments and agencies, which corresponds to a similar increase in accounts payable, primarily for maintenance and capital

items. Despite the increase in cash at JCCBI, the consolidated net cash position of FBCL decreased to \$30.7M at March 31, 2013 (2012 - \$38.8M). This was due in large part to other entities increasing their portfolio investments, which are bought to produce a stronger return on cash balances. Investments have increased by \$12.2M to \$15.5M at March 31, 2013 (2012 - \$3.3M). Receivables from third parties have also increased from the prior year to \$5.0M from \$2.4M at March 31, 2012.

Non-Financial Assets

Tangible capital assets have increased by \$62.7M over the prior year (2012 – increase of \$31.8M) to \$363.0M. Major investments in the year include capital works on the Champlain Bridge (\$21.8M), the ongoing construction of the new low-level NCB in Cornwall (\$15.9M), the continued major rehabilitation works on the Honoré Mercier Bridge (\$2.3M), studies for the construction of a temporary causeway-bridge for île des Sœurs (\$1.6M), acquisitions of land for the Canadian Customs Plaza rehabilitation in Sault Ste. Marie (\$2.2M), as well as construction on this Customs Plaza (\$1.0M).



These expenditures are, in large part, funded either directly through parliamentary appropriations of \$71.5M (2012 - \$43.2M), or through a contribution agreement with the Government of Canada with payments of \$1.0M this year (2012 - \$1.7M). FBCL is also carrying a \$15.2M asset and a corresponding asset retirement obligation related to the intended demolition of the existing North Channel Bridge. This obligation is being amortized on a straight line basis over the remaining estimated useful life of the bridge.

Liabilities

FBCL and its subsidiaries receive federal funding to source major infrastructure projects. In the past, this funding was deferred and amortized over the useful life of the assets. At March 31, 2012, this value was \$249.5M. However, as a result of PS 3410 (discussed in detail within the section on “Changes in Accounting Policy”), this funding is now treated as income in the period in which it is received. Therefore, the deferred capital funding balance from the prior year was added directly to Accumulated Surplus in the current year. This had the immediate effect of reducing the total liabilities for FBCL, and increasing the Accumulated Surplus, by \$249.5M.

The environmental obligation associated with contaminated lands in Montreal, as described in Note 8 to the consolidated financial statements

increased by \$5.1M in the current year to \$33.2M (2012 - \$28.1M). This estimate is based on the most recent studies for these lands. Multi-owner involvement is required to clean up and negotiations are ongoing.

The asset retirement obligation relating to the NCB in Cornwall totalled \$16.4M at March 31, 2013 (2012 - \$15.9M).

In completing major projects, FBCL and its subsidiary JCCBI, have entered into construction contracts that include a portion of payment not payable until certain works are completed and meet the performance requirements. These holdbacks have increased to \$8.2M at March 31, 2013 (2012 - \$5.3M) primarily as a part of the Honoré Mercier Bridge and the NCB projects. These amounts will become payable once the works are completed over the coming years.

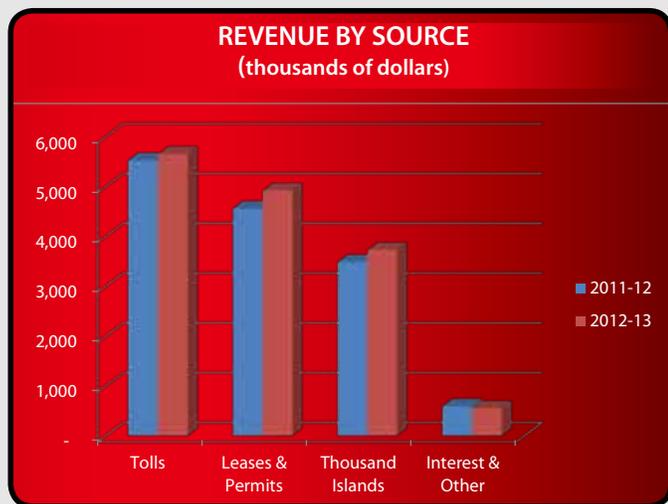
The \$5.0M credit facility secured by SMRBC in the prior year for the purchase of land to realize the Customs Plaza project in Sault Ste. Marie, will be paid back from surplus toll revenues over a twenty-year period.

Lastly, other trade accounts payable increased by \$15.2M this year to \$39.8M (2012 - \$24.6M), which can primarily be attributed to the timing of payments of large invoices payable per contractual obligations related to major projects in Montreal and Sault Ste. Marie.

CONSOLIDATED STATEMENT OF OPERATIONS

Consolidated Revenue

FBCL's consolidated revenue in 2012-13 totalled \$14.9M (2012 - \$14.2M) and is 5% higher than the prior year and planned budget.



Tolls and Thousand Island Bridge Operating Revenue

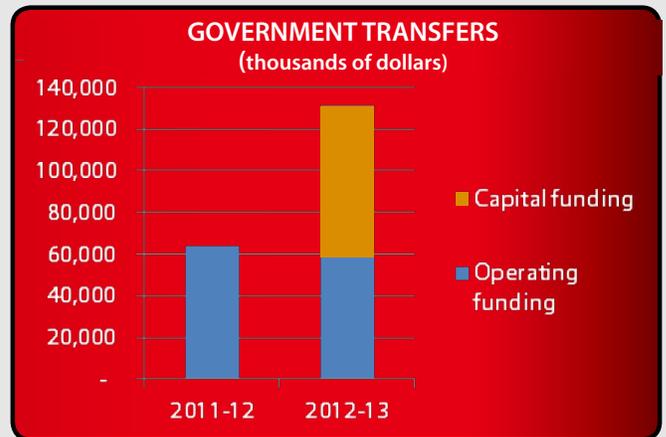
The revenue level from international bridges of \$9.4M in 2012-13 (2012 - \$9.0M) have increased due to an increase in tolls at the Thousand Islands international crossing in 2013 and the higher Canadian dollar and its continued positive impact on cross-border shopping at the Thousand Islands, Cornwall and Sault Ste. Marie's bridge locations. In general, traffic levels have been relatively the same as the prior year.

Leases and Permits

Revenues from leases and permits increased in 2012-13 to \$4.9M as most of these revenues are adjusted annually based on inflation (2012 - \$4.6M). These revenues were in line with budget.

Government transfers

This fiscal year had a change in the recognition of government funding for capital projects. In prior years, government funding of capital projects was deferred and amortized over the life of the asset, to match revenue against expenses. With the adoption of PS 3410 (Government Transfers), funding received for capital projects is no longer treated as a liability, and now simply recorded in the period it is received (providing there are no other exceptions applied again the funding). Therefore, the presentation of government transfers on the consolidated statement of operations, as compared to the prior year, has increased significantly to \$131.3M as compared to \$64.1M in the prior year. This was composed of government transfers for operating expenditures of \$58.7M (2012 - 64.1M) and funding for capital projects of \$72.6M.

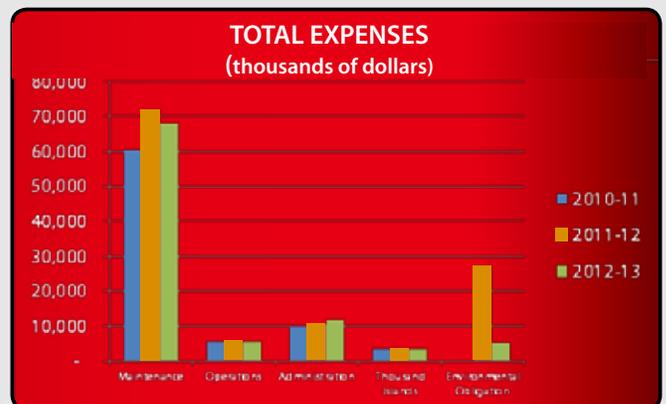


Parliamentary appropriations for these capital expenses were spent on capital works for the Champlain Bridge (\$21.8M), the ongoing construction of the new low-level North Channel Bridge in Cornwall (\$15.9M), the continued major rehabilitation works on the Honoré Mercier Bridge (\$2.3M), and construction of a temporary causeway-bridge for île des Soeurs (\$1.6M), with the remaining works being done on various other structures in Montreal.

