THE FEDERAL BRIDGE CORPORATION LIMITED

ANNUAL REPORT

2013-2014

Canada

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1.0 MESSAGE FROM THE VICE-CHAIR OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

"Discipline is the bridge between goals and accomplishments" Jim Rohn

In this fiscal year, we, at The Federal Bridge Corporation Limited (FBCL), have literally built our bridge. The Board of Directors of FBCL and its employees, past and present, are proud to have set the vision and received support to complete the new low-level North Channel Bridge in Cornwall, Ontario. This bridge, opened in January 2014, continues to serve as an international passage for Canada and the United States and remains a fundamental link for the host communities. The strong coordinated approach of FBCL with its stakeholders continues to deliver remarkable value for Canada. FBCL partnered with its subsidiary The Seaway International Bridge Corporation Ltd. (SIBC) to construct the tolling facilities. In addition, SIBC managed the operational and traffic considerations throughout the construction. The local Mohawk community participated with skills and expertise as part of each contract and the City of Cornwall harmonized their municipal underground works at each step. The Canada Border Services Agency (CBSA) also sought out FBCL's expertise as project manager for their new facility at the bridge.

Deborah Tropea

Further down the Seaway, an original large international bridge reached 75 years of age and is still in great condition. This was well worth celebrating! In 2013, the Thousand Islands Bridge Authority (TIBA), a partner to FBCL, was host to the festivities. The bridge was opened in 1938 by U.S. President Franklin D. Roosevelt and Canadian Prime Minister William Lyon Mackenzie King. TIBA was also recipient of a 2014 Certificate of Excellence from the Trip Advisor website. For TIBA and FBCL, it was a great time to reflect on the achievements of this continuous and successful joint partnership.

Micheline Dubé

These celebrations and realizations, although momentous, are only part of the significant endeavours of the FBCL team. FBCL has received approval to move forward with a complete redevelopment of the CBSA facilities at the Thousand Islands Bridge. This $60M project was identified as priority in the Canada/U.S. Border Action Plan and the design phase has now been launched. In Northern Ontario at the Sault Ste. Marie International Bridge, FBCL's subsidiary, St. Mary's River Bridge Company (SMRBC) has received a commitment of funding of $51.6M from Transport Canada (TC) for the Canadian Customs Plaza project. With the completion of the acquisition of the required residential properties, the land preparation and the construction phase of the project is now underway. As a first phase, the focus is on the underground infrastructure, the construction of a Duty Free shop and on the maintenance garage. Together these projects contribute significantly to the ongoing bridge safety, security and border infrastructure renewal.

FBCL has also set goals to continue to increase its effectiveness and efficiency and has made progress in many aspects of bridge operations, corporate administration and financial management. Across all bridge locations, the tolling systems are being modernized with a major upgrade in Cornwall and electronic tolling implementation and studies underway in Sault Ste. Marie and the Thousand Islands. The Board of Directors has also approved its new policy framework as well as revamped its overarching policies of Enterprise Risk Management, Financial Management and Human Resources Management. On the revenue front, toll increases were implemented in two locations to align with the operating, maintenance and long-term capital needs of the bridge assets. Currency rates have been adjusted to take into account the fluctuation in the Canadian dollar in the latter part of the year. The accountability for public funds remains at the forefront for FBCL who carefully adjusts toll rates at each location by balancing the needs of the bridge assets and its operations with those of the bridge users. In controlling its costs, maintenance and capital budgets are being respected, wage increases are in line with government restraint measures, additional internal services are shared, travel is reduced and general restrictions on administrative expenditures continue.

At the SIBC, the sense of accomplishment ran deep. After more than 25 years with the St. Lawrence Seaway Authority and later with SIBC, the General Manager Hendrik (Rik) Saaltink retired. His was truly an exceptional career and we are thankful to him for sharing it with us.

On the corporate governance front, in 2013 the Government of Canada communicated through its *Economic Action Plan 2013 Act, No. 2* its major plan to re-organize under a new entity, FBCL amalgamated. Four federal Crown corporations that own or operate international bridges will amalgamate and a single distinct Crown corporation for the domestic bridges in Montreal was created. At FBCL, this plan provides a unique opportunity to address long-standing issues of complex governance.

In February 2014, Phase 1 of this transition was realized with the transfer of FBCL's shares of the Jacques Cartier and Champlain Bridges Incorporated (JCCBI) to the Minister of Transport. As a result, financial information has been adjusted to reflect the changes. Montreal operations no longer form part of the FBCL portfolio. In the current year, FBCL is working to complete Phase 2, the amalgamation with SMRBC and SIBC. Phase 3, amalgamation with Blue Water Bridge Authority (BWBA) will occur shortly thereafter with concurrence from the Boards of each of the corporations. Going forward, FBCL Amalgamated will have a single Board of Directors with seven members. This single focus on international bridges will allow for a comprehensive bridge portfolio approach to key issues and integration of best practices at all locations including asset lifecycle management, toll operations, maintenance and operational planning consistency as well as integrated resource management.

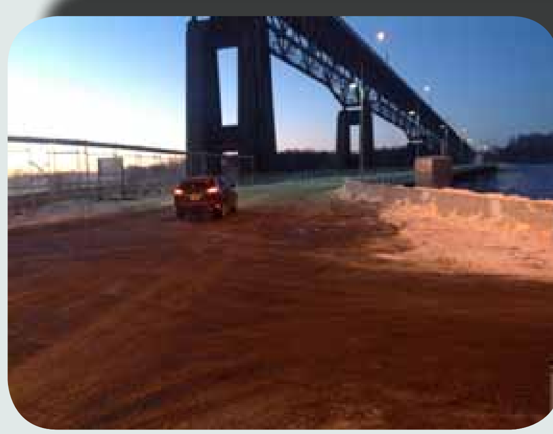
As we pause to reflect on all that was realized, we also look ahead to the future. In many of the projects described above, there remains more work to do. Having delivered the above with FBCL's mighty but small team, we cannot help but dream of just how much can be achieved as we join forces with the existing staff members of three other crown corporations, to deliver the best managed international bridge portfolio for Canada. It is indeed an exciting road ahead.

Deborah Tropea,
Vice-Chair of the FBCL Board of Directors

Micheline Dubé,
President and CEO

Opening of the New North Channel Bridge on January 24, 2014

Micheline Dubé (in the driver's seat) and Ms. Raymonde Champagne (first person to cross the old bridge in 1962) were the first to cross the new North Channel Bridge at -36 degrees at 7 AM on the official opening day.



2.0 WHO WE ARE

2.1 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. FBCL's mandate is to provide the highest level of stewardship so that its three international bridges and associated 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.

2.2 ORGANIZATIONAL OVERVIEW

FBCL is an agent parent Crown corporation listed under Schedule III-I of the *Financial Administration Act* (FAA), incorporated in 1998 under the *Canada Business Corporations Act* (CBCA). It operates at arm's length from the federal government. As a Crown corporation, FBCL is subject to the accountability regime set out in Part X of the FAA. Headquartered in Ottawa, FBCL owns, manages and operates international bridges and associated structures in three geographical locations in Ontario with a governance model that includes three international partners.

1. Cornwall: Responsible for management of the international bridge crossing including the North Channel Bridge, an international roadway and the South Channel Bridge. They span the Mohawk Territory of Akwesasne and cross at Rooseveltown, New York (NY). It is a main access point to northern NY State for commercial and tourist traffic and also an important link for the Mohawk communities of NY and Ontario. The operations are managed by international agreement as a joint venture by 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 which 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. 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 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 FBCL.
3. Thousand Islands: Responsible for the Canadian portion of the Thousand Islands International Bridge which consists of the Canadian portion located in Ivy Lea, Ontario and the American portion at Collin's Landing, NY. It is an important crossing for tourist traffic and one of the busier crossings for commercial traffic. The crossing is managed by 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 the asset owners.

The FBCL 2013-14 Annual Public Meeting

For the first time in the corporation's history, the FBCL Board and Senior Management held the 2013-14 Annual Public Meeting on January 24 at its Ottawa Head Office.

2.3 MAP OF STRUCTURES

2.4 LEGISLATION AND RESPONSIBILITIES

FCBL's Articles of Incorporation outline that the business shall, in essence, be limited to:

a) acquiring lands for, and constructing, maintaining and operating international 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 international bridges;

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

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

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

2.5 ORGANIZATIONAL STRUCTURE

BOARD OF DIRECTORS

PRESIDENT AND CHIEF EXECUTIVE OFFICER

CORNWALL	SAULT STE. MARIE	THOUSAND ISLANDS
BOARDS OF DIRECTORS		
The Seaway International Bridge Corporation, Ltd. SIBC International	St. Mary's River Bridge Company SMRBC The Sault Ste. Marie Bridge Authority SSMBA International	The Thousand Islands Bridge Authority TIBA International
BRIDGE OPERATORS		
SIBC General Manager Canada	IBA General Manager United States	TIBA General Manager United States

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, "An efficient transportation network". FBCL contributes to Canada's economy by ensuring safe and efficient transit on the international transportation network. On behalf of the federal government, FBCL and its subsidiaries own and operate three international bridges and associated structures in Ontario. Its international 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.

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.

2.7 SUMMARY OF OPERATIONS

NAME	FBCL Headquarters Ottawa, Ontario [1]	The Seaway International Bridge [1] Cornwall, Ontario	The Thousand Islands Bridge Lansdowne, Ontario	The Sault Ste. Marie International Bridge [1] Sault Ste. Marie, Ontario
ESTABLISHED	1998 under the CBCA.	1962 under the *Canada Corporations Act* continued in 1979 under the CBCA.	International agreement originating in 1976.	1955 as a not-for-profit organization; continued in 2008 under the CBCA.
STATUS WITHIN FBCL	Parent Company.	Subsidiary Joint venture between FBCL and the St. Lawrence Seaway Development Corporation –SLSDC (U.S.).	Regional Office U.S. bridge operating agency managed by international agreement.	Subsidiary U.S. bridge operating agency managed by international agreement.
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 (FBCL and MDOT). Each owner nominates four Directors to The Sault Ste. Marie Bridge Authority (SSMBA) in accordance with the bi-national agreement.
PRIMARY RESPONSIBILITY	Owner of Canadian bridges and associated structures at international crossings in Cornwall and Thousand Islands.	SIBC operates the 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.	SMRBC owner of Canadian half of the international bridge and associated structures in Sault Ste. Marie.

[1] An amalgamation is planned between FBCL, SMRBC and SIBC as outlined in the *Economic Action Plan 2013 Act, No. 2* including the repeal of certain constituent Acts.

