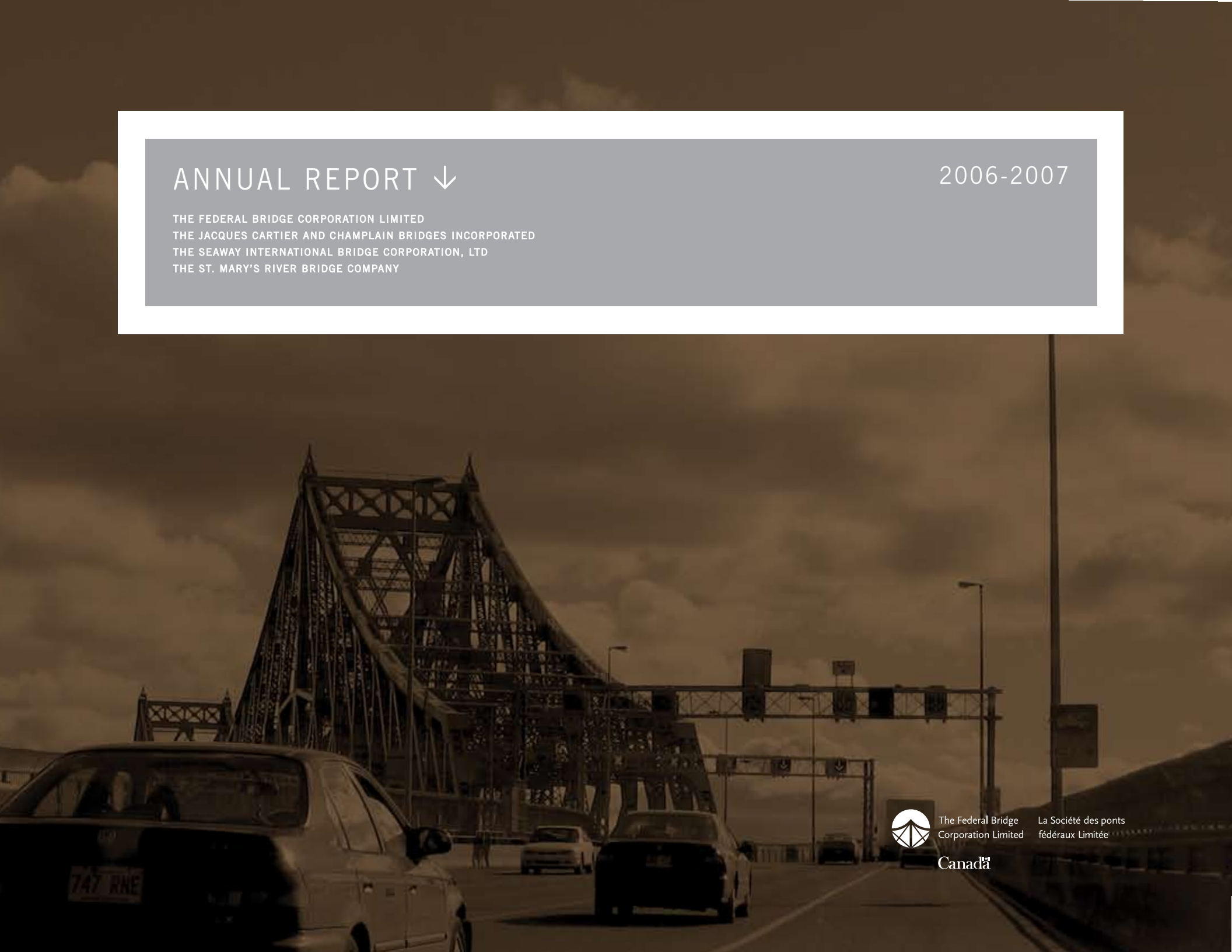


ANNUAL REPORT ↓

2006-2007


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




The Federal Bridge
Corporation Limited

La Société des ponts
fédéraux Limitée

Canada



 Printed in Canada on recycled paper

[↑ The Jacques Cartier Bridge](#)

[← Close-up of the Jacques Cartier Bridge Superstructure](#)

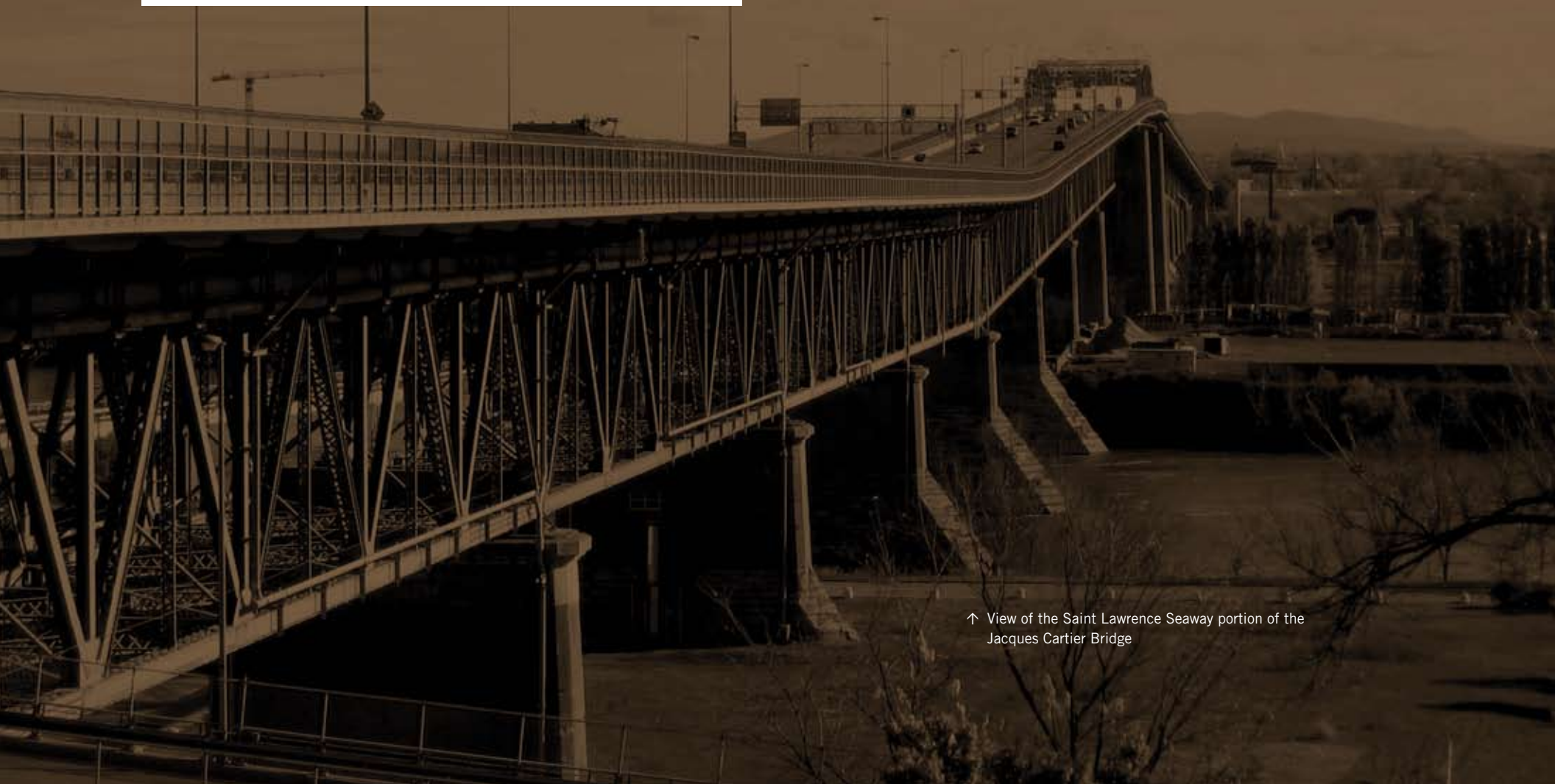
ANNUAL REPORT ↓

2006-2007

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MANAGEMENT
PERSPECTIVE →



↑ View of the Saint Lawrence Seaway portion of the Jacques Cartier Bridge

The Federal Bridge Corporation Limited (FBCL) owns and manages some of the most important and strategic crossings in Canada. In 2006-2007, over 134 million vehicles crossed our structures, making them among the busiest in Canada. Our infrastructures play an important role within Canada's road transport network.

Throughout 2006-2007, FBCL has performed well in the fulfillment of its mandate. Key objectives have either been successfully met or are right on track to be achieved as described further in this report. Governance and management practices have been reinforced and are in line with established best practices in the private and public sectors. Major initiatives have been undertaken, including: the re-negotiation of the Canada/US agreement pertaining to the Sault Ste. Marie international crossing; negotiations with the Mohawk Council of Akwesasne for the replacement of the North Channel Bridge in Cornwall; negotiations with the Mohawk Council of Kahnawake for the deck replacement of the Honoré Mercier Bridge in Montréal, and the

development of innovative approaches to sustain safe and expeditious transits on the bridges connecting the Island of Montréal to the South Shore.