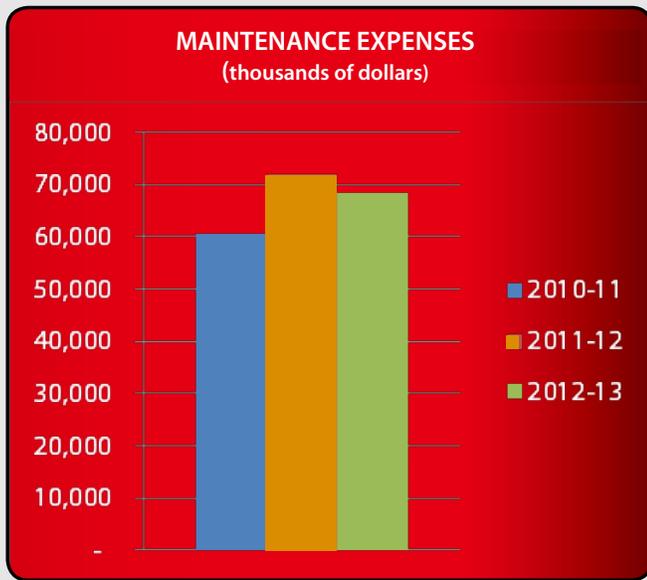
The Sault Ste. Marie Customs Plaza Rehabilitation project is funded through a contribution agreement with the Government of Canada totalling \$1.0M in the year (2012 - \$1.7M).

Consolidated Expenses

FBCL consolidated expenses for the year totalled \$94.6M, (2012 - \$118.9M). The decrease of \$24.3M is attributable to a smaller in-year provision for an environmental obligation in Montreal (\$21.7M decrease), and reduced maintenance expenses (\$3.7M) that are offset by higher administrative expenses as a result of reallocations of expenses as compared to prior years (\$1.2M higher). Operational expenses remained relatively stable.

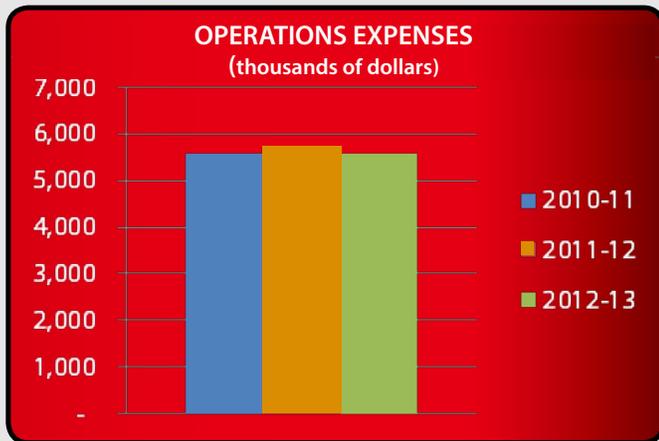


Maintenance



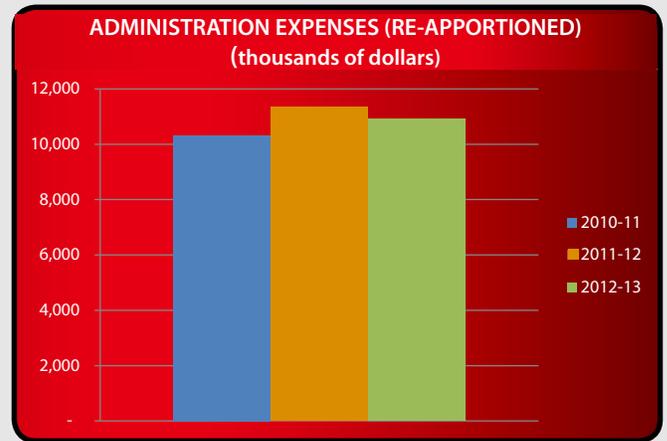
Maintenance expenses account for 72% of expenses at the end of 2012-13 reaching \$68.3M (2012 – 61% or \$72.1M) and lower than plan of 83% or \$93.3M. This variance is due to planned works in Montreal being \$24.9M less than anticipated. Continued maintenance on the Montreal area structures accounted for \$60.8M or 89% of the total maintenance expenses (2012 – \$63.1M or 88%), a decrease of \$2.3M mainly due to the characterization of expenses incurred as capital versus maintenance. Additionally, the painting project on the South Channel Bridge in Cornwall came to a close, and FBCL’s portion (32%) of expenses relating to this project was \$1.2M lower than the prior year.

Operations



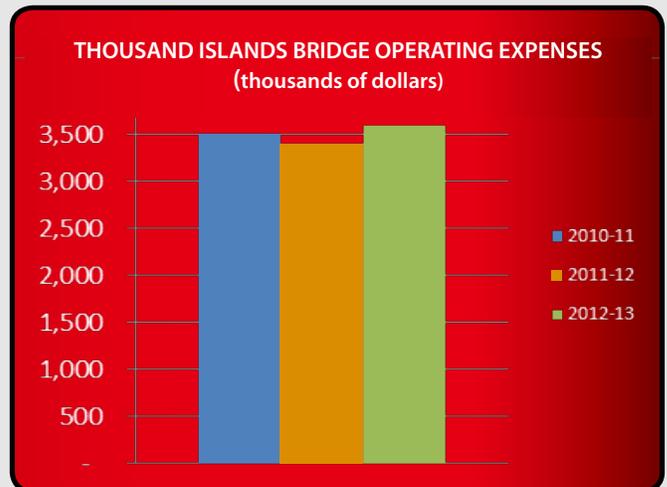
Expenses for operations totalled \$5.6M in 2012-13 or 6% of total expenses for the year (2012 - \$5.7M or 5%). Consolidated costs of operations remained constant for FBCL with minimal variation throughout the year and bettered budget by \$0.2M.

Administration



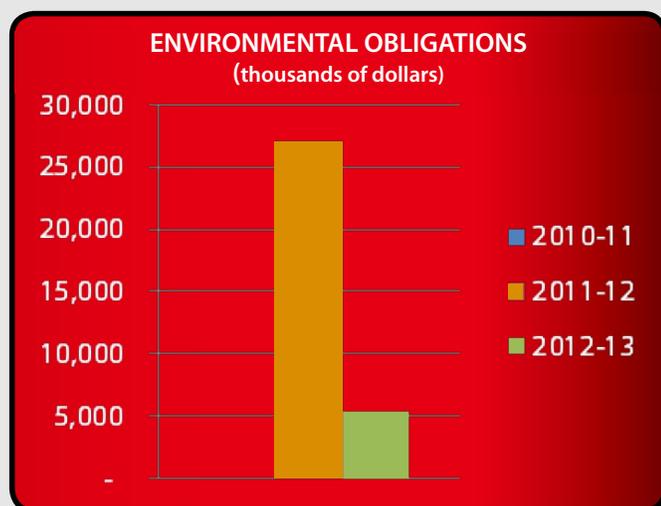
Administration expenses equalled \$11.7M in 2012-13, which was 12% of the annual expenses (2012 - \$10.6M or 9%) and \$1.6M higher than budget (9% of total budgeted expenses). This variance is primarily due to a review and reclassification of prior year expenses for the North Channel Bridge construction project, additional professional services required to purchase properties related to the SMRBC Customs Plaza Redevelopment and additional administrative expenditures in Montreal linked to additional staffing.

Thousand Islands Bridge Operating Expenses



Operating expenses at the Thousand Islands Bridge increased slightly to \$3.6M in 2012-13 (2012- \$3.4M) representing 4% of total expenses and are in line with budget.

Provision for environmental obligation



An amount of \$5.4M was added by JCCBI to its provision for environmental obligations in 2012-13. The provision recorded a \$27.1M expense in the prior year. This represents the JCCBI's management's estimated share of expenditures for projects to be completed together with other land owners from various jurisdictions. These projects will span a number of years and JCCBI will require additional funding in order to enter into contracts to realize the necessary works.

CONSOLIDATED STATEMENT OF CASH FLOW

FBCL's cash flow is primarily dependent on the timing of receipts of federal funding for major project expenditures. The funding is received only once the expenditures are incurred. At the end of 2012-13, the receivables balance was \$7.8M higher than the prior year. The acquisition of Portfolio Investments during the year was done to further the return from the cash balance. These investments are made in GIC's with major Canadian banks, or low risk bonds.