2.8 USE OF FUNDS

FBCL (Headquarters)	Cornwall	Sault Ste. Marie	Thousand Islands
Operating costs are covered by lease revenues (i.e. TIB Duty Free Store) and from cost sharing arrangements for resources with the various bridge locations. Expenditures for CBSA facilities (and if necessary, FBCL operating costs) are funded from Canada's share of net earnings at international bridges. Appropriations and/or contributions are required to fund large capital expenditures (e.g., rehabilitation or replacement of bridges) and CBSA facilities.	Toll revenues cover operating, maintenance and minor capital costs. Each owner is allocated 50% of the remaining revenues to fund their capital expenditures. Canada's share of net earnings funds capital projects on the North Channel Bridge and Canada's 32% share of the South Channel Bridge. Any unused amount is held for future repairs. Major capital projects (e.g. new North Channel Bridge) are funded through parliamentary appropriations.	Toll revenues cover operating, maintenance and most capital costs. SMRBC's 50% share of profit is used for funding operations and maintenance for CBSA facilities. The remainder, if any, is held to fund future capital repairs. Major capital projects (e.g., Customs Plaza) are funded partly through federal contributions and a private loan.	Toll revenues cover operating, maintenance and minor capital costs. 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. Major capital projects (e.g., Customs Plaza) are funded through parliamentary appropriations.

3.0 GOVERNANCE

3.1 *ECONOMIC ACTION PLAN 2013 ACT, NO. 2*, REORGANIZATION OF CERTAIN CROWN CORPORATIONS

On December 12, 2013, the Government of Canada passed legislation in the House of Commons (*Economic Action Plan 2013 Act, No. 2*) to reorganize Crown corporations involved in the management of international bridges crossing the waterways between the Province of Ontario and the States of New York and Michigan.

The planned re-organization will result in the amalgamation of:

- FBCL with its two remaining subsidiaries, SIBC in Cornwall and SMRBC in Sault Ste. Marie; and,
- FBCL with the Blue Water Bridge Authority (BWBA) in Point Edward/Sarnia.

The amalgamated corporation would continue under the FBCL name.

On February 10, 2014, an Order-in-Council (OIC) authorized FBCL to transfer its shares of JCCBI to the Minister of Transport. The FBCL Board enacted a resolution and entered into a share transfer agreement with the Minister of Transport to affect the transfer of the JCCBI share. This transaction concludes the FBCL relationship with JCCBI as of February 12, 2014. JCCBI is continuing its operations independently as a parent Crown corporation.

The process to realize the amalgamations requires specific actions by the Government and also by each of the Corporations. As a preliminary step, an OIC authorized the maximum number of Board members of FBCL from 4 to 7 members. These changes were planned to occur in three phases:

- Phase one was the transferring of JCCBI shares to the Minister of Transport , now completed;
- Phase two is the amalgamation of FBCL with SMRBC and SIBC. For SMRBC, the process is straight-forward with minor changes being required to the international agreement as the joint international board, Sault Ste. Marie Bridge Authority, will continue. For SIBC, FBCL will also have to negotiate a renewed agreement with its U.S. partner, SLSDC. Resolutions of the subsidiary Boards of Directors are required. FBCL is currently working with its partners to realize the amalgamations.; and
- Phase three is the amalgamation with BWBA. FBCL and its Board of Directors is continuing to work in cooperation with the BWBA Board in order to complete the negotiations to successfully achieve the Government's directive for an amalgamated FBCL.

3.2 FBCL BOARD

3.2.1 Responsibility

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

3.2.2 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.

3.2.3 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 present size of the FBCL Board (4 members, with 1 position vacant), all responsibilities related to matters of oversight in the areas of governance, board nominations and human resources have been assumed by the FBCL Board.

3.2.4 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.

3.2.5 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 $177,400 - $208,600. 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 Group (EX) salary scales.

3.2.6 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 disclosure to date.

3.3 PORTFOLIO MANAGEMENT

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

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

4.0 CORPORATE PERFORMANCE

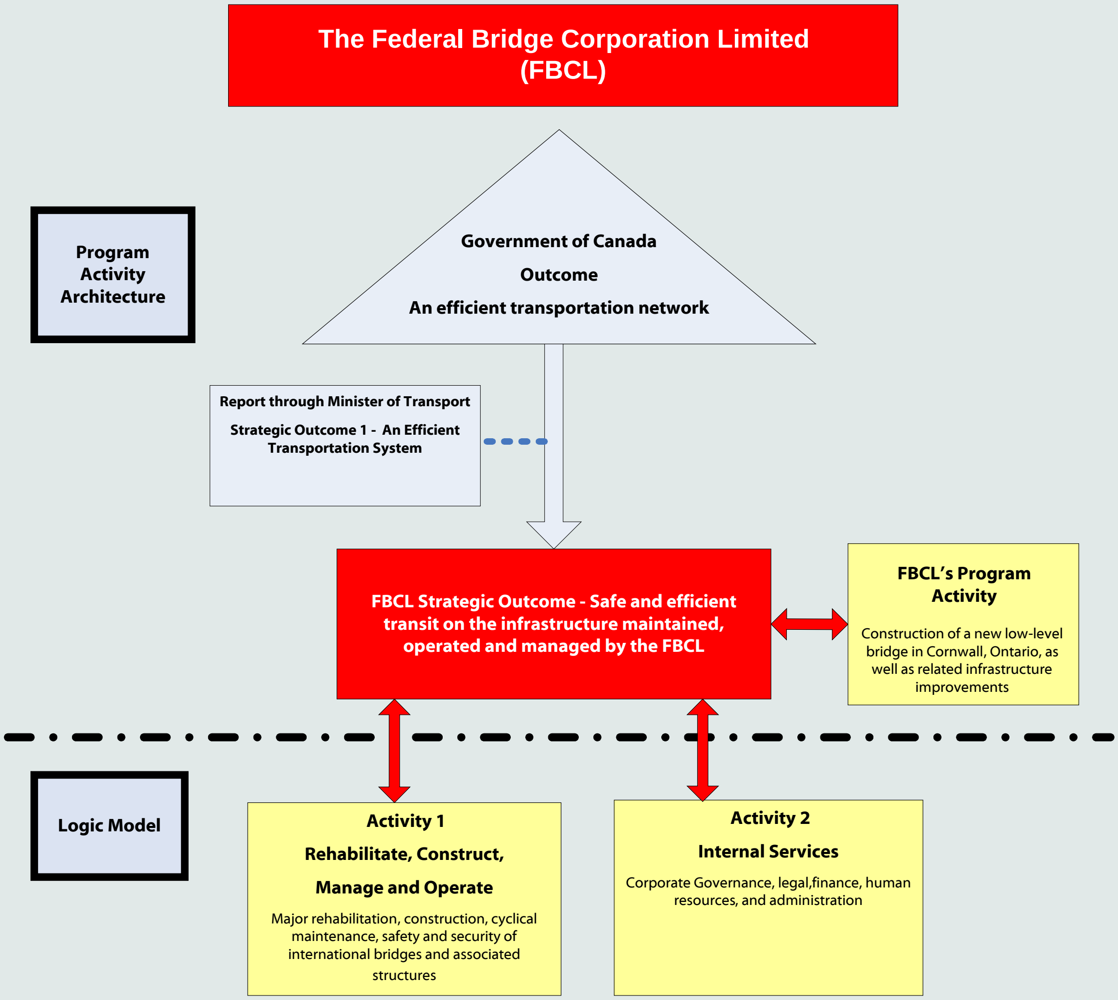
4.1 FBCL PROGRAM ACTIVITY ARCHITECTURE (PAA) / LOGIC MODEL

STRATEGIC OUTCOME

Safe and efficient transit on the infrastructure maintained, operated and managed by The Federal Bridge Corporation Limited.

Program Activity Description: *Construction of a new low-level bridge in Cornwall, Ontario as well as related infrastructure improvements.*

This program activity encompasses the construction of a new low-level bridge in Cornwall, to replace the deteriorating North Channel Span of the Seaway International Bridge, as well as related infrastructure improvements on Cornwall Island.



4.2 2013-14 PERFORMANCE HIGHLIGHTS

The following are the corporate objectives, strategies and performance targets by activity that FBCL delivered in 2013-14 and will continue to undertake to deliver its mandate. This Annual Report no longer represents information from the subsidiary, JCCBI which is now a stand-alone Crown corporation and will complete its own Annual Report.

Activity 1- Rehabilitate, Construct, Manage and Operate

This activity consists of all major construction and rehabilitation projects as well as other major capital expenditures ensuring the safety and security of FBCL's international bridges and associated structures including CBSA facilities. The operations are managed through international agreement with the U.S. and joint representation on the respective Boards of Directors.

2013-14 Performance Measures	Performance Indicators	Timeline	Status
1. Ensure bridge safety by continuing review of inspection reports and reporting on high-risk areas.	Reporting of results of inspection program	Annually	Met - All inspections completed and reported on time.
	Joint meetings and formal reports on asset risks as part of FBCL Enterprise Risk Management	Annually	Met - Risk assessments reviewed quarterly with the FBCL Audit Committee.
2. Ensure innovations or new technologies are explored and/or utilized.	Types of results of innovation and/ or technologies used	Annually	Met - FBCL engineers continue to work with the National Research Council and other associations on innovations and new technologies. New North Channel Bridge in Cornwall: high performance concrete and use of glass fibre reinforcing products used in construction. The use of satellite monitoring to detect differential movements in foundations and deck surfaces is being studied as a new tool.
3. Ensure safety of existing North Channel Bridge in Cornwall while new bridge being built.	Completion of work plan based on annual inspection and daily operational review	2013-14	Met - Existing bridge was decommisioned in January 2014, demolition is planned to start in 2014-15.
4. Deliver funded bridge projects on time and on budget.	North Channel Bridge ($74.8M)	2013-16	Met - New bridge completed and opened Jan. 2014. Improvements of roadways to be completed by 2016-17.
	Sault Ste. Marie Canadian Customs Plaza Rehabilitation ($51.6M)	2012-15	Partially Met – The construction of the facilities has been initiated with the garage and the Duty Free Store as well as the ramp widening and other related civil works. The project completion is planned for 2017-18.
5. Review revenue generation opportunities to assist in funding long-term capital requirements.	International Crossings – review revenues	Annually	Met - Toll increases implemented at Thousand Islands in 2013 and planned for the Sault Ste. Marie in 2014 and Cornwall in 2017-18. All international bridges toll rates are regularly reviewed for fluctuations in currency exchange and adjusted as necessary.
6. Meet obligations of the *Customs Act (Section 6)* at international crossings	Cornwall: Authorities granted and funding allocated for interim port of entry	2013-15	Met- At CBSA's request, FBCL is acting as the project and construction manager. The operation of the facility remains with CBSA at this time.
	Sault Ste. Marie: Canadian Customs Plaza Rehabilitation ($51.6M)	2013-17	Met – Amended contribution agreement signed with by Minister of Transport securing necessary funding for project completion.
	Thousand Islands: approval and funding to renew the CBSA facility	2013-14	Met – Project has been funded and will be initiated in 2014-15.

Activity 2- 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.