Careful attention to traffic safety, crossing security, client service and protection of the environment has been a critical factor in the successful achievements of FBCL. These factors are, and will remain, the top priorities for the Corporation and its subsidiaries.

Our major capital projects for 2007-2008 include the replacement of the deck on the Honoré Mercier Bridge and the continuation and finalization of our discussions for the replacement of the North Channel Bridge in Cornwall.

The Corporation is now facing significant strategic challenges. These include compliance with new statutory requirements regarding international crossings, increased safety and security requirements, straining of the infrastructures' capacity, increasing or decreasing traffic on some bridges and their impact on revenue, and the need for improved cost recovery.

FBCL has identified a set of strategies to address the above challenges and is working in collaboration with all Stakeholders to ensure the Government of Canada is able to benefit from the management of its bridges and crossings in a manner that maximizes their value.

OUR MANDATE

The Federal Bridge Corporation Limited (FBCL) was established specifically to provide the Government of Canada with oversight and accountability for bridges under FBCL's control.

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

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

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

The business of the Corporation shall be limited to the following:

- a) Acquiring lands for, and constructing, maintaining and operating, alone or jointly or in conjunction with an appropriate authority in the United States, bridges connecting Canada with the United States, and, as authorized by the St Lawrence Seaway Authority Act, in connection therewith or as incidental thereto, acquiring shares or property of any bridge company and operating and managing bridges
- b) Acquiring lands for, and constructing or otherwise acquiring, maintaining, managing and operating such works or other property as the Governor in Council may deem necessary, and on such terms and conditions as the Governor in Council approves
- c) Acquiring or becoming the transferee of all or part of The St. Lawrence Seaway Authority property, rights or undertakings transferred by The St. Lawrence Seaway Authority in accordance with a direction of



↑ The Seaway International Bridge

the Minister of Transport issued pursuant to section 80 of the *Canada Marine Act*

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

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

	INFRASTRUCTURES	CORPORATION	STATUS	MANAGEMENT / OPERATIONS
→ Greater Montreal Area	<p>Jacques Cartier Bridge</p> <p>Champlain Bridge</p> <p>Champlain Bridge Ice Control Structure (Estacade)</p> <p>Federal portion of the Honoré Mercier Bridge</p> <p>Federal portion of the Bonaventure Expressway</p> <p>Melocheville Tunnel</p>	<p>The Jacques Cartier and Champlain Bridges Incorporated (JCCBI)</p> <p><i>Canada Business Corporations Act (CBCA)</i></p>	<p>Fully-owned Subsidiary</p> <p>(100% of shares owned by FBCL)</p>	JCCBI
→ Cornwall	<p>Seaway International Bridge</p>	<p>Seaway International Bridge Corporation Ltd (SIBC)</p> <p><i>Canada Business Corporations Act (CBCA)</i></p>	<p>Fully-owned Subsidiary</p> <p>(100% of shares owned by FBCL)</p>	<p>SIBC</p> <p>(on behalf of Canadian and US owners)</p>
→ Sault Ste. Marie	<p>Sault Ste. Marie International Bridge</p>	<p>St. Mary's River Bridge Company (SMRBC)</p> <p>(Act of Parliament)</p>	<p>Partly-owned Subsidiary</p> <p>(91.3 % of the shares for the Canadian portion of the bridge shares owned by FBCL)</p> <p>Remaining shares belonging to directors and City of Sault Ste. Marie)</p>	<p>International Bridge Authority (IBA, an administrative entity under the Michigan Department of Transportation)</p> <p>Joint International Bridge Authority (JIBA)</p>
→ Thousand Islands	<p>Thousand Islands International Bridge</p>	<p>The Thousand Islands Bridge Authority (incorporated in New York State)</p>	<p>Not a Subsidiary</p> <p>FBCL oversees the administration of the Canadian portion of the bridge, based on a mandate given by the Government of Canada</p> <p>Operating agreement with TIBA</p>	<p>TIBA</p> <p>(US Corporation)</p>

- Bonaventure Expressway
- Cycling path on the Jacques Cartier Bridge



OUR MISSION

FBCL's mission is to provide the Government of Canada with the highest level of custodianship of the bridges under its care and control and to ensure that these structures are safe and efficient for users. FBCL fulfils its mandate through:

- The provision of strategic direction and guidance to the bridge operators under its jurisdiction on key matters such as security, safety, environment, risk management
 - The development of a common accountability framework for the bridge operators under its jurisdiction
 - The leveraging of competencies and expertise across its network
 - The provision of strategic advice to Transport Canada and other federal government entities
- in respect of matters related to bridges and other key infrastructures
- Strategic interaction with key stakeholders (e.g., other levels of government in Canada, US governments and partners, communities served by the crossings, user groups, public and private bridge operators in Canada and the United States)

OUR VISION

The Federal Bridge Corporation Limited (FBCL) aims at maintaining its status as a recognized and value added partner in the management, construction and operation of bridges in Canada.

FBCL will continue its effective, efficient and quality work to reinforce its contribution as an essential player among infrastructure owners in Canada.

OUR VALUES

In order to fulfill the FBCL mission, corporate management and personnel base their decisions and actions on seven principal values:

- Sound management practices
- Good planning
- Strategic alliances and communications
- Customer satisfaction through efficient and constant re-evaluation of programs
- Safety and security for customers and facilities
- Preserving the environment
- Respect and value the contributions of all stakeholders



→ Champlain Bridge Ice control Structure (estacade)

A sepia-toned photograph of two construction workers on a steel bridge structure. The workers are wearing hard hats, safety harnesses, and work clothes. They are positioned on a horizontal steel beam, with a complex network of vertical and diagonal steel beams in the background. The lighting is dramatic, highlighting the textures of the steel and the workers' gear.

OPERATIONAL
REVIEW →

↑ Workers on the Champlain Bridge structure

Over 134 million vehicle transits were recorded in 2006-2007 on our structures. The estimated value of the goods transiting through FBCL's assets is estimated at more than \$67 billion on a yearly basis.



→ Cable painting at the Seaway International Bridge

PARTNERSHIP

FBCL and its subsidiaries have developed a solid network of partners as illustrated in this table:

HIGHLIGHTS

FBCL and its subsidiaries' assets have a significant impact on local, provincial and regional economies, and are critical for international trade. These assets are valued at \$ 201,344,273. FBCL and its subsidiaries employ more than 100 employees.

↓ Closed-circuit television surveillance system and lane signal control room for the Jacques Cartier and Champlain bridges



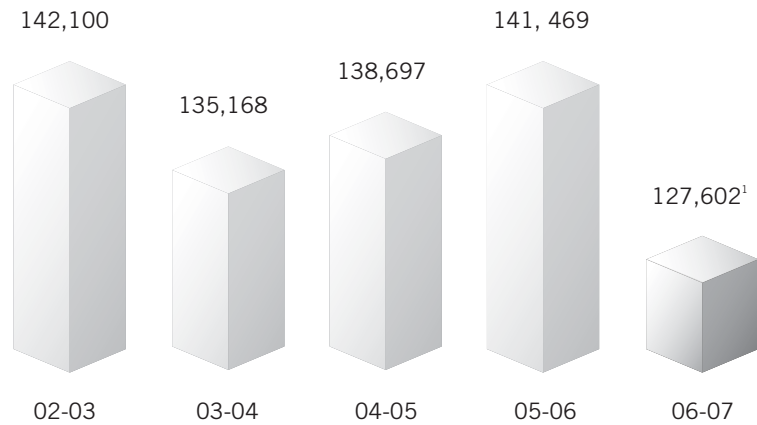
	FEDERAL
→ The Federal Bridge Corporation Limited (FBCL)	<ul style="list-style-type: none"> – Privy Council – Treasury Board Secretariat – Transport Canada – Department of Finance – Canada Border Services Agency – Indian Affairs and Northern Development – Infrastructure Canada
→ The Jacques Cartier and Champlain Bridges Incorporated (JCCBI)	<ul style="list-style-type: none"> – Transport Canada – Environment Canada – Indian Affairs and Northern Development
→ The Seaway International Bridge Corporation, Ltd. (SIBC)	<ul style="list-style-type: none"> – Treasury Board Secretariat – Transport Canada – Canada Border Services Agency – Environment Canada – Indian Affairs and Northern Development
→ Saint Mary's River Bridge Company (SMRBC)	<ul style="list-style-type: none"> – Transport Canada – Canada Border Services Agency
→ Thousand Islands Bridge Authority (TIBA)	<ul style="list-style-type: none"> – Canada Border Services Agency – Parks Canada