ACCOUNTING POLICIES AND ESTIMATES

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

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

Tangible capital assets

Tangible capital assets, comprising bridges, roadways and related structures with finite useful lives are amortized over their useful life. Useful lives are based on management's estimates of the period of service provided by the assets and are periodically reviewed for continued appropriateness. Due to the long lives of many of the assets, changes to the estimates could result in a material impact on the consolidated financial statements. Long-lived assets are tested for impairment when events or circumstances indicate that the carrying

value is not recoverable from future cash flows. If future conditions were to adversely differ from management's best estimate of key economic assumptions and associated cash flows were to materially decrease, FBCL could potentially experience future material impairment charges in respect of its tangible capital assets.

Asset retirement obligation

The Company's asset retirement obligation consists of long-term asset retirement costs for the North Channel Bridge as described in Note 9 of the consolidated financial statements. The asset retirement obligation is determined based on the Corporation's estimate of bridge demolition costs. The undiscounted estimate of this liability is \$17.1M reflecting payments likely to be made in 2014 and 2015. This estimate was discounted at rates of 2.92% and 3.04%. The asset retirement obligation accrual has required management to make significant estimates and assumptions. Actual results could differ from these estimates.

Accrued liabilities for major maintenance repairs

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

Employee future benefits obligations

FBCL and its subsidiaries provide pension benefits to its employees through a defined contribution plan or as part of the Public Service Pension Plan as defined in Note 2 and Note 7 of the consolidated financial statements. The employer contributions to the pension plan represent the total pension obligations and are charged to operations on a current basis. FBCL entities are not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan. Changes to the Public Service Pension Plan and its assumptions may have a material impact on the consolidated financial statements in future years.

Prior to January 1, 2012, the Corporation provided severance benefits to their employees based on years of service and final salary. FBCL and SIBC Corporation eliminated this benefit in the prior year. JCCBI eliminated this benefit during the year. The remaining amounts owed will be paid upon termination. These benefit plans are not funded. The JCCBI accrued severance benefits are expected to be paid from government transfers as amounts are due. Any changes to this assumption may have a material impact on the consolidated financial statements in future years.

Environmental obligation

JCCBI has significant liabilities related to contaminated lands and remediation of contamination related to activities of its predecessors as described in note 8 of the consolidated financial statements. Estimates making up the liability include the number of owners and participants on the contaminated lands, the long-term nature of the required remediation activities and the potential impact of environmental laws and regulations and interpretation by regulated authorities that could change over time. The magnitude of estimated costs changes in any or

all of these estimates could have a material impact on the consolidated financial statements. A liability in the amount of \$33.2M is currently recorded based on the assessments provided by JCCBI's management. It is possible that changes to these estimates could have a material impact on the consolidated financial statement in future years.

Contingencies

Contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of loss is reasonably estimable. Disclosure is required when the occurrence of the confirming event is likely but the amount of the loss is not estimable or if there is a reasonable possibility that the ultimate loss will exceed the recorded provision. In the normal course of business, FBCL and its subsidiaries is the claimant or defendant or is involved in certain pending claims or lawsuits. These contingent liabilities are often resolved over long time periods. Further information on FBCL's contingencies is outlined in note 16 to the consolidated financial statements. Any changes to the likelihood of settlement and the estimates payment amounts may have a material impact on the consolidated financial statements in future years.

CHANGES IN ACCOUNTING POLICY

Periodically, the Public Sector Accounting Board will issue new accounting standards which management reviews for applicability to FBCL. New standards that FBCL has incorporated since April 1, 2012, are detailed in Note 3 of the financial statements.

Materially, four of the five new standards incorporated this year only change the presentation of the financial statements. These include:

- Section 1201 - Financial Statement Presentation
- Section 2601 - Foreign Currency Translation
- Section 3041 - Portfolio Investments
- Section 3450 - Financial Instruments

Section 3410 (Transfer Payments) materially affects the financial statements, and comparisons to prior years. FBCL has decided to apply the standard retroactively, without restatement. Section 3410 defines a government transfer as being when the transferor (transferring government) does not expect to be repaid, does not receive anything in exchange, and does not expect a direct financial return. In particular, this standard affects government transfer payments for capitalized assets, as the standard goes on to detail that once there are no further eligibility criteria to be met, the recognition of the funds is directly attributed to the Consolidated Statement of Operations, and no longer deferred and amortized from the Consolidated Statement of Financial Position. This has the effect of the receiving entity having a surplus in the year the funds are recognized, and then recognizing amortization expense, only, for the estimated useful life of the asset.

6.5 OUTLOOK

Overall sustainability continues to be the focus for all of our international bridges. At the Cornwall crossing, the construction of a new North Channel Bridge, which is well under way, together with a resolution regarding the permanent location of CBSA facilities, will contribute greatly to the efficiency of the crossing. At the Sault Ste. Marie crossing the rehabilitation of the CBSA Customs Plaza will see construction begin in 2013. The resulting improvement in traffic flow at both locations will assist in attracting much needed commercial traffic. In addition, the

Canada/Us Border Action Plan identified the Thousand Islands border facilities as a priority for investment and a \$60M investment has been announced for this project.

The complexity for domestic bridges in Montreal is that the Greater Montreal Area transportation network is aging and at capacity. The Government of Canada is proceeding with the replacement of the Champlain Bridge with the new bridge over the St. Lawrence by 2021. Meanwhile JCCBI has a maintenance program underway for the existing structure. The contaminated lands at the site known as Technoparc will also require important investments. Discussions are underway with partners regarding containment solutions. It is expected that substantial investments will be required in Montreal over the next decade in order to renew the existing tangible capital assets.



7. AUDITED FINANCIAL STATEMENTS

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Management Responsibility for Financial Statements

The consolidated financial statements contained in this Annual Report have been prepared by FBCL (parent) management in accordance with Canadian Public Sector Accounting Standards. The integrity and objectivity of the data in these consolidated financial statements is the responsibility of FBCL (parent) management and the management of each of its wholly-owned subsidiaries, The Jacques Cartier and Champlain Bridges Incorporated (JCCBI), The Seaway International Bridge Corporation, Ltd. (SIBC) and St. Mary's River Bridge Company (SMRBC), who report directly to an independent Board of Directors. In compiling the consolidated financial statements, FBCL (parent) management relies on the audited financial statements of each of its wholly-owned subsidiaries and on representations made by management of each of the subsidiaries.

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

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

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

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



Micheline Dubé
President and Chief Executive Officer



Natalie Kinloch
Chief Financial and Administrative Officer

June 26, 2013



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport, Infrastructure and Communities

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of The Federal Bridge Corporation Limited, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of operations, consolidated statement of remeasurement gains and losses, consolidated statement of change in net debt and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Federal Bridge Corporation Limited as at 31 March 2013, and the results of its operations, its remeasurement gains and losses, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied, except for the change in the method of accounting for financial instruments, foreign currency translations and government transfers as explained in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of The Federal Bridge Corporation Limited and its wholly-owned subsidiaries that have come to my notice during my 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* and regulations, the *Act to incorporate St-Mary's River Bridge Company*, the *Canada Marine Act* and regulations and the articles and by-laws of The Federal Bridge Corporation Limited and its wholly-owned subsidiaries.



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

26 June 2013
Ottawa, Canada

THE FEDERAL BRIDGE CORPORATION LIMITED**Consolidated Statement of Financial Position**

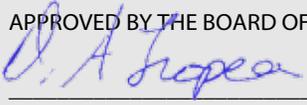
as at March 31

(in thousands of dollars)

| | 2013 | 2012 |
|--|-----------------|-----------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | 30,722 | 38,780 |
| Accounts receivable | | |
| Federal departments and agencies | 19,410 | 14,198 |
| Other | 5,004 | 2,370 |
| Accrued interest receivable | 40 | 81 |
| Portfolio investments (Note 4) | 15,522 | 3,343 |
| TOTAL FINANCIAL ASSETS | 70,698 | 58,772 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | | |
| Federal departments and agencies | 357 | - |
| Other | 39,763 | 24,614 |
| Due to a government partner (Note 5) | 1,427 | 2,075 |
| Client deposits | 138 | 140 |
| Holdback (Note 6) | 8,203 | 5,309 |
| Employee future benefits (Note 7) | 1,346 | 1,271 |
| Environmental obligation (Note 8) | 33,200 | 28,100 |
| Asset retirement obligation (Note 9) | 16,365 | 15,885 |
| Credit facility (Note 10) | 5,000 | 5,000 |
| Deferred revenue | 602 | 610 |
| Deferred capital funding (Note 3) | - | 249,472 |
| TOTAL LIABILITIES | 106,401 | 332,476 |
| NET DEBT | (35,703) | (273,704) |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 11) | 363,025 | 300,347 |
| Prepaid expenses | 817 | 532 |
| TOTAL NON-FINANCIAL ASSETS | 363,842 | 300,879 |
| ACCUMULATED SURPLUS | 328,139 | 27,175 |
| Accumulated surplus is comprised of: | | |
| Accumulated operating surplus (deficit) | 328,231 | |
| Accumulated remeasurement losses | (92) | |
| | 328,139 | |