2013-14 Performance Measures	Performance Indicators	Timeline	Status
1. Meet all legislative and regulatory reporting requirements.	Number of reports meeting requirement that are delivered in a timely manner	Annually	Met – FBCL delivered all reports on time as per legislative requirements.
	Update and delivery of multi-year, corporate-wide Internal Audit Plan	2013-14	Met – Multi-year plan approved by FBCL Audit Committee and Advisory Audit of FBCL information technology network infrastructure completed.
2. Continue to improve the Enterprise Risk Management (ERM) process.	ERM policy approved by FBCL Board and rolled-out to the subsidiaries	2013-15	Partially Met - FBCL Audit Committee has ERM as a standing item for each meeting. ERM Policy was approved. Corporate-wide risks are currently rolled up from the subsidiaries reports.
3. Continue to provide information including business case as to the optimal corporate structure for FBCL.	Report on progress of corporate structure challenges	2013-14	Met – Refer to Section 5.3.2
4. Keep stakeholders and bridge users well informed on the status of works and resulting traffic disruptions using social media and other tools.	Statistics on number of subscribers and visitors to sites	Annually	Met – In addition to traditional forms of communication, FBCL has an active blog site in place for all its major projects allowing an interested party to obtain real time information. This site provides a forum for direct exchange of questions and concern. Individual Visitors – 353 Total Visitors - 440
5. Support budget restraint measures.	Savings reported as an update on key initiatives	Annually	Met – FBCL remains committed to vigilance in regards to the use of public funds. As such, FBCL continued to limit the wage increases to that of the broader public sector. Expense increases due to rises in insurance and salary costs have been fully absorbed with cost reductions through careful monitoring of items like travel, communications, and limited use of external consultants.

4.3 MAJOR PROJECTS

4.3.1 Cornwall

This international crossing is operated through an historical international agreement as a joint venture with a U.S. partner, SLSDC. The Seaway International Bridge, originally opened in 1962 includes two bridges, the North Channel Bridge and the South Channel Bridge linked by an international roadway corridor. This crossing serves both international travellers and the local Mohawk community for access to Cornwall Island.

Bridge(s) condition and planned projects - The South Channel Bridge is considered to be in good condition according to inspection reports for the Canadian and American portions of the bridge. The contract for the South Channel Bridge painting project was completed in 2013. Contract provisions supported hiring labour from the Mohawk community. Over 80% Mohawk labour content was achieved during the final phase of the project. No other major maintenance works are planned at this bridge crossing in the planning period.

New North Channel Bridge - This $74.8M project, funded by Government appropriations 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. Permanent tolling facilities were constructed on the north end of the new North Channel Bridge as well as the CBSA interim temporary facilities for which FBCL assumed project and construction management roles. The new bridge opened to traffic in January 2014. The demolition of the old bridge is to be initiated in 2014-15 and the improvements to Brookdale Ave. and Water St. needed to re-route traffic entering and leaving the CBSA facilities, is scheduled for completion in 2016-17.

CBSA Facilities - The second phase of interim temporary CBSA facilities will see a more permanent building to be opened by the summer of 2014. However, no final decision on the location of a permanent CBSA facility either in Canada or the U.S. has been communicated.

4.3.2 Thousand Islands

The Thousand Islands International Bridge was opened in 1938.This crossing is managed by the TIBA, an entity of the State of New York, U.S. under a bi-national agreement between the asset owners, FBCL and TIBA. FBCL is directly responsible to oversee the inspection programs for the Canadian Bridge and the Rift Bridges and manage capital projects carried out at the Canadian Bridge, Rift Bridges and CBSA facilities. The boundary is at the International Rift, between Wellesley Island and Hill Island, and is bridged by two parallel arched spans.

Bridge(s) 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 include rehabilitation of concrete piers at the Canadian bridge, asphalt replacement at the Canadian maintenance garage and a joint feasibility study with TIBA for the installation of an electronic toll collection system.

Lansdowne Customs Facility Rehabilitation Project - FBCL will be managing the rehabilitation project for CBSA's Lansdowne Port of Entry to be initiated in 2014-15. It is estimated to take four years to complete at a cost of $60M. This project was identified as priority in the Canada/U.S. Border Action Plan. CBSA operations and security will be maintained throughout the construction phase.

4.3.3 Sault Ste. Marie

The Sault Ste. Marie International Bridge opened in 1962. This international crossing is managed by IBA, an entity of the State of Michigan, through an international agreement between the asset owners, SMRBC and the IBA. Sault Ste. Marie is the largest international trade crossing and only one within 600 miles in northwestern Ontario and northern Michigan.

Bridge(s) 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. Annual inspections to protect the safety of the bridge are performed by the IBA's consulting engineers each year while fracture critical inspections are done alternate years for the Canadian side.

Canadian Customs Plaza Redevelopment Project - The project, announced by the Prime Minister in September 2009 is financed through the Gateways and Border Crossings Fund. It includes the expansion and redesign of the existing Canadian customs plaza at the Sault Ste. Marie International Bridge; including the construction of a new Duty Free shop and maintenance garage. SMRBC entered into an agreement with TC to realize the project within a funding envelope of $44.1M however, a $7.3M increase was required due to delays with land acquisition which brought the total to $51.6M. An amended Contribution Agreement for funding and an extension to the original timeline to 2017-18 was approved and signed by the Minister of Transport in October 2013.

In November 2013, SMRBC awarded the construction contract for the maintenance garage, the Duty Free Store as well as the ramp widening and other related civil works. This major step forward in the project was made possible following discussions and mediation involving the acquisition of all residential properties required to proceed with this phase of the project. A key highlight in this phase of the project will be the widening and connection of the plaza ramp to Carmen's Way, which will greatly improve the flow of commercial traffic at the plaza. With the Project now in full gear, SMRBC has created a dedicated Internet blog site to keep the local population informed on all aspects of the project including a detailed project description, punctual progress of the construction with visual updates, public notices on detours, lane closures and related news.

4.4 FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

(Unaudited - for the year ending on March 31)

(in thousands of dollars)	**2014**	2013	2012	2011	2010
Revenues					
Tolls	**5,635**	5,663	5,535	5,278	4,160
Leases and permits	**4,472**	4,926	4,566	4,534	4,626
Thousand Islands Bridge operating revenue	**4,470**	3,735	3,490	3,590	3,528
Interest	**660**	550	390	320	173
Other	**364**	5	207	280	77
	15,601	14,879	14,188	14,002	12,564
Expenses					
Maintenance	**76,008**	68,324	72,059	60,589	30,096
Operations	**5,732**	5,583	5,739	5,567	5,511
Administration	**11,594**	11,720	10,570	10,238	9,438
Thousand Islands Bridge operating expenses	**4,017**	3,592	3,414	3,512	2,339
Provision for environmental obligation	**2,710**	5,402	27,100	-	-
Loss on disposal of investment in a subsidiary	**341,353**	-	-	-	-
Amortization *	**-**	-	-	-	6,597
	441,414	94,621	118,882	79,906	53,981
Deficit before government funding	**(425,813)**	(79,742)	(104,694)	(65,904)	(41,417)
Government Funding	**177,786**	131,326	64,076	57,900	36,661
Amortization of deferred capital funding	**-**	-	7,598	5,573	4,628
Non-controlling interest	**-**	-	-	-	13
Extraordinary gain	**-**	-	-	-	138
Annual surplus (deficit)	**(248,027)**	51,584	(33,020)	(2,431)	23

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

5.0 MANAGEMENT DISCUSSION AND ANALYSIS

5.1 CORE BUSINESS AND STRATEGY

FBCL has two main activities;

- To manage, operate, construct and rehabilitate its international bridges and associated structures; and
- Internal services that ensure good governance, ethical management and efficient oversight of its activities.

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 its international crossings and promoting the efficient flow of traffic.

5.2 OPERATING CONTEXT

In delivering its mandate, FBCL is affected by internal and external factors which highlight its strengths, generate opportunities, create challenges and impact its key risks. Once identified, these factors are monitored and plans are adapted to address significant fluctuations. The re-organization of FBCL announced in the *Economic Action Plan 2013 Act, No. 2*, will permit the establishment of a portfolio approach to key issues and integration of best practices at all of FBCL's international bridge locations including integrated lifecycle and operations planning. The following factors have been identified as potentially having the largest impact on FBCL's operations in 2013-14.

5.2.1 Federal Government Priorities

Budget 2013 and Fiscal Update 2013

FBCL's activities specifically support the Government's direction as outlined in the *Economic Action Plan 2013*, as follows:

- **Connecting Canadians with Available Jobs:** by continuation of FBCL's major construction projects which provide the industry with hundreds of high-quality, well-paying jobs as well as important opportunities for skills training for the local trades;
- **Helping Manufacturers and Businesses Succeed in the Global Economy:** by reducing wait times and increasing efficiency of cross-border travel to assist manufacturers to get their products to markets and Government's environmental assessments as announced in the initiative and the effect of increaseed of travellers' exemptions on cross border shopping will also help increase cross-border travel;
- **Creating a New Building Canada Plan:** to support FBCL's many infrastructure projects that include investments in modernizing customs facilities at its international bridges and the replacement of the North Channel Bridge in Cornwall; and
- **Respect for Public Funds:** by ensuring wage restraint and employee compensation guidance, elimination of voluntary severance, a review of pension plan contribution ratios, sharing of internal services, reduced travel, hospitality and conferences expenditures as well as a general freeze of operating expenses.

5.2.2 Beyond the Border Action Plan

The U.S./Canada Beyond the Border Action Plan sets out a range of initiatives to promote security and support trade and economic growth, by improving the shared border 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.

5.2.3 Economic Impact

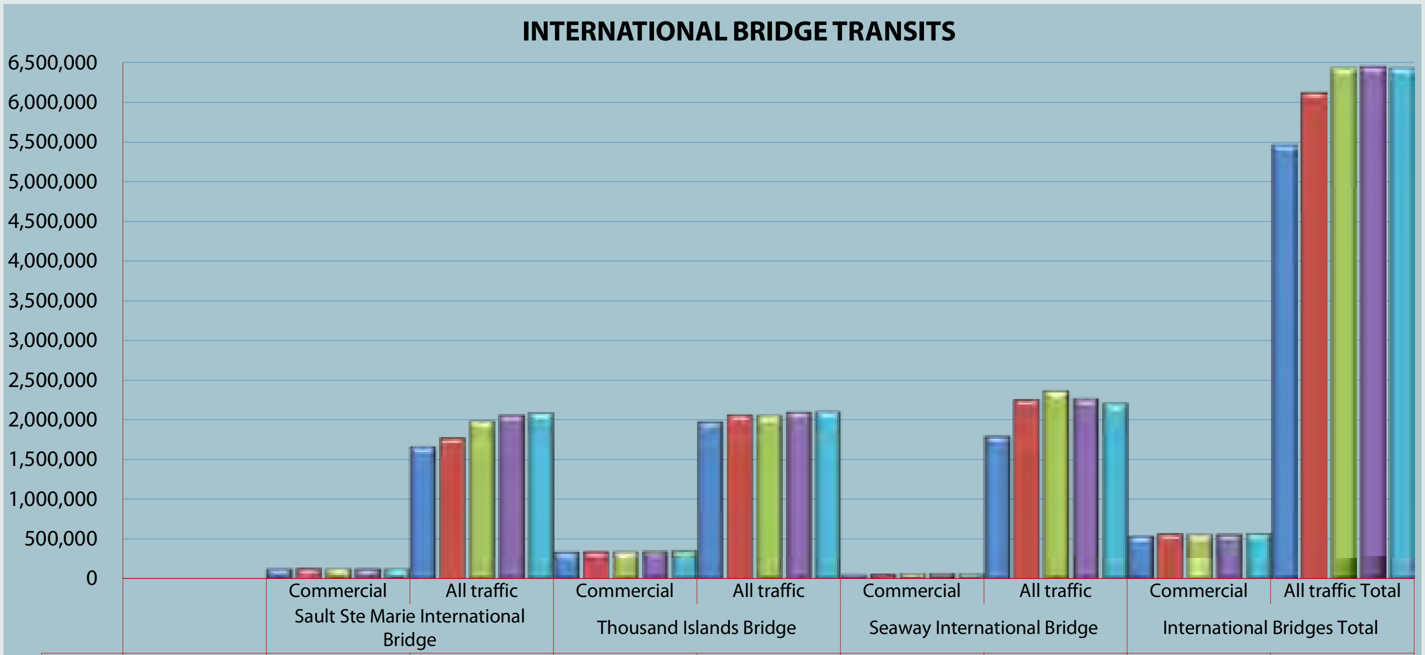
The global financial volatility continued to have an important impact on FBCL. The operations of international bridges are dependent on toll revenues generated by both commercial and passenger cross-border traffic and therefore are dependent on the transportation of imported and exported products between Canada and the U.S. Overall, Canada's 2014 economic outlook remains optimistic. Indications that the U.S. economy will weather its fiscal challenges and continue its recovery are positive. The Canada/ European Union free trade agreement signed in October 2013 will provide Canada with preferential market access to the European Union and is expected to be a boon for Canadian exporters.