FEDERAL / PROVINCIAL STEERING COMMITTEES	PROVINCIAL	OTHERS	U.S. / INTERNATIONAL
<ul style="list-style-type: none"> - Comité de gestion de l'Entente Canada-Québec A-30 	<ul style="list-style-type: none"> - Ontario Ministry of Transportation - Ministère des Transports du Québec 	<ul style="list-style-type: none"> - Industry stakeholders - Chambers of Commerce - Mohawk Council of Akwesasne 	<ul style="list-style-type: none"> - Homeland Security - General Services Agency - Federal Highway Administration - Michigan Department of Transportation - New York State Department of Transportation - Saint Lawrence Seaway Development Corporation - Chambers of Commerce on Capital Trade Corridor
	<ul style="list-style-type: none"> - Ministère des Transports du Québec - Sûreté du Québec - Ministère du développement durable, de l'Environnement et des parcs du Québec - Agence Métropolitaine de Transport 	<ul style="list-style-type: none"> - City of Montréal - City of Longueuil - Borough of Brossard - Industry stakeholders - Mohawk Council of Kahnawake - Mohawk Peacekeepers 	
	<ul style="list-style-type: none"> - Ontario Ministry of Transportation - Ontario Provincial Police 	<ul style="list-style-type: none"> - City of Cornwall - Mohawk Council of Akwesasne - Industry stakeholders - Mohawk Police - Ontario Power Generation - Massena Chamber of Commerce - Cornwall Chamber of Commerce - Local Area Emergency Planning Authority - St. Lawrence River Institute of Environmental Sciences - Can/Am Border Trade Alliance 	<ul style="list-style-type: none"> - New York State Department of Transportation - New York State Troopers - Saint Lawrence Seaway Development Corporation - Homeland Security (includes Customs and Border Protection Agency) - General Services Administration - IBTTA - International Toll and Turnpike Association - St. Lawrence County
	<ul style="list-style-type: none"> - Ontario Ministry of Transportation - Ontario Provincial Police 	<ul style="list-style-type: none"> - Industry stakeholders - Police 	<ul style="list-style-type: none"> - Michigan Department of Transportation
	<ul style="list-style-type: none"> - Ontario Ministry of Transportation - Ontario Provincial Police - The St. Lawrence Parks Commission 	<ul style="list-style-type: none"> - Industry stakeholders - Chambers of Commerce on Capital Trade Corridor 	<ul style="list-style-type: none"> - New York State Department of Transportation - Homeland Security - General Services Agency - Federal Highway Administration

NUMBER OF EMPLOYEES (as of March 31, 2007)

	FBCL Ottawa	JCCBI Longueuil	SIBC Cornwall	Thousand Islands	JIBA Sault Ste. Marie
Full-time	10	44	21	44	35
Seasonal	–	0	26	80	18
Students	–	2	–	6	2
Part time	–	–	–	5	0

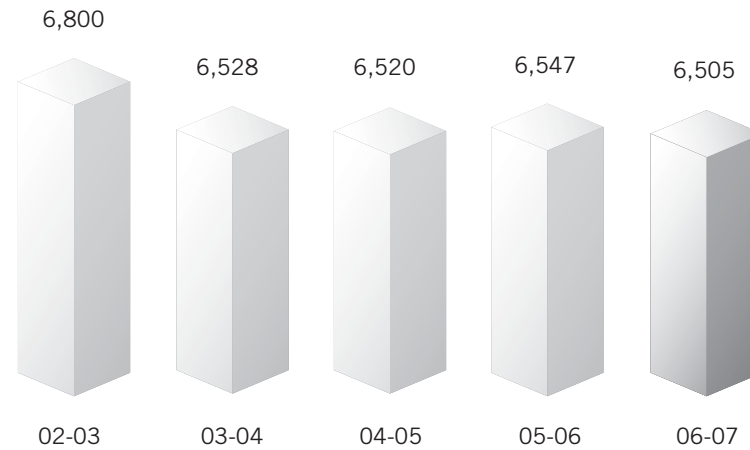
NUMBER OF TRANSITS – INFRASTRUCTURES IN THE MONTRÉAL AREA¹ (thousands)



¹ Estimate based on JCCBI traffic counts

² The 2006-07 figures exclude the Bonaventure Expressway

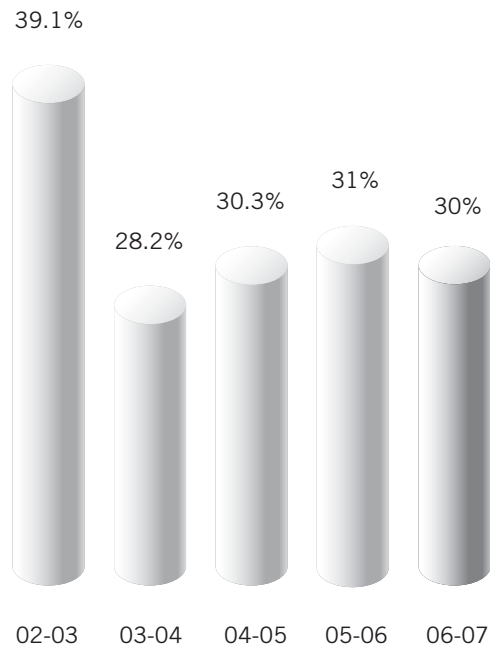
NUMBER OF TRANSITS – INTERNATIONAL BRIDGES³ (thousands)



³ Sources:

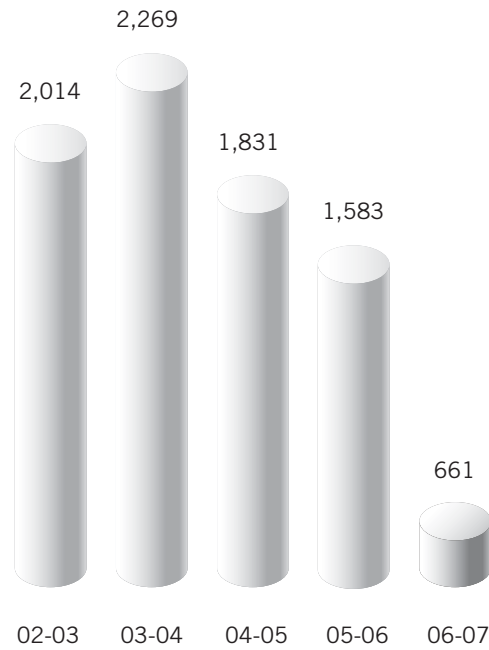
- Traffic counts, Thousand Islands Bridge Authority
- Traffic counts, Seaway International Bridge Corporation Ltd, Joint International Bridge Authority
- Final Audit Report for the International Bridge, Basic Financial Statements

PORTION OF EXPENSES COVERED BY REVENUE FOR ALL OF OUR STRUCTURES (percentage)



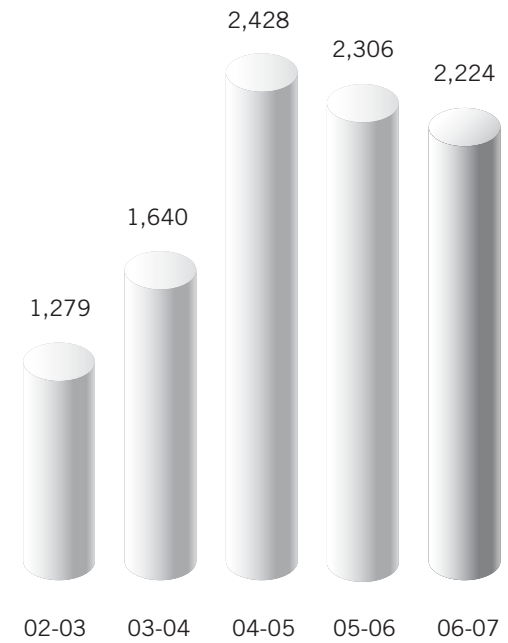
The Corporation's self-generated revenue is sufficient to cover approximately 30% off all expenses

OPERATING REVENUE FROM THE THOUSAND ISLANDS INTERNATIONAL BRIDGE (thousands of dollars)



Net revenue from the operations of the Thousand Islands International Bridge has been declining for the past 5 years. This year commercial traffic was severely affected.

LEASES AND LICENCES (thousands of dollars)



Revenue from leases and licences, mostly from the Duty Free Store at the Thousand Islands Bridge has been declining for the past few years. This is caused by a reduction in traffic at that bridge.