Commitments (Note 15) and Contingencies (Note 16)

APPROVED BY THE BOARD OF DIRECTORS


 Director


 Director

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

THE FEDERAL BRIDGE CORPORATION LIMITED**Consolidated Statement of Operations**

for the year ended March 31

(in thousands of dollars)

| | 2013 Budget | 2013 Actual | 2012 Actual |
|---|-----------------|-----------------|------------------|
| REVENUE | | | |
| Tolls | 5,246 | 5,663 | 5,535 |
| Leases and permits | 4,820 | 4,926 | 4,566 |
| International Thousand Islands Bridge operating revenue (Note 14) | 3,938 | 3,735 | 3,490 |
| Interest | 315 | 550 | 390 |
| Other | 35 | 5 | 207 |
| TOTAL REVENUE | 14,354 | 14,879 | 14,188 |
| EXPENSES (Note 17) | | | |
| Maintenance | 93,277 | 68,324 | 72,059 |
| Operations | 5,783 | 5,583 | 5,739 |
| Administration | 10,155 | 11,720 | 10,570 |
| International Thousand Islands Bridge operating expenses (Note 14) | 3,587 | 3,592 | 3,414 |
| Provision for environmental obligation | - | 5,402 | 27,100 |
| TOTAL EXPENSES | 112,802 | 94,621 | 118,882 |
| DEFICIT BEFORE GOVERNMENT FUNDING | (98,448) | (79,742) | (104,694) |
| Government transfers (Note 13) | 202,374 | 131,326 | 64,076 |
| Amortization of deferred capital funding | - | - | 7,598 |
| ANNUAL OPERATING SURPLUS (DEFICIT) | 103,926 | 51,584 | (33,020) |
| ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR | 52,640 | 27,175 | 60,195 |
| Reclassification of deferred capital funding (Note 3) | 261,080 | 249,472 | - |
| ACCUMULATED OPERATING SURPLUS, END OF YEAR | 417,646 | 328,231 | 27,175 |

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

THE FEDERAL BRIDGE CORPORATION LIMITED**Consolidated Statement of Change in Net Debt**

for the year ended March 31

(in thousands of dollars)

| | 2013 Budget | 2013 Actual | 2012 Actual |
|--|----------------|------------------|----------------|
| ANNUAL OPERATING SURPLUS (DEFICIT) | 103,926 | 51,584 | (33,020) |
| Acquisition of tangible capital assets | (126,170) | (77,198) | (44,552) |
| Amortization of tangible capital assets | 13,242 | 14,520 | 12,743 |
| | (9,002) | (11,094) | (64,829) |
| Acquisition of prepaid expenses | (74) | (1,824) | (1,810) |
| Use of prepaid expenses | 74 | 1,539 | 2,023 |
| | - | (285) | 213 |
| Net remeasurement gains and (losses) for the year | - | (92) | - |
| INCREASE IN NET DEBT | (9,002) | (11,471) | (64,616) |
| NET DEBT, BEGINNING OF YEAR | (259,399) | (273,704) | (209,088) |
| Reclassification of deferred capital funding (Note 3) | 261,080 | 249,472 | - |
| NET DEBT, END OF YEAR | (7,321) | (35,703) | (273,704) |

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

THE FEDERAL BRIDGE CORPORATION LIMITED**Consolidated Statement of Remeasurement Gains and Losses**

for the year ended March 31

(in thousands of dollars)

| | 2013 Actual |
|---|------------------------|
| ACCUMULATED REMEASUREMENT GAINS AND (LOSSES), BEGINNING OF YEAR | - |
| Unrealized gains (losses) attributable to: | |
| Foreign exchange | (240) |
| Portfolio Investments | 206 |
| Amounts reclassified to the Statement of Operations: | |
| Foreign exchange | 90 |
| Portfolio Investments | (148) |
| NET REMEASUREMENT LOSSES FOR THE YEAR | (92) |
| ACCUMULATED REMEASUREMENT LOSSES, END OF YEAR | (92) |

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

THE FEDERAL BRIDGE CORPORATION LIMITED**Consolidated Statement of Cash Flow**

for the year ended March 31

(in thousands of dollars)

| | 2013 | 2012 |
|---|-----------------|----------|
| CASH FLOW PROVIDED BY OPERATING ACTIVITIES | | |
| Annual operating surplus (deficit) | 51,584 | (33,020) |
| Adjustments for non-cash items | | |
| Amortization of tangible capital assets | 14,520 | 12,743 |
| Amortization of deferred capital funding | - | (7,598) |
| Environmental obligation | 5,100 | 27,100 |
| Deferred capital funding | - | 35,629 |
| Remeasurement losses | (92) | - |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (7,846) | (9,546) |
| Accrued interest receivable | 41 | 56 |
| Client deposit | (2) | 40 |
| Asset retirement obligation | 480 | 452 |
| Holdback | 2,894 | 3,043 |
| Accounts payable and accrued liabilities | 15,507 | 3,623 |
| Deferred revenue | (8) | 114 |
| Employee future benefits | 75 | (99) |
| Prepaid expenses | (285) | (373) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 81,968 | 32,164 |
| CASH FLOW FROM CAPITAL TRANSACTIONS | | |
| Acquisition of tangible capital assets | (77,199) | (36,954) |
| NET CASH APPLIED TO CAPITAL ACTIVITIES | (77,199) | (36,954) |
| INVESTING TRANSACTIONS | | |
| Acquisition of portfolio investments | (15,295) | (2,212) |
| Disposal of portfolio investments | 3,116 | 12,075 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | (12,179) | 9,863 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase (Decrease) in amount due to government partner | (648) | 232 |
| Increase in credit facility | - | 5,000 |
| CASH PROVIDED BY FINANCING ACTIVITIES | (648) | 5,232 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (8,058) | 10,305 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 38,780 | 28,475 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | 30,722 | 38,780 |

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

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

1. AUTHORITY AND ACTIVITIES

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

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

b) Basis of consolidation

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

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Government transfers

Government transfers are recognized as revenue when the transfer is authorized and eligibility criteria are met, except to the extent that the stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when stipulations give rise to a liability. Revenue is recognized in the consolidated statement of operations as the stipulations are met. Any portion of government transfers to which the Corporation is entitled to but has not received is recognized under Accounts Receivables from federal departments and agencies.

d) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments. The investments purchased three months or less from maturity are recorded at cost.

e) Portfolio Investments

Portfolio investments are composed of low risk fixed income mutual funds and bonds of the Government of Canada and of provincial governments.

Portfolio investments are recorded at fair value. Until an item is derecognized, gains and losses arising as a result of fair value remeasurement are reported in the Consolidated Statement of Remeasurement Gains and Losses.

f) Tangible Capital Assets

Tangible capital assets are recorded at cost. Replacements, major improvements and costs which extend the useful service lives of existing 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.

Amounts included in projects in progress are transferred to the appropriate capital assets classification upon completion. Tangible capital assets transferred from related parties are accounted for at fair market value, when determinable.

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

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

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Employee future benefits

Post-employment benefits and compensated absences

Employees of FBCL (parent) and SIBC are entitled to accumulating but non-vesting sick leave benefits provided for under conditions of employment. The Corporation recognizes the cost of future sick leave benefits over the periods in which the employees render services based on the probability of usage by employees established per historical data.

Employees of JCCBI are entitled to sick leave benefits and allowances for work injuries. Unutilized sick leave benefits are paid annually for management and non-unionized employees and represent a current cost. Unionized employees are entitled to accumulating and vesting sick leave that are payable at the end of their employment with JCCBI. The cost of future sick leave benefits is recognized over the periods in which the employees render services. Allowances for work injuries are recorded at present value at the instance that an incident occurs. The value of these obligations is recorded based on assumptions of pay increments, age of employees, years of service and the probability of departure. These assumptions are revised annually.