5.2.4 Traffic Patterns

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 increasing gas prices and the decrease in consumer spending are also expected to affect tourism and traffic patterns in the planning period. Total traffic using FBCL's international bridges has slightly decreased by 0.28% from 2012 to 2013 due to these factors. However, there was an increase of 1.85% in commercial traffic which brings in higher tolling revenue.

YEAR TO DATE COMPARISONS		2012	2013	CHANGE	PERCENT
St. Mary's River Bridge Company	Passenger Cars	1,928,702	1,963,716	35,014	1,82%
	Trucks/Commercial	141,747	140,742	-1,005	-0,71%
	TOTAL	**2,070 449**	**2,104,458**	**34,009**	**1,64%**
Seaway International Bridge	Passenger Cars	2,199,454	2,141,207	-58,247	-2,65%
	Trucks/Commercial	79,207	76,423	-2,784	-3,51%
	TOTAL	**2,278,661**	**2,217,630**	**-61,031**	**-2,68%**
Thousand Islands Bridge	Passenger Cars	1,754,828	1,749,272	-5,556	-0,32%
	Trucks/Commercial	355,298	369,759	14,461	4,07%
	TOTAL	**2,110,126**	**2,119,031**	**8,905**	**0,42%**
Total of the Bridges	Passenger Cars	5,882,984	5,854,195	-28,789	-0,49%
	Trucks/Commercial	576,252	586,924	10,672	1,85%
	TOTAL	**6,459,236**	**6,441,119**	**-18,117**	**-0,28%**

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 Canada/U.S. economies. It has been recovering slowly over the last few years as shown in the year to year chart below.



		Sault Ste Marie International Bridge – Commercial	Sault Ste Marie International Bridge – All traffic	Thousand Islands Bridge – Commercial	Thousand Islands Bridge – All traffic	Seaway International Bridge – Commercial	Seaway International Bridge – All traffic	International Bridges Total – Commercial	International Bridges Total – All traffic Total
Series1	2009	139,000	1,673,785	348,763	1,989,274	62,030	1,805,393	549,793	5,468,452
Series2	2010	145,819	1,784,447	359,934	2,077,872	74,271	2,268,694	580,024	6,131,013
Series3	2011	141,739	1,998,068	351,639	2,065,165	79,492	2,376,196	572,870	6,439,429
Series4	2012	141,747	2,070,449	355,298	2,110,126	79,207	2,278,661	576,252	6,459,236
Series5	2013	140,742	2,104,458	369,759	2,119,031	76,423	2,217,630	586,924	6,441,119

5.2.5 *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 2013-2014.

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

5.2.6 Stakeholder Relationships

FBCL's stakeholders include federal partners, provincial and municipal governments and agencies, law enforcement agencies and U.S. agencies. FBCL is working with CBSA, TC and the surrounding communities to accommodate and to coordinate activities to ensure efficient and effective border crossings. FBCL works closely with its U.S. partners and bridge owners at the Seaway International Bridge and Thousand Islands International Bridge Crossings between Ontario and New York State and the Sault Ste. Marie International Bridge Crossing between Ontario and Michigan State.

5.3 KEY PERFORMANCE DRIVERS

5.3.1 Risk Management

The 2008 Special Examination by the OAG and ongoing strategic analysis of FBCL continues to identify three broad subject matters considered to be strategic issues or risks for FBCL: safety and security of bridges, financial sustainability and corporate structure.

5.3.2 Strategic Issues/Key Risk Areas

Contribution of strategic issues and risks to the strategic outcome *"Safe and efficient transit on the infrastructure maintained, operated and managed by FBCL"*

The following section identifies critical strategic issues and risks facing FBCL which impacted the direction taken to mitigate these risks. Each of these key risk areas or issues is interrelated, as to achieve the safety and security of its international bridges FBCL must have sustainable funding and a strong corporate structure in place.

Bridge Safety - FBCL's top priority and focus is the safety of its international bridges and associated structures. It is ensuring that these bridges are inspected, maintained, monitored and repaired appropriately to ensure safety at all times.

FBCL is administering its international bridge programs with a long-term view aimed at extending the life of its infrastructure and ensuring the highest level of safety in maintaining and operating its international crossings for its users and employees. 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. Detailed maintenance and repair programs are developed for each location based on cyclical inspection reports to ensure appropriate planning, resource allocation and delivery. 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 new North Channel Bridge was completed and opened in January 2014. Demolition of the existing North Channel Bridge poses a safety issue inherent to all demolition projects. FBCL will ensure it exercises due diligence in the contracting and management of this important phase of this project per its experience and expertise.

Bridge Security - Programs must be in place with partners to monitor potential threats that could compromise the security of the international bridges and associated structures and/or cause property damage, closure of a crossing or impact the flow of traffic. The security of FBCL international bridges can only be achieved in parallel with ensuring the safety of the bridges.

Security risks for FBCL activities are related to various protests from special interest groups such as the First Nations "Idle No More" Movement which have continued their activities resulting in the temporary closing of the Cornwall international crossing as well as traffic interruptions in Sault Ste Marie and other international bridges. The latest protests have been more spontaneous and therefore resulted in emergency management measures needing to be activated. These protests impact FBCL operations, the flow of traffic, especially commercial, and further erode public confidence in some of FBCL's crossings. 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. Emergency management plans are in place as well as surveillance systems on the bridges and associated structures.

FBCL entered into a Memorandum of Understanding with TC and is in the planning phase of the development of a security plan at each of its international crossing as per IBTA requirements. Training has been provided to 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. Security Risk Assessments were most recently conducted in 2012 for each of the international crossings. Their recommendations and findings are currently being incorporated into individual security plans for each crossing that document the process of continuous improvement with respect to infrastructure and operational security.

Sustainable Funding - The ability to sustain FBCL's international bridges and associated structures over the long-term is at an integral part of all the decision-making of the corporation.

The premise of the international bridge funding model is that toll revenues would cover operating and maintenance while capital expenditures would be funded by the accumulated share of net earnings. FBCL's international bridges are facing ongoing and increasing financial pressures to meet the requirements of this model. Traffic levels are highly dependent on a strong economy in Canada and with the economic volatility, the toll revenues continue to be challenged. .

Currently, the capital costs of major projects are being funded by government as they extend beyond the financial ability of FBCL. In addition to the completion of the new North Channel Bridge project, FBCL is rehabilitating and constructing CBSA facilities at all of its international crossings with specifically allocated capital funding. The footprint of these CBSA facilities is significantly more than current structures and will greatly increase the operations and maintenance costs to the international bridges. FBCL is continuing to review options to appropriately maintain CBSA facilities in the long-term.

The ongoing financial restraint measures of the federal government are being respected by FBCL including freezing operational budgets, wage restraint, elimination of voluntary severance, review of pension plan contribution ratios, sharing of internal services and limitations on travel, hospitality and conferences. FBCL is also working with its partners on initiatives to improve the bottom line through investments in technology in looking at electronic tolling options.

Corporate Structure - The achievement of the amalgamation plan outlined in the proposed *Economic Action Plan 2013 Act, No. 2*, will contribute significantly to resolving historical governance issues.

FBCL maintains an immense responsibility inherent in its ownership and management of its bridges and associated structures. Decisions are continually balanced between the best use of available resources in preserving its assets and the overriding accountability of ensuring the safety of its users. The FBCL Board communicated the important benefits that would result from simplification of the corporate structure including greater accountability and efficiency. The changes from *Economic Action Plan 2013 Act, No. 2*, to reorganize Crown corporations involved in the management of international bridges are intended to address this strategic issue. (See Section 3.1)

The risk resulting from the complexity surrounding the operations of each of its bridges will remain, in that each of FBCL's international bridges are managed and operated according to different international agreements with parties in the United States. The amalgamation of these international bridges should strengthen the relationships with our U.S. partners and facilitate communications. The sharing of resources and expertise within the one organization will be an important factor in achieving this goal.

5.4 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. From an operating point-of-view, this has been largely possible at FBCL, however requirements for major rehabilitation or replacement of bridges (i.e. new North Channel Bridge) 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 funding. 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 transfer of FBCL's investment in its JCCBI subsidiary had a significant effect on the consolidated financial statements. JCCBI's financial information for the period April 1, 2013, to February 12, 2014, is included, however upon the transfer of FBCL's investment to the Minister of Transport, FBCL incurred a loss in its current year financial statements equivalent to the net assets of JCCBI at the transfer date. Additionally, this transfer had a significant effect on FBCL's Statement of Financial Position due to all JCCBI items being removed.

Capital acquisitions totalled $112.0M in 2013-14 ($77.2M in 2012-13). The total net book value of all tangible capital assets at March 31, 2014 is $84.3M ($363.0 M – 2012-13), with much of the decrease attributed to the removal of JCCBI's net capital assets ($374.8M). Major investments continued to include the new NCB construction project, the Honoré Mercier Bridge rehabilitation project, the île des Soeurs Bridge temporary bridge-causeway, the Champlain Bridge 10-year maintenance program, and the Canadian Customs Plaza rehabilitation in Sault Ste. Marie.