VEHICLE TRANSITS (in millions)

Total 134.1

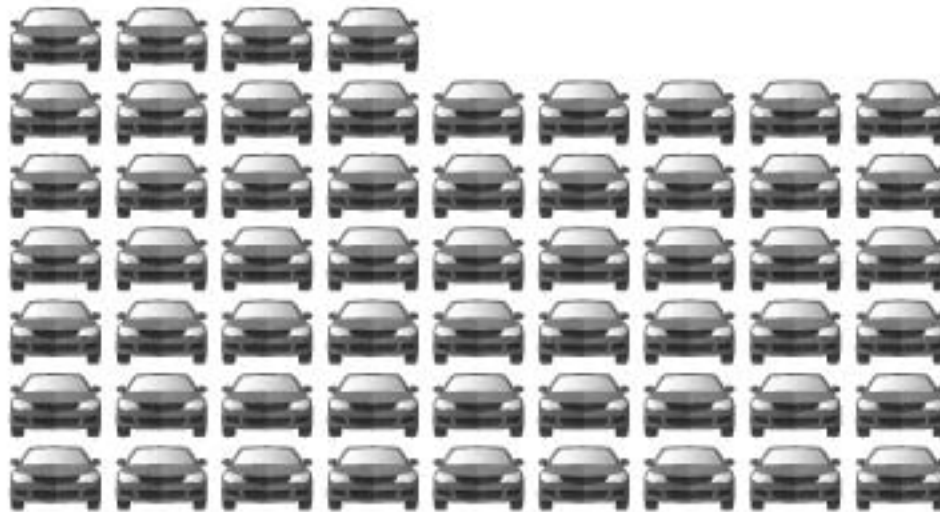
¹ Estimate based on JCCBI traffic counts

² Traffic counts – Seaway International Bridge Corporation Ltd

³ Traffic counts – Thousand Islands Bridge Authority

⁴ Joint International Bridge Authority – Basic Financial Statements

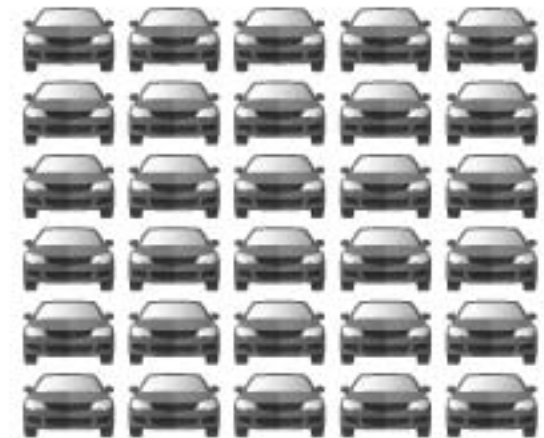
58.2 Champlain Bridge¹



35.4 Jacques Cartier Bridge¹



29.5 Honoré Mercier Bridge¹



4.5 Melocheville Tunnel¹



2.5 Seaway International Bridge²



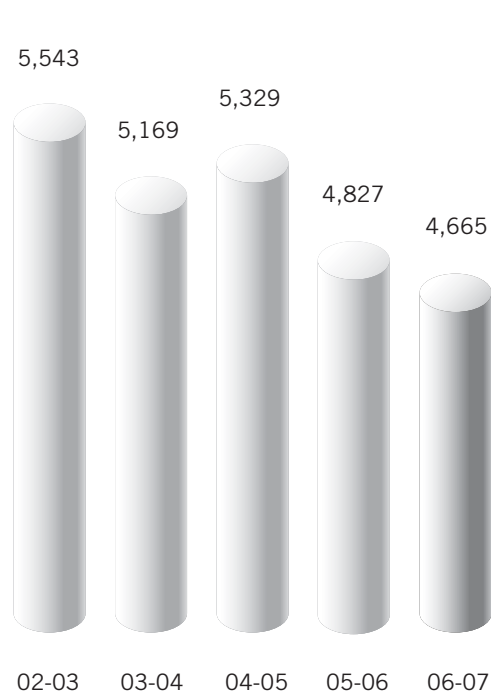
2.1 Thousand Islands International Bridge⁴



1.9 Sault Ste. Marie International Bridge⁴

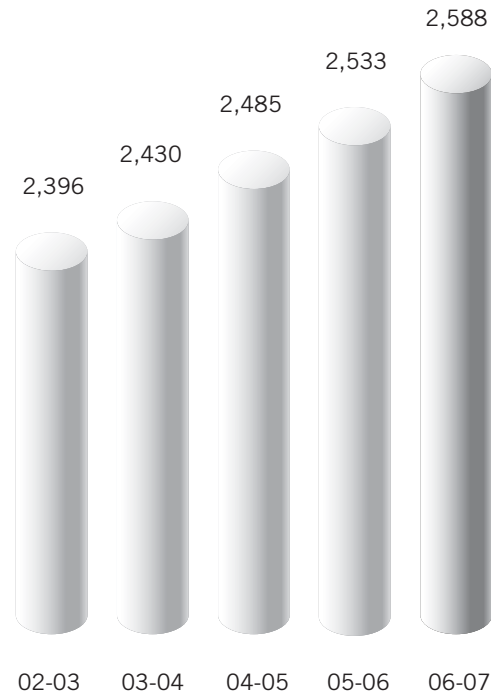


TOLLS
(thousands of dollars)



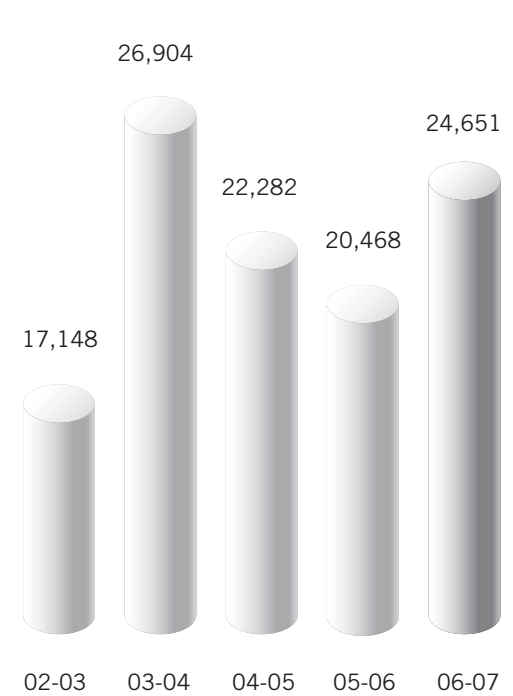
Revenue from tolls has decreased by 3% when compared to last year. This decrease in traffic is attributable in part to the rising value of the Canadian dollar and by the fact that a substantial number of users, more than 60% of users – members of the Mohawk community and those providing services to it, at some locations, are exempt from tolls.

ADVERTISING REVENUE
(thousands of dollars)



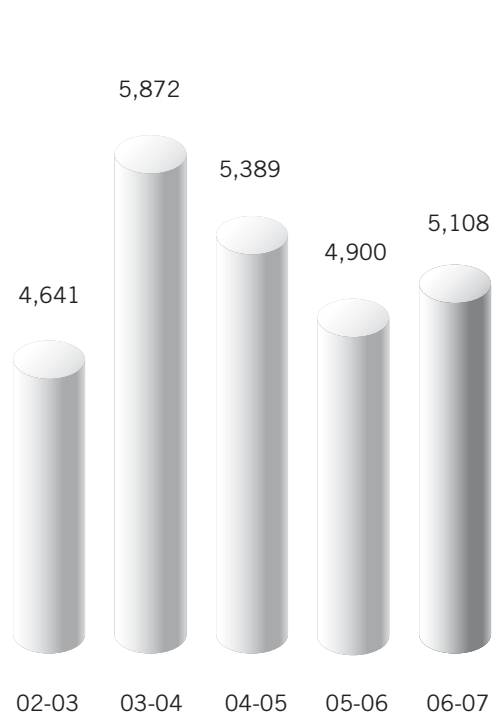
Revenue generated by advertising continues to be a major source of revenue for the Corporation. The amount of \$2.6 million for the year represents approximately 18% of all regular revenues.

MAINTENANCE
(thousands of dollars)



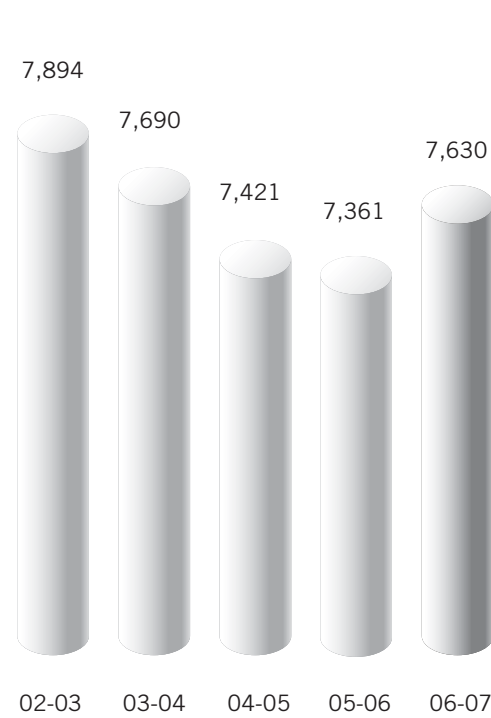
Maintenance costs have increased by \$4.2 million from last year. This increase can be attributed to an increase in the number of projects incurred for the bridges in the Montreal area, where maintenance costs were \$4.0 million more than the previous year. The maintenance costs should remain high considering the age of the structures, the fact that they are over-used with respect to forecasts made when they were built and the use of corrosive abrasives in the winter.