Severance benefits

The Corporation's employees were previously entitled to specified benefits provided for under conditions of employment, through a severance benefit plan. The past cost of future severance benefits that remain unpaid was recognized over the periods in which the employees rendered services to the entity and the liability is recognized in future benefits to employees. All outstanding amounts at year-end have been accrued.

Pension plan

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

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

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Asset Retirement Obligation

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

i) Environmental obligations

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

j) Contingent liabilities

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

k) Revenue recognition

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

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

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Financial Instruments

The Corporation identifies, assesses and manages financial risks in order to minimize their impact on its results and financial position. Financial risks are managed in accordance with specific criteria, as disclosed in note 19, and the Corporation does not engage in speculative transactions or use of derivatives.

The measurement of financial instruments depends on their classification as follows:

| Categories | Financial instruments | Measurement |
|-----------------------|---|------------------------|
| Financial assets | Cash and cash equivalents Accounts receivable Accrued interest receivable | Cost or amortized cost |
| Financial assets | Portfolio investments | Fair Value |
| Financial liabilities | Accounts payable and accrued liabilities Due to a government partner Client deposits Holdback Credit facility | Cost or amortized cost |

m) Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rate at the end of each year. Until an item is settled, gains and losses arising as a result of remeasurement are reported in the Consolidated Statement of Remeasurement Gains and Losses. When the item is settled, the exchange gain and loss are recorded in the Consolidated Statement of Operations.

n) Measurement uncertainty

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

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

3. ADOPTION OF NEW ACCOUNTING STANDARDS

As of April 1, 2012, the Corporation has adopted the following new PSAB Handbook standards:

i. Section 1201 - Financial Statement Presentation

This section establishes the general principles and information standards applicable to consolidated financial statements. It requires that remeasurement gains and losses be reported in a new statement. Also, the accumulated surplus or deficit is presented as the total of the accumulated operating surplus or deficit and the accumulated remeasurement gains and losses. The Consolidated Statement of Financial Position discloses accumulated remeasurement gains and losses as at March 31, 2013, which would have previously been classified as accumulated surplus. This change is applied prospectively as required under the transition provisions.

ii. Section 2601 - Foreign Currency Translation

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

iii. Section 3041 - Portfolio Investments

This section establishes standards on how to account for and report portfolio investments in government financial statements. The adoption of this section resulted in the reclassification of short-term investments to portfolio investments of \$15,433 (2012 - \$3,343) on the consolidated Statement of Financial Position.

iv. Section 3410 - Transfer Payments

This section provides guidance for the accounting and presentation of transfer payments issued from a transferor's and a recipient's perspective. The Corporation has elected to adopt this section retroactively without restatement. The adoption of this new standard had an impact on the operating results and on the financial position of the Corporation, as the recognition and presentation of parliamentary appropriations for tangible capital assets were modified. As at April 1, 2012, the deferred capital funding of \$249M was reclassified from the Consolidated Statement of Financial Position to accumulated surplus.

v. Section 3450 - Financial Instruments

This section establishes guidance for recognition, measurement and disclosure of financial assets, financial liabilities and non-financial derivatives. Comparative amounts are presented in accordance with the accounting policies applied by the Corporation immediately preceding its adoption. The adoption of this section did not have an impact on the results of operations or the financial position of the Corporation other than additional disclosures in the notes.

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

4. PORTFOLIO INVESTMENTS

| | 2013 | | 2012 | |
|------------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | <u>Carrying Value</u> | <u>Market Value</u> | <u>Carrying Value</u> | <u>Market Value</u> |
| Deposit certificates | 5,587 | 5,604 | 3,323 | 3,323 |
| Government of Canada bonds | 3,559 | 3,556 | - | - |
| Provincial governments bonds | 2,338 | 2,318 | - | - |
| Other | 3,980 | 4,044 | - | - |
| | 15,464 | 15,522 | 3,323 | 3,323 |

5. DUE TO A GOVERNMENT PARTNER

The amount owed to The St. Lawrence Seaway Development Corporation, the government partner, bears interest at a rate which varies between 1.34% and 1.86% (2012 – 1.25% and 1.95%) and is payable on demand. The carrying amount approximates its fair value.

6. HOLDBACK

The Corporation temporarily retains an amount on the total due to contractors to ensure that the latter fulfills its obligations pertaining to warranty, rectification and correction of defects in work. The contracts call for the Corporation to pay holdbacks and applicable interest upon expiration of the warranty period. Such holdbacks are applicable to current works on the Honoré Mercier Bridge, the Champlain Bridge, and other structures in Montreal as well as the North Channel Bridge in Cornwall.

7. EMPLOYEE FUTURE BENEFITS

a) Post-employment benefits and compensated absences

Prior to January 1, 2012, the Corporation provided severance benefits to their employees based on years of service and final salary. FBCL and SIBC Corporation eliminated this benefit in the prior year. JCCBI eliminated this benefit during the year. The remaining amounts owed will be paid upon termination. These benefit plans are not funded. The JCCBI accrued severance benefits are expected to be paid from government transfers as amounts are due.

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

7. EMPLOYEE FUTURE BENEFITS (continued)

Accumulating non-vesting sick leave benefits are also provided to the employees of FBCL (parent) and SIBC. Unionized employees of JCCBI accumulate sick leave that are payable upon termination of employment if not utilized. JCCBI also records an allowance for work injuries at the instance that an accident occurs.

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

| | 2013 | 2012 |
|----------------------------|--------------|-------|
| Balance, beginning of year | 1,271 | 1,370 |
| Current service cost | 858 | 160 |
| Benefits paid | (783) | (259) |
| Balance, end of year | 1,346 | 1,271 |

b) Pension benefits

Under the public service pension plan, the President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 6.85% (2012 – 6.2%) for JCCBI and SIBC employees hired prior to January 1, 2013 and at 6.27% for all other employees.

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

FBCL (parent) employees participate in a defined contribution plan. The employer's effective contribution rate was 14.2% (2012 – 12.5%).

Total employer contributions of \$1.3M (2012 - \$1.1M) were recognized as expense in the current year.

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

8. ENVIRONMENTAL OBLIGATION

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

The most pressing environmental issue facing the Corporation relates to the land situated in the Bonaventure sector in Montreal (Technoparc sector). The land managed by JCCBI since 1978, is located on a portion of a former waste fill site operated by the City of Montreal between 1866 and 1966. This old landfill site covers several properties belonging to various owners. Since 2003, JCCBI has carried out investigations and ground-water toxicity tests of this land. The tests have shown groundwater toxicity rates that contravene the *Fisheries Act*.

Feasibility studies have also been conducted to determine the mitigation measures required. Given the complexity of the issue, the involvement of numerous owners and the significant costs involved, a comprehensive solution to the environmental issues at this site is being pursued. This site is divided in two sectors: East and West.

The estimate of the liability is based on two preliminary studies for the East and Western sectors of the land and assumptions are revised annually by JCCBI. The East sector preliminary design study assessed JCCBI's share of total discounted costs could range from \$24.9M to \$74.4M (2012 – \$21.0M and \$63.0M). The West sector preliminary study on decontamination costs assessed JCCBI's share of total estimated discounted costs could range from \$21.1M to \$31.5M (2012 - \$17.4M to \$26.2M) As at March 31, 2013, the project management method has not yet been determined with certainty and negotiations with other owners are ongoing. JCCBI has estimated that the total cost of the project will be at the lower end of both ranges representing a total discounted cost of \$33.2M (2012 - \$28.1M).

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

- The total undiscounted estimated cash flows required to settle the liability as March 31, 2013 for the East sector is \$16.5M to \$49.4M (2012 – \$13.7 and \$41.1M) and for the West sector is \$16.7M to \$24.9M (2012 – \$14.4M and \$21.6M).
- The Corporation's share of the costs for the East and West sectors will be one-third and one-half, respectively.
- The East sector project will be initiated in 2018 with the construction of a damp-proof course and longer-term pumping and treatment system and decontamination operations will follow and span 25 years.
- The West sector project will be initiated in 2014 with the construction of a damp-proof course and decontamination plant. Approximately one-half of the plant decontamination costs will be distributed over an approximate 15-year period.