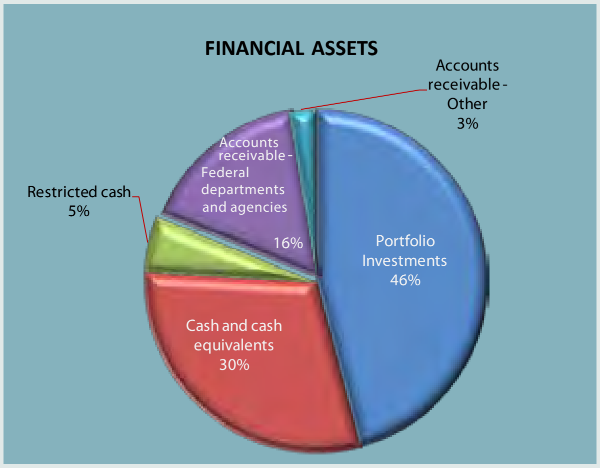
FBCL's total revenue once again surpassed both the current budget and the prior year. This increase, as compared to the prior year, was paced by larger toll collections in FBCL's operation. Maintenance expenses recognized by FBCL were higher than they have ever been at $76.0M in 2013-14 ($68.3M in 2012-13). These expenses were driven by repairs required in the Montreal area bridges. The environmental obligation recognized by the former subsidiary, JCCBI, added $2.7M in expenses to FBCL during the year ($5.4M – 2012-13), however, the entire financial obligation for this cleanup has been separated from FBCL with the transfer of JCCBI. As a result of the $341.4M loss associated with the JCCBI transfer, FBCL is reporting a consolidated deficit in the year of $248.0M for the year ended March 31, 2014, which compares to a surplus of $51.6M for the year ended March 31, 2013. Similarly, the consolidated net debt of FBCL at March 31, 2014 has diminished to $3.7M as compared to $35.7M in the prior year, as a result of the JCCBI transfer ($33.9M).

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

5.5 CAPABILITY TO DELIVER RESULTS

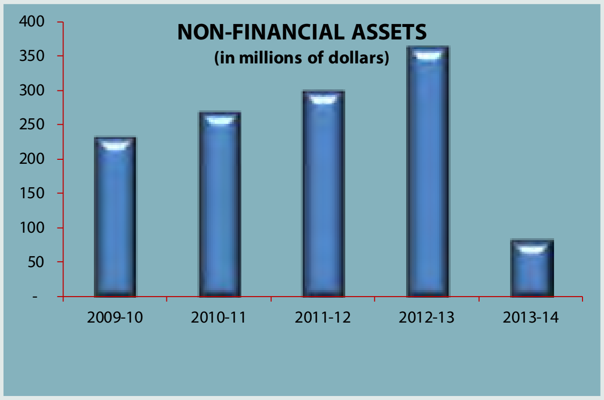
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Financial Assets



Total financial assets have decreased to $30.1M at March 31, 2014 (2013 - $70.7M). The largest financial asset held by FBCL is portfolio investments at $13.8M (2013 - $15.6M), which are bonds and GIC's held by all reporting entities of FBCL at March 31, 2014. Apart from cash of $9.0M (2013 - $30.7M), the other significant financial asset is Accounts Receivable owed by the Government of Canada or other federal agencies, at $4.9M (2013 - $19.4M). These amounts owing are related to amounts owed for HST filings, and government contributions related to capital projects. The restricted cash ($1.6M) relates to money that has already been received from CBSA (but not yet disbursed by FBCL) as it relates to the construction of their POE in Cornwall, which FBCL is project managing the construction. This is a $12.0M total project that will be completed in the 2014 calendar year.

Non-Financial Assets

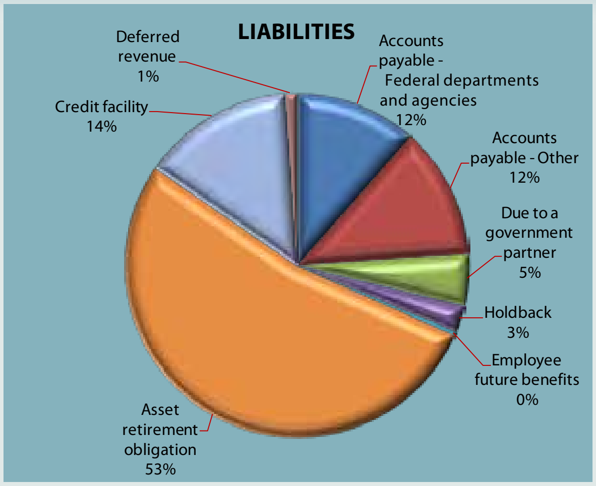


Tangible capital assets have decreased by $278.7M from the prior year (2013 – increase of $62.7M) to $84.3M. After many consecutive years of increasing non-financial asset values, the decrease this year is due to the transfer of JCCBI. At the transfer date, this accounted for a $375.3M decrease in FBCL's consolidated non-financial assets. Major investments, outside of those in Montreal, include the construction of the new low-level NCB in Cornwall ($11.3M), as well as construction on the Sault Ste. Marie Customs Plaza Redevelopment ($2.4M).

These capital expenditures are, in large part, funded either directly through parliamentary appropriations of $106.6M (2013 -$71.5M), or through a contribution agreement with the Government of Canada with payments of $2.4M this year (2013 - $1.0M). FBCL is also carrying a $16.2M (2013 - $15.2M) asset offset by an asset retirement obligation related to the intended demolition of the existing high-level NCB, as well as buildings to be demolished as part of the Sault Ste. Marie Customs Plaza Redevelopment. These obligations are being amortized on a straight line basis over the remaining estimated useful life of the bridge and buildings.

Liabilities

With the transfer of JCCBI, FBCL's liabilities take on a different look as at March 31, 2014, at $33.8M ($106.4M – 2013). There are two primary accounts that drove this reduction as they relate to JCCBI. The first is that FBCL is no longer responsible for the environmental obligation ($33.2M at 2013). The second is the volume of payables that is due in 2014 ($4.2M) as compared to 2013 ($39.9M, $35.0M of which was related to JCCBI).



The asset retirement obligation (ARO) relating to the NCB in Cornwall totalled $16.9M at March 31, 2014 (2013 - $16.4M). A new ARO was set up as it pertains to the demolition of required structures in Sault Ste. Marie. The value of the ARO in Sault Ste. Marie was $1.0M at March 31, 2014.

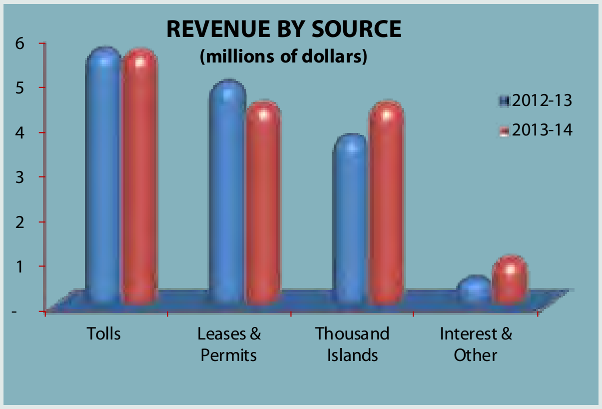
In completing major projects, FBCL and its subsidiary SMRBC, have entered into construction contracts that include a portion of payment not payable until certain works are completed and meet the performance requirements. These holdbacks have decreased to $0.9M at March 31, 2014 (2013 - $8.2M, $7.1M of which was related to JCCBI). These holdback amounts will become payable once the works are completed.

SMRBC secured a $5.0M credit facility in a prior year for the purchase of land to realize the Customs Plaza project in Sault Ste. Marie. Repayments against this credit facility started in the 2014 fiscal year, with $0.2M being repaid so far, with $0.2M in interest payments being incurred in the year. The facility will be paid from surplus toll revenues over a twenty-year period.

CONSOLIDATED STATEMENT OF OPERATIONS

Consolidated Revenue

FBCL's consolidated revenue in 2013-14 totalled $15.6M (2013 - $14.9M) and is 5% higher than the prior year (for the second year in a row) and 3% higher than planned budget.



Tolls and Thousand Island Bridge Operating Revenue

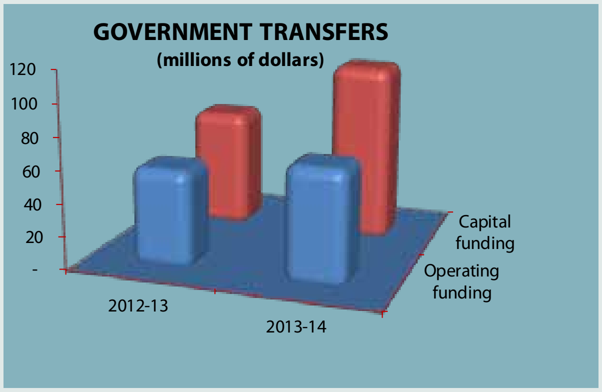
The revenue level from international bridges surpassed the $10M mark to $10.1M in 2013-14 (2013 - $9.4M). This is due to a toll fare increase at the Thousand Islands international crossing in the 2013 calendar year. In general, total traffic levels have fallen 1.7% as compared to the prior year. Passenger vehicles have seen a reduction of 2.0%, and commercial vehicle traffic has increased by 1.7%.

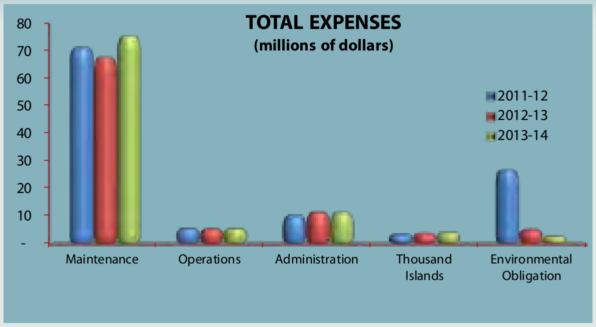
Leases and Permits

Revenues from leases and permits decreased in 2013-14 to $4.5M (2013 - $4.9M). This reduction is attributable to one large advertising lease in Montreal which is no longer a part of FBCL's activities.

Government Transfers

Government transfers were provided for both capital projects (at FBCL (parent), JCCBI, and SMRBC) and for operating expenses (JCCBI only). Transfers as they relate to operating expenses increased from the prior fiscal year of $58.7M to $68.8M (a 17.2% increase), despite the period of operating expenses covered by appropriations ended February 12, 2014. Funding for capital projects increased from $72.6M in the prior year to $109.0M this year (a 50.1% increase, $37.8M of this increase was related to JCCBI). Parliamentary appropriations for these capital expenses were spent on the Île-des-Sœurs bridge-causeway ($31.5M), Honoré Mercier Bridge rehabilitation ($14.1M), construction of the new low-level North Channel Bridge in Cornwall ($12.8M), and the remaining works in the Montreal area.

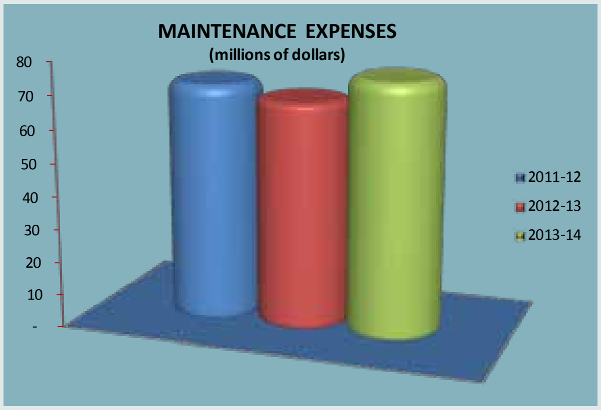




The Sault Ste. Marie Customs Plaza Rehabilitation project is funded through a contribution agreement with the Government of Canada totalling $2.4M in the year (2013 - $1.0M).