OPERATIONS
(thousands of dollars)



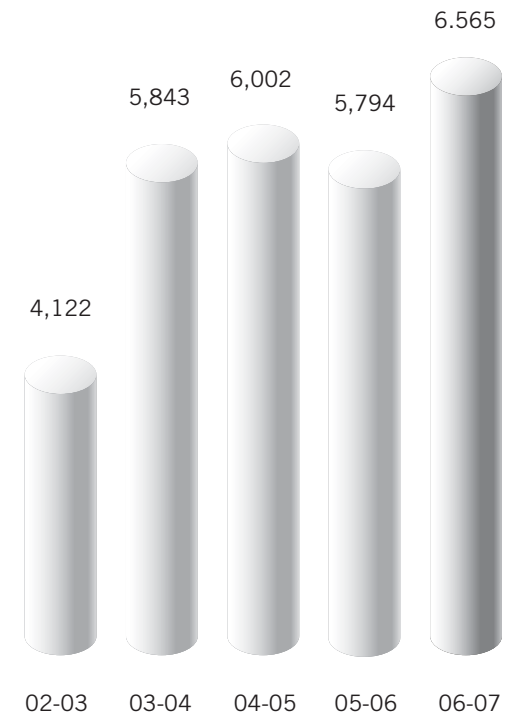
Operating costs relate to the structures in the Montreal area and the toll collection at international bridges. At \$5.1 million this year they represent 11% of all expenses and have increased by \$0.2 million when compared to last year.

ADMINISTRATION COSTS
(thousands of dollars)



Administration costs represent 16% of all expenses. They have been fairly stable since the integration of the last subsidiary, which was acquired in October 2000.

AMORTIZATION
(thousands of dollars)



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

CORPORATE
PERFORMANCE
AGAINST OBJECTIVES →



↑ Typical rush hour on the Jacques Cartier Bridge in Montréal

Six key strategic objectives were established by The Federal Bridge Corporation Limited (A), nine by The Jacques Cartier and Champlain Bridges Incorporated (B) and three for The Seaway International Bridge Corporation, Ltd. (C) in the Corporate Plan for the 2006-2007 planning period.

A) PERFORMANCE AGAINST OBJECTIVES FOR FBCL

The six key strategic objectives identified by FBCL for the 2006-2007 period were:

OBJECTIVE 1 → CONTINUE TO IMPROVE MANAGEMENT AND OPERATIONAL ISSUES AT THE PARENT AND SUBSIDIARIES

RESULTS → Improvements to management and operational issues were achieved in two key areas:

i) New Framework on Governance

As a result of an in-depth review of its governance framework in 2005, FBCL moved forward in adopting governance initiatives and putting them into practice in order to further strengthen the relationship with

its subsidiaries. In order to establish this framework, new instruments, practices and processes have been developed and implemented. These instruments relate to multiple governance dimensions such as the review of the appointment of Board members, ethics and codes of conduct, letters of expectations, strategic planning and evaluation, reporting mechanisms, performance measurement, human resources and business practices.

ii) Implement the Business Model

In accordance with its role as a parent company, FBCL has strengthened its governance and management practices. As a result of the measures taken internally, FBCL is not only in a position to appropriately carry out its oversight role with its existing subsidiaries but could also, if required, contribute to assist the Government of Canada in the management of other crossings.

OBJECTIVE 2 → ADDRESS THE OUTSTANDING FINANCIAL ISSUES FACED BY SOME BRIDGES

RESULTS → Currently, two bridges within the FBCL family are facing financial issues: the international bridge at Sault Ste. Marie and the Seaway International Bridge at Cornwall.

At Sault Ste. Marie, negotiations began in March 2006 to establish a new agreement between FBCL, The St. Mary's River Bridge Company (SMRBC) and the Michigan Department of Transportation (MDOT). The principles of a new agreement including the elimination of parity payments were accepted by the FBCL Board of directors in 2006. The new agreement to be ratified by Transport Canada has been delayed and is now expected to be in place in 2007-2008.

At Cornwall, the technical stages of the environmental assessment required to construct a new low-level bridge have been completed. However, additional planned capital improvements associated with the new low-level bridge crossing, such as the widening of the international road and improvements to the Canada Border Services Agency plaza on Cornwall Island are subject to the completion of an agreement with the Mohawk Council of Akwesasne that could be signed in 2007.

The replacement of the North Channel Bridge is associated with work to the existing toll plaza and international roadway linking the north and south channel bridges on Cornwall Island.

The full scope of the project is therefore contingent in getting an agreement in principle with the Akwesasne Mohawk Council.

OBJECTIVE 3 → IMPLEMENT THE SAFETY AND SECURITY INITIATIVES POLICY

RESULTS → The Risk Management Committee plays a pivotal role in overseeing implementation of the Safety and Security initiatives and ensuring that proper risk management practices are in place. In 2006-2007, FBCL established improved risk management practices.

Engineering risk profiles and criteria were established to address any potential construction and engineer-

ing related risks. Similar profiles were established for information technology and computer records.

OBJECTIVE 4 → IMPLEMENT THE ENVIRONMENTAL POLICY UNIFORMLY

RESULTS → The mandate of the Environment Committee is to ensure the environmental policy is being implemented as planned. Significant environmental issues have been addressed during the last planning period including the launch of a preliminary risk evaluation on the contamination of lands



↑ The Thousand Islands Bridge

surrounding the Bonaventure Expressway in Montréal, the establishment of a Road Salts Management plan by JCCBI and the completion of the SIBC environmental assessment that will allow for future projects related to the potential replacement of the North Channel Bridge.

OBJECTIVE 5 → FURTHER ENHANCE BUSINESS EXPANSION OPPORTUNITIES ACROSS THE ORGANIZATION

RESULTS → FBCL is committed to leveraging its unique qualifications and skills to develop business opportunities. Such opportunities could take different shapes and forms such as the optimization of business potential at bridges currently under FBCL oversight or taking on new assignments on behalf of the Government of Canada.

FBCL will also be pursuing an active role in the development of the new Detroit-Windsor crossing including a joint ownership with its U.S. counterpart as is currently proposed in Sault Ste. Marie.

Consistent with FBCL's willingness to improve service and reduce waiting times at crossings – a factor influencing traffic flows and, consequently, revenues – a pilot project for the establishment of joint Canada/U.S. Customs and Immigration facilities at the Thousand Islands Bridge was initiated.

In Cornwall, a steering committee was struck by SIBC to deal with the implementation of policy issues on tolls, operations and enforcement.

At Ivy Lea, short term improvements at the Thousand Island Bridge that were identified in the bi-national study have been incorporated into a five-year implementation program.

An implementation plan was completed by TIBA and circulated by FBCL to create a “Capital Corridor” between Ottawa and Washington D.C., in order to establish and promote an international trade passage between the two capital cities. A highly successful “Capital Corridor Summit” was held in October 2006, with high-level participation from Canadian and U.S. government officials, shippers, suppliers and other stakeholders. FBCL and TIBA intend to continue funding the trade corridor concept during the next two years.

OBJECTIVE 6 → INCREASE VISIBILITY

RESULTS → During the last planning period, FBCL moved forward with measures to enhance and increase its overall visibility within the public domain. In total, four main initiatives were implemented in order to achieve that objective.

The seventh International Bridge Conference on Short and Medium Span Bridges, held in Montréal in August 2006 was the largest of its kind, and was touted as the best ever held by attendees. As one of two main sponsors, FBCL benefited from worldwide exposure with delegates from over 30 countries. The conference provided outstanding networking

opportunities and proved to be both a success and a solid platform for FBCL visibility.

FBCL is constantly proactive in building sustained relationships that are successfully nurtured with representatives of various local communities and bridge users.

Sponsorship at L'International des Feux Loto-Québec near the Jacques Cartier Bridge in Montréal was another renewed opportunity to increase FBCL and JCCBI visibility. During the fireworks, the bridge is closed to traffic to allow pedestrians on the deck, making the site an intrinsic component of the event.

FBCL maintained its role as a key participant in the Highway 30 steering Committee (Comité de gestion de l'Entente Canada-Québec).

B) PERFORMANCE AGAINST OBJECTIVES FOR JCCBI

The nine key strategic objectives identified by JCCBI for the 2006-2007 period were:

OBJECTIVE 1 → FINALIZE THE PROJECT STRUCTURE FOR THE HONORÉ MERCIER DECK REPLACEMENT PROJECT IN COLLABORATION WITH THE MOHAWK COMMUNITY AND THE MINISTÈRE DES TRANSPORTS DU QUÉBEC (MTQ)

RESULTS → An agreement in principle was reached with the Mohawk community in regards to the project structure and their participation, and with the MTQ to include into the project the MTQ portion of the bridge requiring deck replacement.