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

8. ENVIRONMENTAL OBLIGATION (continued)

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

9. ASSET RETIREMENT OBLIGATION

The Corporation has initiated the construction of a new low-level North Channel Bridge in Cornwall. Subsequently, once this new bridge is open for circulation, the Corporation intends to proceed with the demolition of the existing bridge. An asset and related retirement obligation has been recorded for the costs associated with the demolition of the existing bridge. The estimation of this asset retirement obligation costs depends on engineering estimates of timing, inflation, site conditions, availability of specialized workforce and commodity prices for the recycling of material. The estimated cash flows of \$17.1M required to settle the asset retirement obligation have been discounted using a credit-adjusted risk-free rate of 2.92% to 3.04%.

Per the current project schedule, cash payments for the disposal of the existing North Channel Bridge are expected to occur in 2014 and 2015. These cash flows will be funded from government transfer payments to be received at the time of demolition.

| | 2013 | 2012 |
|----------------------------|--------|--------|
| Balance, beginning of year | 15,885 | 15,433 |
| Accretion expense | 480 | 452 |
| Balance, end of year | 16,365 | 15,885 |

10. CREDIT FACILITY

SMRBC has a non-revolving term credit facility with a major Canadian bank totaling \$5.0M which has received approval from the Minister of Finance regarding the transaction terms and approval of the Governor in Council of the corporate plan of FBCL (parent), as per Section 127 of the *Financial Administration Act*. The credit facility is being used to finance property acquisitions relating to the Canadian Plaza Rehabilitation Project at the Sault Ste Marie international bridge.

On March 14, 2013, terms for the repayment of the facility were agreed to with monthly payments of \$28,438 over a twenty-year period, at an interest rate of 3.28% with a five year term. This credit facility is to be repaid from surplus toll revenues.

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

11. TANGIBLE CAPITAL ASSETS

| | Land | Bridges and roads | Vehicles and equipment | Buildings | Bridge and infrastructure betterments | Projects in progress | Asset retirement obligation | Total |
|---------------------------------|---------------|----------------------|------------------------------|--------------|---|----------------------------|-----------------------------------|----------------|
| Cost | | | | | | | | |
| April 1, 2011 | 8,611 | 323,330 | 8,448 | 5,726 | 1,109 | 79,383 | 15,171 | 441,779 |
| Acquisitions | - | 10,031 | 622 | 371 | - | 33,788 | - | 44,812 |
| Disposals | - | - | (54) | - | - | - | - | (54) |
| Transfers | - | 71,501 | - | - | - | (71,501) | - | - |
| March 31, 2012 | 8,611 | 404,862 | 9,016 | 6,097 | 1,109 | 41,670 | 15,171 | 486,537 |
| Acquisitions | 2,298 | 11,949 | 719 | 42 | - | 62,191 | - | 77,199 |
| Disposals | - | - | (69) | - | - | - | - | (69) |
| Transfers | - | 7,681 | - | - | - | (7,681) | - | - |
| March 31, 2013 | 10,909 | 424,492 | 9,666 | 6,139 | 1,109 | 96,180 | 15,171 | 563,667 |
| Accumulated Depreciation | | | | | | | | |
| April 1, 2011 | - | 160,714 | 6,145 | 3,600 | 1,109 | - | 1,924 | 173,492 |
| Amortization | - | 8,853 | 402 | 184 | - | - | 3,312 | 12,752 |
| Disposals | - | - | (54) | - | - | - | - | (54) |
| Write-downs | - | - | - | - | - | - | - | - |
| March 31, 2012 | - | 169,567 | 6,494 | 3,785 | 1,109 | - | 5,236 | 186,190 |
| Amortization | - | 10,616 | 453 | 139 | - | - | 3,312 | 14,520 |
| Disposals | - | - | (68) | - | - | - | - | (68) |
| Write-downs | - | - | - | - | - | - | - | - |
| March 31, 2013 | - | 180,183 | 6,879 | 3,924 | 1,109 | - | 8,548 | 200,642 |
| Net Book Value | | | | | | | | |
| March 31, 2012 | 8,611 | 235,295 | 2,523 | 2,313 | - | 41,670 | 9,935 | 300,347 |
| March 31, 2013 | 10,909 | 244,309 | 2,788 | 2,216 | - | 96,180 | 6,623 | 363,025 |

THE FEDERAL BRIDGE CORPORATION LIMITED**Notes to the Consolidated Financial Statements****(in thousands of dollars)****12. CAPITAL STOCK**

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

13. GOVERNMENT TRANSFERS

| | 2013 | 2012 |
|---|----------------|--------|
| Parliamentary appropriations received or receivable for : | | |
| FBCL New North Channel Bridge | 15,459 | - |
| JCCBI Operating expenditures | 58,744 | 64,076 |
| JCCBI Rehabilitation of the Honoré Mercier Bridge | 2,308 | - |
| JCCBI Major maintenance program of the Champlain Bridge | 21,795 | - |
| JCCBI Construction of a temporary bridge-causeway for île des Sœurs | 1,555 | - |
| JCCBI Federal Contaminated Sites Action Plan | 302 | - |
| JCCBI Other Capital projects | 30,121 | - |
| SMRBC Rehabilitation of the Sault Ste. Marie Customs Plaza | 1,042 | - |
| Government transfers approved and recorded during the year | 131,326 | 64,076 |

14. INTERNATIONAL THOUSAND ISLANDS BRIDGE

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

15. COMMITMENTS

The Corporation has commitments principally for police services, major repairs, supply contracts, maintenance contracts, professional services, land acquisitions, and rental agreements for amounts totaling \$95.6M (2012 - \$134.3M). Minimum payments over the next years are as follows:

| | |
|---------------------------|-----------|
| 2014 | \$ 74,355 |
| 2015 | 9,529 |
| 2016 | 6,781 |
| 2017 | 3,999 |
| 2018 and subsequent years | 935 |

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

16. CONTINGENCIES

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

On May 15, 2012, JCCBI received a claim from a contractor regarding work that had been performed on its behalf and that of a partner, for which expenses were shared. This claim mainly relates to project delays and the withdrawal of some work. JCCBI and its partner have agreed with the contractor to a settlement in the amount of \$8.4M. JCCBI has recorded an amount which reflects the best estimate of its share of the claim, in discussions with its partner. Within the same project, JCCBI has filed a claim on November 23, 2012, for the additional costs incurred that resulted from decisions acted upon by the partner. Given the complexity of the issues, the JCCBI management cannot currently estimate the financial impact of this claim.

17. EXPENSES BY OBJECT

| | 2013 | 2012 |
|---|---------------|----------------|
| Repairs and maintenance | 50,661 | 56,141 |
| Provision for environmental obligations | 5,402 | 27,100 |
| Amortization | 14,520 | 12,743 |
| Salaries and employee benefits | 11,987 | 10,364 |
| Goods and services | 5,822 | 7,169 |
| Professional services | 6,229 | 5,365 |
| | 94,621 | 118,882 |

18. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These operations are measured at fair value.

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

19. FINANCIAL INSTRUMENTS*a)* Fair value

The carrying value of the Corporation's financial instruments approximates their 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, 2013 and 2012. They are classified as Level 1 because their valuation can be based on quoted prices in active markets for identical assets or liabilities.

b) 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, cash equivalents, portfolio investments, accounts receivable and accrued interest receivable. 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 Statement of Financial Position 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 credit risk associated with cash, cash equivalents and portfolio 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 at an investment grade "A" or equivalent. Management believes the risk of loss is not significant. 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. As at March 31, 2013, accounts receivable from federal governmental departments comprised 81% of the total amount due (2012 - 86%).

c) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation manages the risk by establishing budgets; detailed cash estimates and regular follow up. The liquidity risk is low given that the Corporation is financed in most part by the Government of Canada and that borrowings are limited to a \$5M credit facility.

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

19 - FINANCIAL INSTRUMENTS (Continued)

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

| | Less than 3 months | 3 months to 1 year | Over 1 year | Total |
|--|--------------------|--------------------|-------------|-----------------|
| Accounts payable and accrued liabilities | \$40,109 | \$11 | - | \$40,120 |
| Due to government partner | - | 292 | 1,135 | 1,427 |
| Client deposits | 38 | - | 100 | 138 |
| Holdback | 2,067 | 4,377 | 1,758 | 8,202 |
| Credit Facility | 44 | 133 | 4,823 | 5,000 |
| Deferred Revenue | 413 | 156 | 33 | 602 |

d) Market Risk

Market risk is the risk of an impact on results from changes in market factors such as fluctuations in foreign currency exchange rates and interest rates.