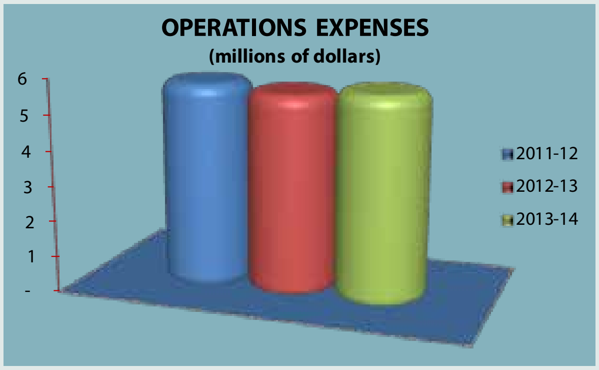
Consolidated Expenses

FBCL consolidated expenses for the year totalled $441.4M, (2013 - $94.6M). This increase of $346.8M is mostly attributed to the loss incurred on the transfer of JCCBI, which had resulted in a $341.4M expense. Discounting this investment loss, comparable expenses would have been $100.0M, which would have resulted in a $5.4M increase as compared to the prior year.



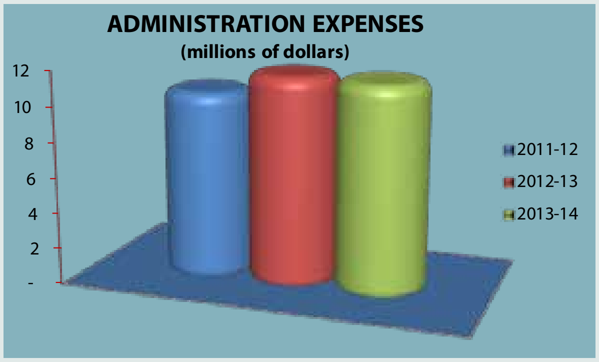
Maintenance

Maintenance expenses reached $76.0M (2013 – $68.3M). The expense in the year was significantly lower than the budgeted $128.9M, due to lower spending in the Montreal area. Work on the bridges and structures at JCCBI continued to account for the largest share of maintenance expenses for FBCL, at $69.3M or 91.2% of total maintenance expenses (2013 – $60.8M or 89.0%).



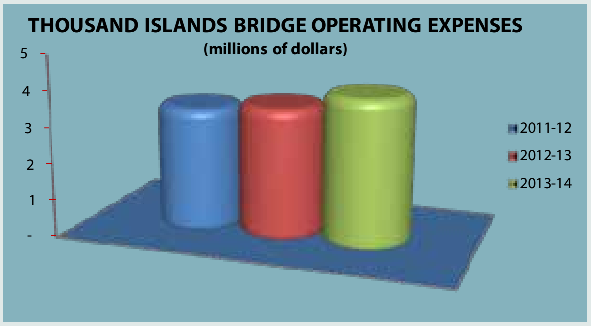
Operations

Expenses for operations totalled $5.7M in the year (2013 - $5.6M). Consolidated costs of operations remained very consistent for FBCL for the year and was lower than budget by $0.3M.



Administration

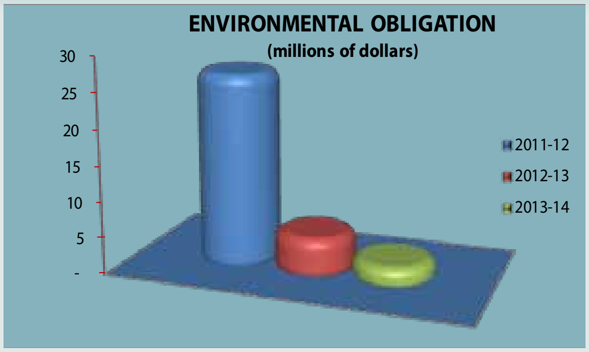
Administration expenses equalled $11.6M in the year (2013 - $11.7M). Despite the stability between years in overall administration expenses and expenditure restraint measures implemented, additional expenditures were incurred as compared to budget, primarily in relation to additional staffing at JCCBI.



Thousand Islands Bridge Operating Expenses

Operating expenses at the Thousand Islands Bridge increased to $4.0M in 2013-14 (2013- $3.6M) and was $0.4M lower than budget. This increase in spending was offset against the increase in revenue at the Thousand Islands Bridge ($0.7M increase).

Provision for Environmental Obligation



An amount of $2.4M was added by JCCBI to its provision for environmental obligations in 2013-14, and incurred a further $0.3M in environmental expenses. The provision increase brought the environmental obligation for JCCBI to $35.6M, however the entire provision was eliminated from FBCL's liabilities at the date of the JCCBI transfer.

CONSOLIDATED STATEMENT OF CASH FLOW

Overall, FBCL's cash position during the year fell from $30.7M to $10.6M at March 31, 2014. However, before taking into account the JCCBI transfer, FBCL's consolidated net increase in cash was $11.7M. At JCCBI's transfer date they held $31.8M in cash.

ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies of FBCL are described in note 3 to the consolidated financial statements. The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards (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

FBCL's asset retirement obligation consists of long-term asset retirement costs for the NCB and structures at the site of the Sault Ste. Marie Customs Rehabilitation project, as described in note 9 of the consolidated financial statements. The asset retirement obligations are determined based on the Corporation's estimate of demolition costs. The undiscounted estimate of the liability for the NCB 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 undiscounted estimate of the liability for the project in Sault Ste. Marie is $1.1M, with payments likely being made in 2014, 2016, and 2017. This estimate was discounted at rates of 2.68% and 2.86%. The asset retirement obligation accrual has required management to annually make significant estimates and assumptions. Actual results could differ from these estimates.

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 3 and note 8 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.

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.

5.6 OUTLOOK

As discussed in section 3.1, the transfer of the investment in JCCBI has allowed FBCL to focus its efforts on international bridges. With work underway on the second and third phases of the *Economic Action Plan 2013 Act, No. 2*, an amalgamated FBCL expects to emerge as a stronger organization capable to act quickly and more appropriately to meet the needs of all of its stakeholders. The resulting entity will not only be expanded but will make FBCL directly responsible for bridge operations rather than through equity holdings.

Overall sustainability continues to be the focus for all of our international bridges. At the Cornwall international crossing FBCL recently completed the construction of the new NCB, paving the way for the remainder of the project, including demolition of the high-level structure and alignment of approaches, to be completed over the coming years. The significantly shortened bridge span combined with the interim location of the CBSA facilities at the foot of the bridge has increased the efficiency of the crossing. At the Sault Ste. Marie international crossing the rehabilitation of the CBSA Customs Plaza has begun early in the 2014 calendar year and this project will result in improved traffic flow, in conjunction with other improvements being made to the bridge plaza, with the intent to attract commercial traffic. In addition, the Canada/U.S. Border Action Plan identified the Thousand Islands border facilities as a priority for investment and a $60M investment has been announced for this project to be initiated in 2014 and to be completed in 2018.

Traffic conditions at FBCL's international crossings are projected to remain fairly stable at all crossings and, as such, revenue levels are expected to be maintained. Benefits from combining the operations of multiple crossings will stem from the sharing of best practices and expertise.

6.0 CONSOIDATED FINANCIAL STATEMENTS

The Federal Bridge Corporation Limited

La Société des ponts fédéraux Limitée

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Management's Responsibility for Financial Statements

The consolidated financial statements contained in this Annual Report have been prepared by FBCL (parent) management in accordance with Canadian Public Sector Accounting Standards. The integrity and objectivity of the data in these consolidated financial statements is the responsibility of FBCL (parent) management and the management of each of its wholly-owned subsidiaries, The Seaway International Bridge Corporation, Ltd. (SIBC) and St. Mary's River Bridge Company (SMRBC), who report directly to an independent Board of Directors. The consolidated financial statements also include the results of The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) for the period up to (and including) February 12, 2014. On this date FBCL transferred its ownership of JCCBI to the Minister of Transport. 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 and estimates pertaining to claims received from suppliers as well as employee future benefits 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, the management of each of its wholly-owned subsidiaries, and the management of JCCBI 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 (parent) Board of Directors is composed of directors who are not employees of FBCL. The FBCL (parent) Board of Directors, the Board of Directors of each of its wholly-owned subsidiaries, and the Board of Directors of JCCBI 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 (parent) Board of Directors. As at February 13, 2014, the Board of Directors of JCCBI are accountable to Parliament through the Minister of Transport. The FBCL (parent) Board of Directors, the Board of Directors of each of its wholly-owned subsidiaries, and the Board of Directors of JCCBI, exercise 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 and that of JCCBI have reviewed their respective financial statements with their external auditors. The wholly-owned subsidiaries' and JCCBI's Board of Directors have approved and submitted their financial statements together with the external auditor's report to the FBCL (parent) Board of Directors. The FBCL (parent) Audit Committee has reviewed the consolidated financial statements with the external auditor and has submitted its report to the FBCL (Parent) Board of Directors. The FBCL (parent) Board of Directors has reviewed and approved the consolidated financial statements.