A major portion of the project was tendered in 2006-2007. The signing of formal agreements is pending. A tender was received and negotiations with the Mohawk contractor are underway. The project is scheduled to begin in 2007-2008 with completion in 2009-2010.

OBJECTIVE 2 → DEFINE THE OPTION AND SCOPE OF WORK FOR THE RE-DECKING OF THE NUNS' ISLAND BRIDGE INCLUDING ANNEXING THE REPAIRS TO HIGHWAY 15 BETWEEN ATWATER STREET AND NUNS' ISLAND BRIDGE

RESULTS → In 2006, JCCBI examined how the highway 15 rehabilitation work could be integrated with the Nun's Island Bridge deck replacement project. The possibility of widening highway 15 between Atwater and the Nun's Island Bridge must be studied prior to finalizing the overall project.

OBJECTIVE 3 → CARRY OUT FURTHER INVESTIGATION ON THE LANDFILL SITE ALONG THE BONAVENTURE EXPRESSWAY.

RESULTS → Contaminated properties managed by JCCBI since 1978 in the Bonaventure Expressway



↑ The Jacques Cratier Bridge cycling path is the main link between Montreal and the South Shore



↑ The Honoré Mercier Bridge

sector, adjacent to the St-Lawrence River, in Montréal, are located on a portion of a former waste fill site operated by the City of Montréal from 1866 to 1966. Between 2003 and 2005, JCCBI conducted various investigations and tests of groundwater toxicity on these properties and in 2005 undertook a feasibility study to identify the most appropriate mitigation measures to contain the contaminated groundwater.

In 2006, JCCBI commissioned a hydrogeological study. The said hydrogeological study is required in order to better understand the groundwater regime in view of defining the parameters for the design of the planned mitigation measures. In addition, in light of the complexity of the problem, as well as

the presence of several owners and the high costs associated with remedial measures, the governments are seeking a global solution to the environmental problem of this site.

OBJECTIVE 4 → MAINTAIN JCCBI'S STRUCTURES TO RECOGNIZED STANDARDS THAT REFLECT HIGH LEVELS OF SAFETY

RESULTS → Major maintenance repairs were completed in 2006 as follows: Structural; steel repairs, painting and restoration of piers to the Honoré Mercier Bridge; Rehabilitation of concrete piers and beams, expansion joint repairs and bearings on the Champlain Bridge; Foundation repairs and paving of a section

of the Bonaventure Expressway; Painting of the downstream ramp and replacement of expansion bearings on the Jacques Cartier Bridge.

OBJECTIVE 5 → PURSUE THE PROGRAM OF REPAIRING PRE-STRESSED BEAMS AND PIER HEADS AT CHAMPLAIN BRIDGE

RESULTS → In 2006, JCCBI awarded contracts for the repair of certain pre-stressed beams and pier heads of the Champlain Bridge.

OBJECTIVE 6 → UPGRADE THE LANE CONTROL SYSTEM AT THE JACQUES CARTIER BRIDGE

RESULTS → A new state of the art lane control system was successfully installed on the Jacques Cartier Bridge.

OBJECTIVE 7 → CLOSURE OF DECK OPENINGS AND DISSUASIVE MEASURES AGAINST CLIMBING ONTO BRIDGE TRUSSES AT THE JACQUES CARTIER BRIDGE

RESULTS → A contract was awarded in 2006 to supply and install security fencing on the bridge. Fencing of the main span and the seaway span and the downstream ramp to Ste Hélène's Island were successfully completed in 2006-2007.

OBJECTIVE 8 → NEGOTIATE A NEW COLLECTIVE AGREEMENT WITH THE CSN BLUE COLLAR UNION

RESULTS → A new three-year collective agreement was entered into in October 2006 with the CSN representing JCCBI's blue collar employees.

OBJECTIVE 9 → TREATMENT OF GOODS AND SERVICES TAX (GST) AND QUEBEC SALES TAX (QST)

RESULTS → JCCBI is subject to tax rules and guidelines applicable to municipalities, and hence now receives full GST reimbursement.

However, in regards to the treatment of QST, JCCBI currently does not claim a QST rebate and its QST treatment is currently under review.



↑ Aerial view of the Jacques Cartier Bridge

C) PERFORMANCE AGAINST OBJECTIVES FOR SIBC

The three key strategic objectives identified by SIBC for the 2006-2007 period were:

OBJECTIVE 1 → CONTINUE TO SUPPORT TRANSPORT CANADA IN THEIR EFFORTS TO ACHIEVE A NEGOTIATED SOLUTION THAT WILL ALLOW FOR INVESTMENTS AND OPERATING IMPROVEMENTS AT THE CROSSING.

RESULTS → This objective was achieved. The SIBC Board of Directors approved a set of principles to be used as a basis for toll negotiations. SIBC together

with FBCL developed concept plans for the works on Cornwall Island, including commercial inspection facilities for CBSA.

OBJECTIVE 2 → MANAGE THE SAFETY RISKS AT THE NORTH CHANNEL CROSSING PENDING ITS REPLACEMENT.

RESULTS → This objective was achieved. SIBC maintenance crews carried out all of the special maintenance activities that SIBC has established for this structure. This includes: Hands-on inspection of the underside deck along Brookdale Avenue; Full depth repairs to portions of three deck panels; Deck surface repairs and daily road checks.

OBJECTIVE 3 → CONTINUE TO IMPROVE OPERATIONAL AND MANAGERIAL EFFICIENCY

RESULTS → This objective was substantially achieved. The results of our customer survey indicate that SIBC is providing a level of service that 90% of our customers consider satisfactory to excellent. Departmental spending was diligently managed within budget.



MANAGEMENT'S
DISCUSSION AND
ANALYSIS →

↑ Downtown Montréal as seen from under
the Champlain Bridge

This Management's Discussion and Analysis (MD&A) is presented to enable readers to assess material changes in the financial condition and operational results of the Corporation for the year ended March 31, 2007, compared with the corresponding periods.



→ Construction at the Thousand Islands Bridge

This MD&A should be read in conjunction with our Consolidated Financial Statements and related Notes. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Corporation's annual Consolidated Financial Statements prepared in accordance with Canadian generally accepted accounting principles.

CORPORATE OVERVIEW

The Federal Bridge Corporation Limited (FBCL) owns and manages some of the most important and strategic fixed-link crossings in Canada. During financial year 2006-2007 the Corporation successfully completed its eighth year of operation. FBCL has performed well in the fulfillment of its

mandate. Key objectives have either been successfully met or are on track to being achieved. Governance and management practices have been reinforced and are in line with best practices in the private and public sectors. Careful attention to traffic safety, crossing security, client service and protection of the environment has all been a critical



↑ Typical rush hour with the reserved bus lane on Champlain Bridge in Montréal

factor in FBCL's success. They are, and will remain, top priorities for the Corporation and its subsidiaries.

2006-2007 SIGNIFICANT EVENTS

REHABILITATION OF THE HONORÉ MERCIER BRIDGE

In June 2006, the Treasury Board approved an amount of \$85 million for major rehabilitation

works on the roadway deck of the Honoré Mercier Bridge. The deck replacement work is scheduled to begin on the bridge in the summer 2007 and be completed by the fall 2009.

REPLACEMENT OF THE NORTH CHANNEL BRIDGE

The project for the replacement of the North Channel Bridge, linking Cornwall to Cornwall Island, and corridor improvements on Cornwall Island received Treasury Board approval in 2006. The construction of the new bridge is expected

to begin in late summer 2008, with work on Cornwall Island to take place from 2009 to 2011.

NEGOTIATION OF THE SAULT STE. MARIE AGREEMENT

In 2006 the international agreement between Canada and the US was successfully re-negotiated. The revised agreement, which should come into effect during 2007, will give the Canadian subsidiary, The Saint Mary's River Bridge Company, better control over the operation of the Sault Ste. Marie International Bridge.

FINANCIAL RESULTS

NET INCOME—OVERVIEW AT A GLANCE

- Revenues of \$14,018 million, down \$5,893 million, or 29.6% from 2006
- Expenses of \$46,726 million, up \$5,688 or 13.9% from 2006.
- Loss before Government funding of \$32,708 million, up \$11,581 from 2006.
- Net earnings of \$.193 million, down \$.798 million from 2006.

Net earnings was \$.193 million, compared with \$.991 million in 2006. The decrease in net earnings is largely the result of the Thousand Islands Bridge operations which have decreased by \$.922 million during the year. Lower traffic, especially commercial traffic, has led to this decrease. The overall decrease was partially offset by an increase in

interest revenue, caused in great part by higher interest rates.