The Corporation is subject to interest rate risk on its portfolio investments. To minimize this risk, the Corporation's investment policy specifies that the Corporation invests excess cash in readily marketable low risk instruments. If interest rates had varied by 1% during the year, the interest revenue from cash balances would have varied approximately \$324,000 (2012 - \$308,000).

Certain portfolio investments and amount due to the government partner 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, 2013 would not be material.

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

19 - FINANCIAL INSTRUMENTS (Continued)

Portfolio investments also include bonds of the Government of Canada and the provincial governments at a fixed interest rate with an average term to maturity of 9.5 years (2012 - nil). The fair market value of these investments are indirectly affected by fluctuations of the market interest rate. However, such fluctuations would have no impact on interest revenue that the Corporation derives from portfolio investments.

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 not be material. 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. Management has assessed the currency risk as not significant for the Corporation.

20. INTEREST IN A GOVERNMENT PARTNERSHIP - SIBC

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

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

20. INTEREST IN A GOVERNMENT PARTNERSHIP - SIBC (Continued)

| | 2013 | 2012 |
|--------------------------------------|----------|----------|
| Financial Assets | 2,042 | 3,326 |
| Liabilities | 2,180 | 3,519 |
| Net Debt | 138 | 193 |
| Non-Financial Assets | 142 | 197 |
| Accumulated Surplus (Deficit) | 4 | 4 |

Operations

| | | |
|--|------------|------------|
| Revenues | 2,062 | 2,055 |
| Expenses | 1,456 | 1,511 |
| FBCL share of government partnership annual surplus | 606 | 544 |

Cash flows

| | | |
|-----------------------|---------|-------|
| Operating activities | 519 | 769 |
| Investment activities | 481 | (262) |
| Financing activities | (1,603) | (228) |
| Capital activities | - | (23) |

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

APPENDIX A

2012-13 PERFORMANCE REPORT

Activity 1- Manage and Operate

This activity consists of the daily direction and control of operations at all FBCL bridges and associated structures including cyclical maintenance and repairs which ensures the ongoing safety and security of these assets and revenue generation activities.

| 2012-13 Performance Measures | Performance Indicators | Timeline | Status |
|--|---|----------|---|
| 1. Ensure bridge safety of full portfolio by continuing review of inspection reports and reporting on high-risk areas. | Reporting of results of inspection program | 2012-13 | Met - All inspections completed on time. |
| | Joint meetings and formal reports on asset risks as part of FBCL ERM | 2012-13 | High risk areas reported in Montreal for Jacques Cartier, île des Sœurs and Champlain bridges as well as its corridor including the Bonaventure Expressway |
| 2. Keep stakeholders and bridge users well informed on the status of works and resulting traffic disruptions using social media and other communication tools. | Statistics on number of subscribers and visitors to sites | Annually | Met Individual Visitors – 289,823 Total Visitors - 456,030 |
| 3. Report on innovations or new technologies used in major projects. | Types of results of innovation and/or technologies used | Annually | Met - FBCL engineers are Board members of the Canadian Society of Civil Engineering and the Canada Standards Association Technical Committee. New NCB in Cornwall: <ul style="list-style-type: none"> • adapting technologies of high performance concrete (HPC) developed by National Research Council and use of glass fibre reinforcing products (GFRP) in combination to extend the life-cycle of the bridge • use of satellite monitoring to detect differential movements in foundations and deck surfaces Domestic Bridges: <ul style="list-style-type: none"> • Satellite monitoring also used on the Champlain Bridge as well as the purchase of the latest instrumentation is being pursued in order to monitor the behavior of critical bridge elements. • Structural evaluation of several typical spans along the Jacques Cartier Bridge, including an evaluation using state-of-the-art techniques of the connections and gusset plates. |
| 4. Seek approval of long-term funding to address major risks for domestic bridges and associated structures in Montreal. | Allocation of long-term funding for JCCBI | 2013-14 | Ongoing – Funding for temporary île des Sœurs causeway bridge announced in Budget 2013 and future funding requirements identified and under review. 10-year funding requirements for all structures (15-years for Technoparc project) have been communicated to TC for government consideration. |
| 5. Ensure safety of existing NCB in Cornwall while new bridge being built. | Completion of work plan based on annual inspection and daily operational review | 2012-14 | Met - FBCL and SIBC will continue to operate and maintain the existing bridge until traffic is re-routed to the new structure. Bridge safety and serviceability work continue to be undertaken. |

Activity 2 – Construct and Rehabilitate

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

| 2012-13 Performance Measures | Performance Indicators | Timeline | Status |
|--|---|----------|---|
| 1. Deliver funded projects on time and on budget. | NCB - \$74.8M | 2011-16 | Met - On budget and on time with planned completion of the project by 2015-16. |
| | Honoré Mercier Bridge - \$135M | 2012-13 | Partially Met - Work continues on the federal portion of the bridge with delays on the Quebec portions. Contract A (original scope) has been completed. Quebec requested additional important repairs to be added into Contract A. Strengthening of JCCBI's section of the bridge was started in 2012-13. Contract B involves fabrication of bridge deck panels which were 66% completed and are being installed by the Mohawk Bridge Consortium retained under Contract A. |
| | Sault Ste. Marie Customs Plaza Rehabilitation - \$51.6M | 2012-18 | Partially Met - The project was delayed due to an extended property acquisition process. Design works are nearly completed and an additional amount of \$7.3M from the Gateways and Border Crossings Fund was approved in March 2013. Revised project completion is 2017-18. |
| 2. Obtain project approval and required funding for construction and ongoing costs of CBSA facilities in Cornwall. | CBSA decision on location | 2012-13 | Partially Met - FBCL is working with CBSA and TC on options, authorities and funding for moving interim facilities to align with opening of new NCB. |
| | Authorities granted and funding allocated | 2013-14 | |
| 3. Review revenue generation opportunities to assist in funding long-term capital requirements. | International Crossings – review with U.S. partners | Annually | Met - Toll increases implemented at Thousand Islands for January 2013. All international bridges toll rates reviewed on a cyclical basis. |
| | Provision of financial analysis and supporting documents for government consideration of funding for Montreal | 2012-13 | Met |
| 4. Develop business case for consideration by government for the rehabilitation of the Thousand Islands CBSA facility. | Development of business case for government consideration | 2012-13 | Met - Beyond the Border Investment Plan announced by local Member of Parliament. FBCL and CBSA agreed on a project plan and design with an estimated budget of \$60M. FBCL is working with TC to seek final funding authorities. |

Activity 3 – Internal Services

Internal services at FBCL are groups of related activities and resources that support the needs of programs and other corporate obligations. These services include governance, management support, and resource management services including finance, strategic planning and reporting, communications and human relations.

| 2012-13 Performance Measures | Performance Indicators | Timeline | Status |
|---|--|----------|--|
| 1. Meet all legislative and regulatory reporting requirements. | Complete conversion to Public Sector Accounting Standards (PSAS) | 2012- 13 | Met |
| | No. of reports meeting requirement that are delivered in a timely manner | Annually | Met - Annual Report, <i>Access to Information Act</i> Report, <i>Privacy Act</i> Report, Official Languages Report, Multi-Cultural Report, Alternative Fuels Report, Various Crown Corporation Reports, Corporate Plan |
| | Report progress of Internal Audit Plan | 2012-13 | Met - Completed three internal audits : <ol style="list-style-type: none"> 1. Internal Audit of Joint Venture Agreement between FBCL and St. Lawrence Seaway Development Corporation 2. Internal and Assurance Audit of the Budget Control Framework 3. Internal Audit of the Agreement for the operation of the Canadian portion of the Thousand Islands Bridge between FBCL and Thousand Islands Bridge Authority (TIBA) |
| 2. Complete the development of the Enterprise Risk Management Framework | ERM approved by FBCL Board | 2012-13 | Met - ERM process and Corporate Risk Profile completed and approved |