Micheline Dubé	Natalie Kinloch
President and Chief Executive Officer	Chief Operating Officer

June 26, 2014

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

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 2014, 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 2014, 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 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

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

26 June 2014
Ottawa, Canada

THE FEDERAL BRIDGE CORPORATION LIMITED

Consolidated Statement of Financial Position

as at March 31
(in thousands of dollars)

	2014	2013
FINANCIAL ASSETS		
Cash and cash equivalents	**9,035**	30,722
Restricted cash (Note 4)	**1,565**	-
Accounts receivable		
Federal departments and agencies	**4,900**	19,410
Other	**781**	5,044
Portfolio investments (Note 5)	**13,813**	15,522
TOTAL FINANCIAL ASSETS	**30,094**	70,698
LIABILITIES		
Accounts payable and accrued liabilities		
Federal departments and agencies	**3,872**	357
Other	**4,188**	39,901
Due to a government partner (Note 6)	**1,644**	1,427
Holdback (Note 7)	**852**	8,203
Employee future benefits (Note 8)	**133**	1,346
Environmental obligation	**-**	33,200
Asset retirement obligation (Note 9)	**17,869**	16,365
Credit facility (Note 10)	**4,820**	5,000
Deferred revenue	**374**	602
TOTAL LIABILITIES	**33,752**	106,401
NET DEBT	**(3,658)**	(35,703)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	**84,292**	363,025
Prepaid expenses	**173**	817
TOTAL NON-FINANCIAL ASSETS	**84,465**	363,842
ACCUMULATED SURPLUS	**80,807**	328,139
Accumulated surplus is comprised of:		
Accumulated operating surplus	**80,204**	328,231
Accumulated remeasurement gains (losses)	**603**	(92)
	80,807	328,139

Commitments (Note 15) and Contingencies (Note 16)

APPROVED BY THE BOARD OF DIRECTORS

D. A. Lopez ____________________ Director

Carole Graham ____________________ 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)

	2014 Budget	**2014 Actual**	2013 Actual
REVENUE			
Tolls	5,552	**5,635**	5,663
Leases and permits	5,003	**4,472**	4,926
International Thousand Islands Bridge operating revenue (Note 13)	4,047	**4,470**	3,735
Interest	563	**660**	550
Other	27	**364**	5
TOTAL REVENUE	15,192	**15,601**	14,879
EXPENSES (Note 17)			
Maintenance	128,932	**76,008**	68,324
Operations	5,982	**5,732**	5,583
Administration	10,049	**11,594**	11,720
International Thousand Islands Bridge operating expenses (Note 13)	4,432	**4,017**	3,592
Environmental obligation	-	**2,710**	5,402
Loss on disposal of investment in a subsidiary (Note 2)	-	**341,353**	-
TOTAL EXPENSES	149,395	**441,414**	94,621
DEFICIT BEFORE GOVERNMENT FUNDING	(134,203)	**(425,813)**	(79,742)
Government transfers (Note 14)	282,047	**177,786**	131,326
ANNUAL OPERATING SURPLUS (DEFICIT)	147,844	**(248,027)**	51,584
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR	352,118	**328,231**	276,647
ACCUMULATED OPERATING SURPLUS, END OF YEAR	499,962	**80,204**	328,231

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)

	2014 Actual	2013 Actual
ACCUMULATED REMEASUREMENT LOSSES, BEGINNING OF YEAR	(92)	-
Unrealized gains (losses) attributable to:		
Foreign exchange	1,066	(240)
Portfolio Investments	81	206
Amounts reclassified to the Statement of Operations:		
Foreign exchange	(347)	90
Portfolio Investments	(105)	(148)
NET REMEASUREMENT GAINS (LOSSES) FOR THE YEAR	**695**	(92)
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	**603**	(92)

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)

	2014 Budget	**2014 Actual**	2013 Actual
ANNUAL OPERATING SURPLUS (DEFICIT)	147,844	**(248,027)**	51,584
Acquisition of tangible capital assets	(161,577)	**(112,049)**	(77,198)
Amortization of tangible capital assets	15,609	**15,600**	14,520
Disposal of tangible capital assets	-	**423**	-
Disposal of tangible capital assets in a subsidiary	-	**374,760**	-
	1,876	**30,707**	(11,094)
Acquisition of prepaid expenses	-	**(847)**	(1,824)
Use of prepaid expenses	600	**947**	1,539
Disposal of prepaid expenses in a subsidiary	-	**543**	-
	600	**643**	(285)
Net remeasurement gains and (losses) for the year	-	**695**	(92)
(INCREASE) DECREASE IN NET DEBT	2,476	**32,045**	(11,471)
NET DEBT, BEGINNING OF YEAR	(28,773)	**(35,703)**	(24,232)
NET DEBT, END OF YEAR	(26,297)	**(3,658)**	(35,703)

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)

	2014	2013
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Annual operating surplus (deficit)	**(248,027)**	51,584
Adjustments for non-cash items		
Amortization of tangible capital assets	**15,600**	14,520
Environmental obligation	**(33,200)**	5,100
Remeasurement gains (losses)	**695**	(92)
Proceeds on sale of tangible capital assets	**(5)**	-
Loss on disposal of capital assets on transfer of a subsidiary investment	**374,760**	-
Changes in non-cash working capital items:		
Accounts receivable	**18,773**	(7,805)
Asset retirement obligation	**1,504**	480
Holdback	**(7,351)**	2,894
Accounts payable and accrued liabilities	**(32,198)**	15,505
Deferred revenue	**(228)**	(8)
Employee future benefits	**(1,213)**	75
Prepaid expenses	**644**	(285)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**89,754**	81,968
CASH FLOW FROM CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	**(112,049)**	(77,199)
Proceeds on disposition of tangible capital assets	**427**	-
NET CASH APPLIED TO CAPITAL ACTIVITIES	**(111,622)**	(77,199)
INVESTING TRANSACTIONS		
Acquisition of portfolio investments	**(11,294)**	(15,295)
Disposal of portfolio investments	**13,003**	3,116
NET CASH PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES	**1,709**	(12,179)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase (decrease) in amount due to government partner	**217**	(648)
Decrease in credit facility	**(180)**	-
CASH PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES	**37**	(648)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(20,122)**	(8,058)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**30,722**	38,780
CASH AND CASH EQUIVALENTS, END OF YEAR	**10,600**	30,722
Cash and cash equivalents composed of:		
Cash and cash equivalents	**9,035**	30,722
Restricted cash	**1,565**	-
	10,600	30,722

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*.

On October 1, 1998, the Minister of Transport, Infrastructure and Communities under the *Canada Marine Act*, the St. Lawrence Seaway Authority transferred its assets in The Jacques Cartier and Champlain Bridges Incorporated (JCCBI), The Seaway International Bridge Corporation, Ltd. (SIBC), and the International Thousand Islands Bridge 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.

On February 13, 2014, as authorized by an Order-in-Council, the Corporation transferred 100% of its shares of The Jacques Cartier and Champlain Bridges Incorporated (JCCBI), which also represented 100% of the total outstanding shares of JCCBI, to the Minister of Transport.

The Corporation's primary activities involve the management and operation of international 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 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 major tangible capital asset acquisitions.

2. REORGANIZATION OF THE CORPORATION

In December 2013, the Government of Canada passed legislation, the *Economic Action Plan 2013 Act, No. 2* authorizing the re-organization of certain Crown corporations involved in the management of international bridges crossing waterways between the Province of Ontario and the States of New York and Michigan. The re-organization includes:

Phase I - JCCBI becoming a stand-alone parent Crown corporation;
Phase II – Amalgamation of the Corporation with its two remaining subsidiaries, SIBC and SMRBC;
Phase III – Amalgamation of the Corporation with Blue Water Bridge Authority (BWBA).

The resulting amalgamated corporation would retain the FBCL name.

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

2. REORGANIZATION OF THE CORPORATION (CONTINUED)

The Corporation disposed of its shares in JCCBI for a nominal value. At the time of the transfer, JCCBI had net assets of $341.4 M:

Total financial assets:	$ 60.1M
Total non-financial assets:	375.3M
Total liabilities:	94.0M
Loss on transfer of investment:	$341.4M

3. 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 subsidiary, SMRBC, and its proportionate share (50%) of its interest in its government partnership, SIBC. JCCBI has been wholly consolidated up to (and including) February 12, 2014. All inter-company transactions and balances have been eliminated on the consolidated financial statements.

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) Accounts receivable
Accounts receivable are recorded and carried at cost. The amounts due from federal agencies and departments are not considered to be at risk of non-collection. Other accounts receivable are periodically reviewed by the Corporation for impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Portfolio Investments
Portfolio investments are composed of low risk fixed income mutual funds and bonds of the Government of Canada, provincial governments, and major banking institutions in Canada.

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.

g) 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 the Consolidated Statement of Operations as incurred.

Amounts included in projects in progress are transferred to the appropriate capital assets classification upon completion. Tangible capital assets transferred to related parties are accounted for at carrying value.

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%

h) 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension plan
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.

i) Asset Retirement Obligation
Asset retirement obligations reflect the liability associated with retiring certain long-lived assets such as 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.

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.

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Revenue recognition

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

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

l) Expense recognition

All expenses are recognized in the period in which they are incurred. Estimates for accruals are made at the end of each period. For the JCCBI entity, all expenses are recorded up to, and including, February 12, 2014. More specifically the following significant expenses as they relate to JCCBI are as follows:

- Employee future benefits:
  - 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.
- Environmental obligation:
  - The Corporation records a provision for environmental cleanup in situations where contamination exceeds environmental standards, if it is likely to be obligated to incur costs, and the costs can be reasonably estimated. The change in the provision is recorded as an expense each year. Other expenses associated with environmental measures are recorded as expenditures as incurred.

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) 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 Restricted cash Accounts receivable	Cost or amortized cost
Financial assets	Portfolio investments	Fair Value
Financial liabilities	Accounts payable and accrued liabilities Due to a government partner Holdback Credit facility	Cost or amortized cost

n) 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 the 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.

o) 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, claims received from suppliers, employee future benefits, 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)

4. RESTRICTED CASH

The Corporation is managing the construction of a Point of Entry facility for the Canadian Border Services Agency (CBSA) at the North Channel Bridge in Cornwall. CBSA provides funds upfront for the construction costs and a project management fee, and the use of these funds is restricted to the CBSA project.

As at March 31, 2014, the Corporation has invoiced CBSA $13.5M for specific construction services, materials, and project management fees. The Corporation currently holds $1.6M in restricted cash.

The project will be completed in the 2014 calendar year.

5. PORTFOLIO INVESTMENTS

	2014		2013	
	Carrying Value	**Market Value**	Carrying Value	Market Value
Deposit certificates	**8,255**	**8,360**	5,587	5,604
Government of Canada bonds	**2,304**	**2,287**	3,559	3,556
Provincial governments bonds	**1,274**	**1,219**	2,338	2,318
Other	**1,939**	**1,947**	3,980	4,044
	13,772	**13,813**	15,464	15,522

6. 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 1.57% and 1.80% (2013 – 1.34 % and 1.86 %) and is payable on demand. The carrying amount approximates its fair value.

7. 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 upon substantial completion of the individual contracts. Such holdbacks are applicable to current works on the North Channel Bridge, the CBSA Point of Entry facility project in Cornwall, as well as the Sault Ste Marie Customs Plaza Rehabilitation project.

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

8. 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 (parent) and SIBC Corporation eliminated this benefit in the 2012 fiscal year. The remaining amounts owed will be paid upon termination. These benefit plans are not funded.

Accumulating non-vesting sick leave benefits are also provided to the employees of FBCL (parent) and SIBC.

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

	2014	2013
Balance, beginning of year	**1,346**	1,271
Current service cost	**104**	858
Benefits paid	**(191)**	(783)
Balance transferred on disposal of investment in subsidiary	**(1,126)**	-
Balance, end of year	**133**	1,346

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 a multiple of 1.45 (1.64 for the prior year).

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% 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 9.3% (2013 – 14.2 %).

Total employer contributions of $1.5M (2013- $1.3 M) were recognized as expense in the current year.

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

9. ASSET RETIREMENT OBLIGATION

The Corporation has constructed a new low-level North Channel Bridge in Cornwall. Now that this new bridge is open for circulation, the Corporation intends to proceed with the demolition of the existing high-level bridge. An asset and related retirement obligation has been recorded for the estimated 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 the 2014 and 2015 calendar years. These cash flows will be funded from government transfer payments to be received at the time of demolition.