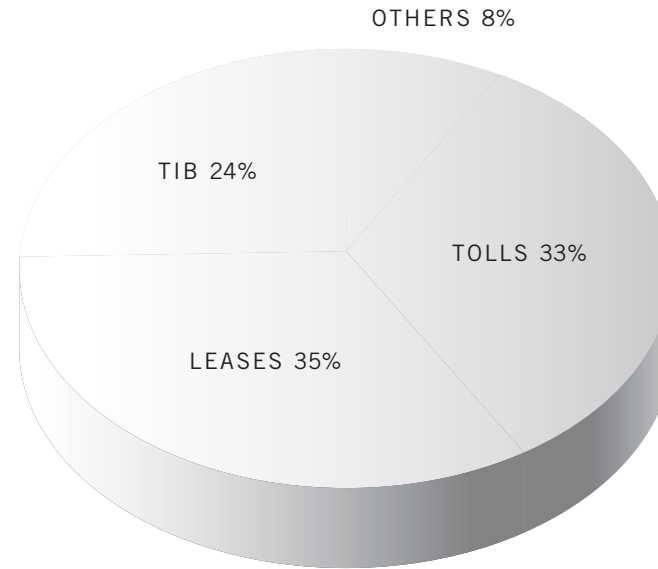
The increase of \$11,581 million in the loss before Government funding was principally caused by a sale of fixed assets worth \$5,5 million in 2006 combined with an increase in maintenance expenses in the current year of \$4,031 million, mostly at the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated.

REVENUES—OVERVIEW AT A GLANCE

- Tolls of \$4,665 million, down \$.162 million or 3.35% from 2006.
- Leases and licenses of \$4,812 million, similar to last year
- Thousand Islands Bridge operating revenue of \$3,433 million, down \$.666 million or 16.2% from 2006.
- Gain on disposal of assets down by \$5,493 million from the prior year.
- Interest of \$.932 million, up \$.297 million or 47% from 2006.

Total revenues were \$14,018 million, a decrease of 29.6 % from 2006. The reduction was the result of a one time sale of land which generated \$5,5 million in 2006, compared to none in the current year and a slowdown in the operations at the Thousand Islands Bridge.

REVENUES



Revenues from tolls, leases and licenses and from the operation of the Thousand Islands Bridge account for 92% of all revenue before Government funding. Tolls collected at the Seaway International Bridge in Cornwall have grown slightly this year but not enough to offset the reduction at the Sault Ste Marie International Bridge.

Leases and licenses revenue was \$4,812 million, comparable to \$4,839 million the previous year. Most of our leases and licenses revenue comes from two sources i.e. commercial signs in the Montreal

area and a Duty Free Store at the Thousand Islands Bridge. All have grown with inflation with the exception of the Duty Free Store at the Thousand Islands Bridge whose revenue has decreased in line with the declining traffic at that bridge.

The Thousand Islands Bridge operating revenue was \$3,433 million in 2007, a year-over-year decrease of \$.666 million or 16.2%. The decrease was primarily a result of lower traffic, especially commercial traffic.

Interest revenue of \$.932 million was up by 47% as interest rates were better throughout the year.

REVENUES

As can be seen, most of our revenues are derived from tolls (33%), leases (35%) and the Thousand Islands Bridge operating revenue (24%).

EXPENSES—OVERVIEW AT A GLANCE

- Maintenance of \$24,651 million, up by \$4,183 million or 20.43% from 2006.
- Operation expenses of \$5,108 million, similar to last year
- Administration expenses of \$7,630 million, up by \$.269 million or 3.65%.
- Thousand Islands Bridge operating expenses of \$2,772 million, up \$.256 million or 10.2% from 2006.
- Amortization up by \$.771 million from the prior year.

Total expenses were \$46,726 million, an increase of 13.9 % from 2006. The increase was mainly the result of an increase of \$4,183 million in maintenance costs necessary to keep our structures in sound condition.

Maintenance expenses, mostly from the subsidiary The Jacques Cartier and Champlain Bridges Incorporated, account for 48% of all expenses. This year's increases are in the major maintenance

expense category which are based on inspection reports and will continue to be significant in the future given the age and condition of our structures.

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

Administration expenses of \$7,630 million account for 16% of all expenses.

The Thousand Islands Bridge operating expenses were \$2,772 million in 2007, a year-over-year increase of \$.256 million or 10.17%. The increase is more than expected and an analysis of these will be done in 2007 to determine where savings can be achieved.

CAPITAL IMPROVEMENTS

Capital improvements, representing necessary costs for improving the bridges, buildings and other infrastructure totaled \$5.765 million for the current year compared to \$9,188 million for fiscal year 2005-2006.

Major projects included construction and engineering projects at The Jacques Cartier and Champlain Bridges Incorporated and security improvements at the Thousand Islands Bridge.

FUTURE ACCOUNTING CHANGES

In January 2005, the Canadian Institute of Chartered Accountants (CICA) issued the following two accounting standards. These new standards become

effective for the Corporation on April 1st, 2007 and will be applied prospectively.

FINANCIAL INSTRUMENTS—RECOGNITION AND MEASUREMENT

This standard sets out criteria for the recognition, derecognition, measurement and classification of financial instruments. The Corporation will categorize its financial assets and liabilities as held for trading, held to maturity or as loans and receivables. The category available for sale will not be used by the Corporation. Financial assets and liabilities categorized as held for trading will be measured at fair value while financial assets and liabilities held to maturity as well as loans and receivables will be measured at amortized cost.

COMPREHENSIVE INCOME

This standard requires that certain gains and losses that would otherwise be recorded as part of net income to be presented in other comprehensive income until such time as it is considered appropriate for them to be recognized in net income. The Corporation will be required to present a new financial statement titled Comprehensive Income to record such amounts until they are realized.

In accordance with these new standards, the carrying value of our financial assets and liabilities will be re-measured as appropriate on April 1, 2007. The adjustment to their carrying values will be recognized as an adjustment to the opening balance of retained earnings.

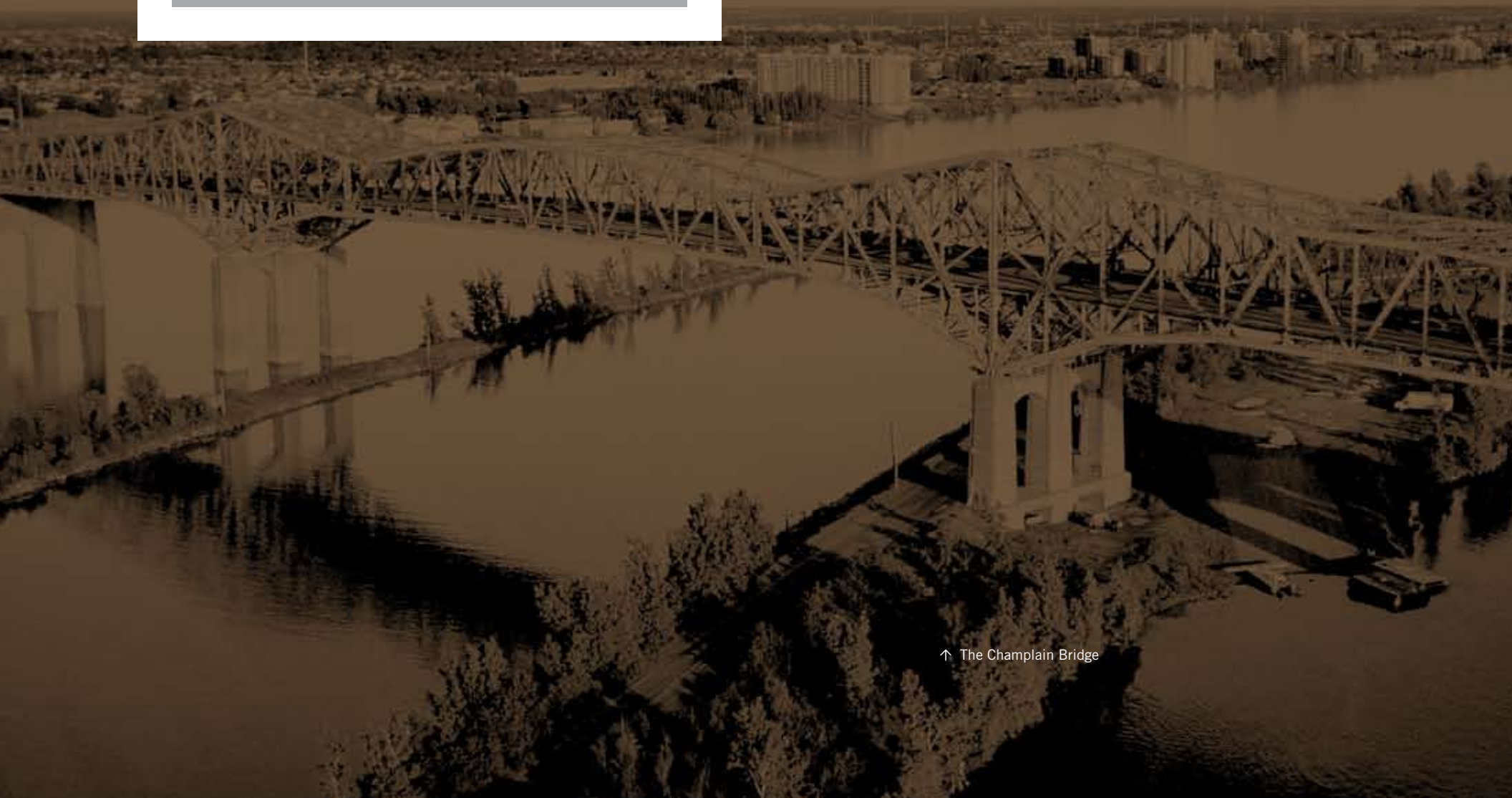
FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