APPENDIX B

FINANCIAL SUMMARY OF RESULTS OF FBCL SUBSIDIARIES

| SIBC Financial summary Year ended March 31 | | |
|---|----------------|--------------|
| (thousands of dollars) | 2013 | 2012 |
| Statement of Operations | | |
| Revenue | | |
| Tolls | 3,890 | 3,859 |
| Leases and permits | 134 | 159 |
| Interest | 74 | 76 |
| Other | 27 | 16 |
| | 4,124 | 4,110 |
| Expenses | | |
| Maintenance | 973 | 1,048 |
| Tolls collection | 1,051 | 1,052 |
| Administration | 887 | 922 |
| | 2,911 | 3,022 |
| Annual operating surplus | 1,213 | 1,088 |
| Statement of Financial Position | | |
| Financial assets | 4,084 | 6,652 |
| Liabilities | 4,359 | 7,038 |
| Net debt | 275 | 386 |
| Non-financial assets | 283 | 394 |
| Accumulated surplus | 8 | 8 |
| Statement of Cash Flow | | |
| Operating transactions | 1,037 | 1,538 |
| Capital transactions | (1) | (46) |
| Investing transactions | 962 | (523) |
| Financing transactions | (3,206) | (457) |
| Net increase (decrease) in cash | (1,207) | 512 |

SMRBC Financial Summary Year ended December 31

| (thousands of dollars) | 2012 | 2011 |
|--|----------------|--------------|
| Statement of Operations | | |
| Revenue | | |
| Tolls | 3,770 | 3,625 |
| Leases and permits | 256 | 226 |
| Interest | 78 | 39 |
| Other | 308 | 95 |
| | 4,412 | 3,985 |
| Expenses | | |
| Maintenance | 1,909 | 1,480 |
| Tolls collection | 898 | 828 |
| Administration | 1,114 | 1,252 |
| | 3,921 | 3,560 |
| Annual surplus before government funding | 491 | 425 |
| Government transfers | 1,575 | - |
| Amortization of deferred capital funding | - | 58 |
| Annual operating surplus | 2,066 | 483 |
| Statement of Financial Position | | |
| Financial assets | 9,672 | 4,391 |
| Liabilities | 6,481 | 4,201 |
| Net debt | 3,191 | 190 |
| Non-financial assets | 11,824 | 10,318 |
| Accumulated surplus | 15,015 | 10,508 |
| Statement of Cash Flow | | |
| Operating transactions | 2,907 | 558 |
| Capital transactions | (2,081) | (1,172) |
| Investing transactions | (2,527) | 144 |
| Financing transactions | 5,000 | 1,227 |
| Net increase in cash | 3,299 | 757 |

JCCBI Financial summary Year ended March 31

| (thousands of dollars) | 2013 | 2012 |
|---|-----------------|-----------|
| Statement of Operations | | |
| Revenue | | |
| Leases and permits | 834 | 808 |
| Interest | 241 | 152 |
| Others | 12 | 34 |
| | 1,087 | 994 |
| Expenses | | |
| Maintenance | 60,840 | 63,124 |
| Operations | 3,988 | 3,920 |
| Administration | 6,920 | 6,640 |
| Provision for environmental obligation | 5,402 | 27,100 |
| | 77,150 | 100,784 |
| Annual deficit before government funding | (76,063) | (99,790) |
| Parliamentary appropriations for operating expenses | 58,744 | 64,076 |
| Parliamentary appropriations for capital expenses | 56,081 | - |
| Funding from FBCL | 2,637 | 2,585 |
| Amortization of deferred capital funding | - | 7,540 |
| Annual operating surplus (deficit) | 41,399 | (25,589) |
| Statement of Financial Position | | |
| Financial assets | 45,103 | 28,492 |
| Liabilities | 76,747 | 280,824 |
| Net debt | (31,644) | (252,332) |
| Non-financial assets | 289,966 | 242,182 |
| Accumulated surplus (deficit) | 258,322 | (10,150) |
| Statement of Cash Flow | | |
| Operating transactions | 63,816 | 24,307 |
| Capital transactions | (57,313) | (25,858) |
| Net increase (decrease) in cash flows | 6,502 | (1,551) |

APPENDIX C

BOARD OF DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

THE FEDERAL BRIDGE CORPORATION LIMITED (AS OF MARCH 31, 2013)

BOARD OF DIRECTORS

Vacant

Chairperson

Deborah Tropea

Vice-chairperson

Connie Graham

Director

Jim Durrell

Director

OFFICERS AND SENIOR MANAGEMENT

Micheline Dubé

President and CEO

Jacques E. Pigeon, Q.C.

Vice-President Legal Affairs and Corporate Secretary

Glenn W. Hewus

Senior Vice-President, Engineering and Construction

Natalie Kinloch

Chief Financial and Administrative Officer

André Girard

Vice-President, Communications

Vacant

Director, Administrative Services and Treasurer

Thye Lee

Director, Engineering and Construction

Pierre Rochon

Director, Strategic Planning and Policy

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

Deborah Tropea

Chairperson

Jim Durrell

Member

Connie Graham

Member

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED (AS OF MARCH 31, 2013)**BOARD OF DIRECTORS**

Paul Kefalas
Chairperson

Denise Hébert
Vice-Chairperson

Yvon Bourget
Director

Serge Martel
Director, Corporate Secretary

OFFICERS AND SENIOR MANAGEMENT

Glen P. Carlin
General Manager

Claude Lachance
Senior Director, Administration

Sylvie Lefebvre
Counsel

Stewve Stelios
Senior Director of Engineering

COMMITTEES OF THE BOARD OF DIRECTORS**AUDIT COMMITTEE**

Denise Hébert
Chairperson

Yvon Bourget
Member

Serge Martel
Member

GOVERNANCE COMMITTEE

Paul Kefalas
Chairperson

Yvon Bourget
Member

Denise Hébert
Member

**STEERING COMMITTEE FOR THE HONORÉ MERCIER
BRIDGE DECK REPLACEMENT**

Yvon Bourget
Chairperson

Paul Kefalas
Member

Denise Hébert
Observer

Serge Martel
Observer

**STEERING COMMITTEE FOR THE CONSTRUCTION OF
A TEMPORARY ÎLE DES SŒURS CAUSEWAY-BRIDGE**

Yvon Bourget
Chairperson

Paul Kefalas
Member

Denise Hébert
Observer

Serge Martel
Observer

HUMAN RESOURCES COMMITTEE

Denise Hébert
Chairperson

Serge Martel
Member

ST. MARY'S RIVER BRIDGE COMPANY

(AS OF MARCH 31, 2013)

BOARD OF DIRECTORS

James McIntyre
President

Alexander Harry
Vice-President

Lorie Bottos
Director and Secretary-Treasurer

Micheline Dubé
Director

Helen Gillespie
Director

Richard Talvitie
Director

Glenn W. Hewus
Director

Vacant
Director

Vacant
Director

OFFICERS AND SENIOR MANAGEMENT

Micheline Dubé
President and CEO

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

AUDIT COMMITTEE

Helen Gillespie
Director

Glenn W. Hewus
Director

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (AS OF MARCH 31, 2013)**BOARD OF DIRECTORS**

Micheline Dubé
President & Director

Salvatore Pisani
Vice-President & Director

Thomas Lavigne
Director

Roger Forgues
Director

Carrie-Mann Lavigne
Director

Jacques E. Pigeon, Q.C.
Director

André Poirier
Director

Marsha Sienkiewicz
Director

OFFICERS AND SENIOR MANAGEMENT

Hendrik H. Saaltink
General Manager

Jacques E. Pigeon, Q.C.
General Counsel

Carrie Mann-Lavigne
Deputy General counsel

Roger Forgues
Treasurer

COMMITTEES OF THE BOARD OF DIRECTORS**MANAGEMENT COMMITTEE**

Micheline Dubé
Chairperson

Salvatore Pisani
Member

Roger Forgues
Member

Carrie Mann-Lavigne
Member

AUDIT COMMITTEE

Roger Forgues
Chairperson

Marsha Sienkiewicz
Member

Vacant
Member

Jacques E. Pigeon, Q.C.
Member

SECURITY COMMITTEE

André Poirier
Chairperson

Micheline Dubé
Member

Salvatore Pisani
Member

APPENDIX D – LIST OF ABBREVIATIONS

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

CORPORATE OFFICES

THE FEDERAL BRIDGE CORPORATION LIMITED

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THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

1111, Saint-Charles Street West
West Tower, Suite 600
Longueuil, Québec J4K 5G7

Telephone: (450) 651-8771
Fax: (450) 677-6912
www.jccbi.ca / info@pjcci.ca

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

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Cornwall, Ontario K6H 5T7
Telephone: (613) 932-6601
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THE THOUSAND ISLANDS BRIDGE AUTHORITY

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ST. MARY'S RIVER BRIDGE COMPANY

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BLOGS

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