In addition, the Corporation has also initiated construction of a new Customs Plaza in Sault Ste. Marie. During the construction of this new plaza the existing assets will be demolished. An asset and related retirement obligation has been recorded for the costs associated with the demolition of the existing structures. The estimates related to this asset retirement obligation depend on engineering variables such as timing, inflation, site conditions, and contractor scheduling. The estimated cash flows of $1.1M required to settle the asset retirement obligation have been discounted using a credit adjusted risk-free rate of 2.68% to 2.86%.

Per the current project schedule, cash payments for the demolition of existing structures are expected to occur in the 2014, 2016, and 2017 calendar years. These cash flows will be funded from government transfer payments to be received at the time of demolition.

	2014	2013
Balance, beginning of year	**16,365**	15,885
Sault Ste. Marie Asset Retirement Obligation	**1,011**	-
Accretion expense	**493**	480
Balance, end of year	**17,869**	16,365

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

10. CREDIT FACILITY

SMRBC has an unsecured 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 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. To date, $0.18M of the principal has been repaid, and $0.16M in interest has been incurred on the loan repayments.

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, 2012	8,611	404,862	9,016	6,097	1,109	41,671	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	96,181	15,171	563,667
Acquisitions	821	28,588	872	82	-	80,675	1,011	112,049
Disposals	(6,891)	(422,986)	(7,246)	(5)	-	(110,402)	-	(547,530)
Transfers	-	59,483	304	-	-	(59,787)	-	-
March 31, 2014	**4,839**	**89,577**	**3,596**	**6,216**	**1,109**	**6,667**	**16,182**	**128,186**
Accumulated Depreciation								
April 1, 2012	-	169,567	6,494	3,784	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**	**3,923**	**1,109**	**-**	**8,548**	**200,642**
Amortization	-	11,444	626	159	-	-	3,371	15,600
Disposals	-	(167,066)	(5,277)	(5)	-	-	-	(172,348)
Write-downs	-	-	-	-	-	-	-	-
March 31, 2014	**-**	**24,561**	**2,228**	**4,077**	**1,109**	**-**	**11,919**	**43,894**
Net Book Value								
March 31, 2013	10,909	244,309	2,787	2,216	-	96,181	6,623	**363,025**
March 31, 2014	**4,839**	**65,016**	**1,368**	**2,139**	**-**	**6,667**	**4,263**	**84,292**

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. 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.

14. GOVERNMENT TRANSFERS

	2014	2013
Parliamentary appropriations authorized for capital projects and other expenditures:		
FBCL (parent)	**12,760**	15,459
JCCBI	**162,675**	114,825
SMRBC	**2,351**	1,042
Government transfers approved and recorded during the year	**177,786**	131,326

15. COMMITMENTS

The Corporation has commitments principally for maintenance and construction contracts, and rental agreements for amounts totaling $14.2M (2013 - $95.6M). Minimum payments over the next years are as follows:

2015	$11,814
2016	1,122
2017	657
2018	560

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.

17. EXPENSES BY OBJECT

	2014	2013
Loss on disposition of investment in subsidiary	**341,353**	-
Repairs and maintenance	**57,277**	50,661
Amortization	**15,600**	14,520
Salaries and employee benefits	**12,705**	11,987
Professional services	**6,700**	6,229
Goods and services	**5,069**	5,822
Provision for environmental obligations	**2,710**	5,402
	441,414	94,621

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. During the year, the Corporation incurred expenses totaling $921 ($1,368 – 2013), and recorded revenue, deferred revenue, and government funding of $178,175 ($131,339 – 2013). At March 31, 2014, the Corporation recorded $4,900 in accounts receivable with related parties ($19,410 – 2013), and accounts payable $3,872 ($357 – 2013).

Other related parties of the Corporation include its senior management personnel and Board of Directors at each entity and the parent company. These transactions are not material to the financial statements presented.

The Corporation also receives services, such as financial statement audits, at no charge which have not been reflected in these financial statements.

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, 2014 and 2013. 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, restricted cash, portfolio investments, and accounts 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, restricted cash, 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, 2014, accounts receivable from federal governmental departments comprised 86% of the total amount due (2013 - 81%).

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	$ 7,474	$ 363	$ 223	**$ 8,060**
Due to government partner	-	-	1,644	**1,644**
Employee future benefits	-	-	133	**133**
Holdback	400	452	-	**852**
Credit Facility	46	140	4,634	**4,820**
Asset retirement obligation	-	8,736	9,133	**17,869**

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 cash, cash equivalents, and restricted cash. A 1% variation in interest rates at March 31, 2014 would not be material.

Certain portfolio investments bear interest at a fixed rate and the Corporation is, therefore, not exposed to the risk resulting from interest rate fluctuations. Portfolio investments also include bonds of the Government of Canada, provincial governments, and corporate banks with fixed rates of interest and an average term to maturity of 13.7 years (2013 - 9.5 years). The fair market value of these investments is indirectly affected by fluctuations of the market interest rate. A 1% variation in interest rates at March 31, 2014 would not be material.

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.

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

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.

	2014	2013
Financial Assets	**2,122**	2,042
Liabilities	**2,352**	2,180
Net Debt	**230**	138
Non-Financial Assets	**234**	142
Accumulated Surplus	**4**	4
Operations		
Revenues	**1,949**	2,062
Expenses	**1,562**	1,456
FBCL share of government partnership annual surplus	**387**	606
Cash flows		
Operating activities	**506**	519
Investment activities	**(27)**	481
Financing activities	**(235)**	(1,603)
Capital activities	**(134)**	-

THE FEDERAL BRIDGE CORPORATION LIMITED

Notes to the Consolidated Financial Statements

(in thousands of dollars)

21. COMPARATIVE FIGURES

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

7.0 APPENDIX A - FINANCIAL SUMMARY OF RESULTS OF FBCL SUBSIDIARIES

SMRBC Financial Summary Year ended December 31

(in thousands of dollars)	2014	2013
Statement of Operations		
Revenue		
Tolls	**3,758**	3,770
Leases and permits	**259**	256
Interest	**43**	78
Other	**42**	308
	4,102	4,412
Expenses		
Maintenance	**1,580**	1,909
Tolls collection	**944**	898
Administration	**1,177**	1,114
	3,701	3,921
Annual surplus before government funding	**401**	491
Government transfers	**912**	1,575
Annual operating surplus	**1,313**	2,066
Statement of Financial Position		
Financial assets	**7,934**	9,672
Liabilities	**7,313**	6,481
Net debt	**621**	3,191
Non-financial assets	**16,469**	11,824
Accumulated surplus	**17,090**	15,015
Statement of Cash Flow		
Operating transactions	**3,723**	2,907
Capital transactions	**(5,275)**	(2,081)
Investing transactions	**401**	(2,527)
Financing transactions	**(134)**	5,000
Net increase (decrease) in cash	**(1,285)**	3,299

SIBC Financial Summary Year ended March 31

(in thousands of dollars)	2014	2013
Statement of Operations		
Revenue		
Tolls	**3,615**	3,890
Leases and permits	**139**	134
Interest	**63**	74
Other	**81**	26
	3,898	4,124
Expenses		
Maintenance	**1,076**	973
Tolls collection	**1,093**	1,051
Administration	**955**	887
	3,124	2,911
Annual operating surplus	**774**	1,213
Statement of Financial Position		
Financial assets	**4,245**	4,084
Liabilities	**4,704**	4,359
Net debt	**459**	275
Non-financial assets	**467**	283
Accumulated surplus	**8**	8
Statement of Cash Flow		
Operating transactions	**1,012**	1,037
Capital transactions	**(268)**	(1)
Investing transactions	**(53)**	962
Financing transactions	**(469)**	(3,205)
Net increase (decrease) in cash	**222**	(1,207)

JCCBI Financial Summary Years ended February 12, 2014 and March 31, 2013

(in thousands of dollars)	**2014**	2013
Statement of Operations		
Revenue		
Leases and permits	**837**	834
Interest	**300**	241
Others	**12**	12
	1,149	1,087
Expenses		
Maintenance	**69,285**	60,840
Operations	**3,810**	3,988
Administration	**7,223**	6,920
Provision for environmental obligation	**2,710**	5,402
	83,028	77,150
Annual deficit before government funding	**(81,879)**	(76,063)
Parliamentary appropriations for operating expenses	**68,836**	58,744
Parliamentary appropriations for capital expenses	**93,840**	56,081
Funding from FBCL	**2,259**	2,637
Annual operating surplus	**83,056**	41,399
Statement of Financial Position		
Financial assets	**60,070**	45,103
Liabilities	**93,995**	76,747
Net debt	**(33,925)**	(31,644)
Non-financial assets	**375,303**	289,966
Accumulated surplus	**341,378**	258,322
Statement of Cash Flow		
Operating transactions	**106,059**	63,816
Capital transactions	**(96,099)**	(57,313)
Net increase in cash flows	9,960	6,503

8.0 APPENDIX B - BOARD OF DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

THE FEDERAL BRIDGE CORPORATION LIMITED (AS OF MARCH 31, 2014)

BOARD OF DIRECTORS

Vacant
Chair

Deborah Tropea
Vice-chair

Connie Graham
Director (Named Chair on June 13, 2014)

Jim Durrell C.M.
Director

OFFICERS AND SENIOR MANAGEMENT

Micheline Dubé
President and CEO

Natalie Kinloch
Chief Operating Officer

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

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

André Girard
Vice-President, Communications

Pierre Rochon
Director, Strategic Planning and Policy

Thye Lee
Director, Engineering and Construction

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

Deborah Tropea
Chairperson

Jim Durrell C.M.
Member

Connie Graham
Member

ST. MARY'S RIVER BRIDGE COMPANY (AS OF MARCH 31, 2014)

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
Member

Glenn W. Hewus
Member

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (AS OF MARCH 31, 2014)

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

Micheline Dubé
President & CEO

Wade Dorland
Interim General Manager

Jacques E. Pigeon, Q.C.
General Counsel

Carrie Mann-Lavigne
Deputy General Counsel

Roger Forgues
Treasurer

Hendrik H. Saaltink
General Manager (retired February 28, 2014)

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

Jacques E. Pigeon, Q.C.
Member

Vacant Member

SECURITY COMMITTEE

André Poirier
Chairperson

Micheline Dubé
Member

Salvatore Pisani
Member

9.0 APPENDIX C - LIST OF ABBREVIATIONS

BWBA	BLUE WATER BRIDGE AUTHORITY
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
IBA	INTERNATIONAL BRIDGE ADMINISTRATION
IBTA	INTERNATIONAL BRIDGES AND TUNNELS ACT
JCCBI	THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED
MCA	MOHAWK COUNCIL OF AKWESASNE
MDOT	MICHIGAN DEPARTMENT OF TRANSPORTATION
OAG	OFFICE OF THE AUDITOR GENERAL
PAA	PROGRAM ACTIVITY ARCHITECTURE
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
SSMBA	SAULT STE. MARIE BRIDGE AUTHORITY
TC	TRANSPORT CANADA
TBS	TREASURY BOARD SECRETARIAT
TIBA	THOUSAND ISLANDS BRIDGE AUTHORITY

CORPORATE OFFICES

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