(Unaudited - for period ending on March 31)

(thousands of dollars)	2007	2006	2005	2004	2003
Revenues					
Thousand Islands Bridge operating Revenue	3,433	4,099	4,537	4,278	5,313
Leases and licenses	4,812	4,839	4,913	4,851	5,070
Tolls	4,665	4,827	5,329	5,169	5,543
Interest	932	635	263	639	541
Other	176	5,511	(89)	146	51
	14,018	19,911	14,953	15,083	16,518
Expenses					
Maintenance	24,651	20,468	22,282	26,904	17,148
Operation	5,108	4,900	5,389	5,872	4,640
Administration	7,630	7,361	7,422	7,690	7,894
Thousand Islands Bridge operating expenses	2,772	2,516	2,706	2,009	3,299
Amortization	6,565	5,794	6,002	5,843	4,122
	46,726	41,039	43,801	48,318	37,103
Loss before government funding	(32,708)	(21,128)	(28,848)	(33,235)	(20,585)
Parliamentary appropriation for operating expenses	28,535	24,586	25,944	30,622	23,345
Amortization of deferred capital funding	4,357	3,628	3,397	3,382	972
Remittance to the Consolidated Revenue Fund	-	(6,074)	-	-	-
Non-controlling interest	9	(21)	(26)	(50)	(97)
Net income (loss)	193	991	467	719	3,635

Certain figures have been reclassified for presentation purposes.

BRIDGES AND
TRANSPORTATION
INFRASTRUCTURES →



↑ The Champlain Bridge



↑ The Champlain Bridge

THE CHAMPLAIN BRIDGE AND THE BONAVENTURE EXPRESSWAY

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

The bridge links the boroughs of Brossard and Verdun and is about 3 kilometres long. It has six traffic lanes separated by a median barrier. The main span – also of cantilever type – is built of steel. It supports a

steel orthotropic slab deck paved over with asphaltic concrete. There are approximately 49 metres of clearance between the bridge and the Seaway canal. The remaining portions of the bridge are constructed of prestressed concrete beams that form a prestressed concrete deck paved over with asphaltic concrete.

In 2006-2007, 58,2 million vehicles crossed the Champlain Bridge, to which must be added 8 million public transit users.



↑ The Jacques Cartier Bridge

THE JACQUES CARTIER BRIDGE

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

This steel bridge features a reinforced-concrete deck and spans the width of five traffic lanes. It stretches almost 3 kilometres in length and runs between Longueuil and Montréal. A lane signalling system

makes it possible to reverse the direction of the traffic in the centre lane to better accommodate motorists during the morning and evening rush hours.

The main cantilever-type span towers approximately 66 metres above the St. Lawrence River to allow ships to pass underneath to and from the Port of Montréal. The section crossing the Seaway is close to 49 metres over the canal. In 2006-2007, 35,4 million vehicles crossed the Jacques Cartier Bridge.

THE CHAMPLAIN BRIDGE ICE CONTROL STRUCTURE (ESTACADE)



↑ The Champlain Bridge Ice Control Structure

The Champlain Bridge Ice Control Structure was built in 1965 to control ice flows. This structure runs parallel to, and about 305 metres upstream from the Champlain Bridge. It is about 2,043 metres

in length and runs west to east, from Nuns' Island to the northern embankment of the St. Lawrence Seaway. This infrastructure is currently used as a bicycle path.

THE HONORÉ MERCIER BRIDGE



↑ The Honoré Mercier Bridge

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

At first, the operation, maintenance and administration of the bridge fell entirely under Québec provincial jurisdiction. Between 1958 and 1959, however, during the construction of the St. Lawrence Seaway, the Seaway's administration supervised the work undertaken to raise the southern part of the

bridge, in order that ship traffic could access the Seaway. The raised portion of the bridge thus fell under federal jurisdiction. In 1963, a twin bridge was built riverside in order to meet the ever-increasing demands of traffic.

The section of the bridge for which the Corporation is responsible is approximately 1.4 kilometres long. Its truss spans support a classic asphalt-paved concrete deck. In 2006-2007, 29.5 million vehicles crossed the Honoré Mercier Bridge.



↑ The Melocheville Tunnel

THE MELOCHEVILLE TUNNEL

The Melocheville Tunnel was built in 1956 as part of the construction of the Saint Lawrence Seaway.

The tunnel passes directly under the Beauharnois Canal locks at Melocheville. It measures approxi-

mately 230 metres in length and provides access to one lane of traffic in either direction. In 2006-2007, 4.5 million vehicles passed through the Melocheville Tunnel.

THE SEAWAY INTERNATIONAL BRIDGE



↑ The Seaway International Bridge

Spanning the St. Lawrence Seaway from Cornwall, Ontario to the Mohawk Territory of Akwesasne and on to Rooseveltown, New York, the Seaway International Bridge is a high level structure that opened to traffic in 1962. It was built under the terms of an international agreement between Canada and the United States signed in 1957 and is operated as a

joint venture by our subsidiary, The Seaway International Bridge Corporation, Ltd. under an agreement between The Federal Bridge Corporation Limited and the Saint Lawrence Seaway Development Corporation. In 2006-2007, 2.5 million vehicles crossed the Seaway International Bridge.



↑ The Thousand Islands International Bridge

THE THOUSAND ISLANDS INTERNATIONAL BRIDGE

Opened in 1938 by Prime Minister MacKenzie King and President Franklin Roosevelt, the Thousand Islands International Bridge stretches 13.7 kilometres across the St. Lawrence River between Ivy Lea in Ontario and Collins Landing in upper New York State. It was built in sixteen months, an impressive accomplishment by any standard! It is operated and

maintained jointly by Canada and the United States under an agreement between The Federal Bridge Corporation Limited and The Thousand Islands Bridge Authority in the United States. In 2006-2007, 2.1 million vehicles crossed the Thousand Islands International Bridge.



↑ The Sault Ste. Marie International Bridge

THE SAULT STE. MARIE INTERNATIONAL BRIDGE

Opened in 1962, the Sault Ste. Marie International Bridge spans the St. Mary's River linking the twin cities of Sault Ste. Marie, Ontario, and Sault Ste. Marie, Michigan. It is the only fixed link crossing between the two countries within 1,000 kilometres

and it is an important trade route between key American and Canadian markets via Interstate 75 and the Trans-Canada Highway. In 2006-2007, 1.9 million vehicles crossed the Sault Ste. Marie International Bridge.

MANAGEMENT
AND FINANCIAL
STATEMENTS →

↑ The Jacques Cartier Bridge

THE FEDERAL BRIDGE CORPORATION LIMITED

(As of March 31, 2007)

BOARD OF DIRECTORS AND OFFICERS

Board of Directors

Pursuant to the *Financial Administration Act*, the Board of Directors is responsible for the management of the business activities and other affairs of the Corporation.

Michel Fournier
*President and Chief Executive Officer
(until March 7, 2007)*

Sheila Tremblay
Vice Chairperson

Normand Brochu
Director

Arthur Hamilton
Director

Officers and Senior Managers

Norman B. Willans
Legal Counsel and Corporate Secretary

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

André Girard
Vice-President, Communications

Gérard Lalonde
*Director, Administrative Services
and Treasurer*

Robin Rensby
Senior Director, Human Resources

Thye Lee
*Director, Engineering and
Construction*

COMMITTEES OF THE FBCL BOARD OF DIRECTORS (As of March 31, 2007)

Audit Committee

Arthur Hamilton, *Chairperson*Sheila Tremblay, *Member*Normand Brochu, *Member*

Corporate Governance Committee

Sheila Tremblay, *Chairperson*Yvon Bourget, *Board Member, JCCBI*John M. Kroon, *Board Member,
SIBC & TIBA*Norman. B. Willans, *Corporate
Secretary and Legal Counsel, FBCL*

Environment Committee

Glen P. Carlin, *Chairperson*Sylvie Lefebvre, *Secretary*Hendrik H. Saaltink, *Member*Ian McPherson, *Member*Norman. B. Willans, *Member*Raymond Denault, *Member*Gérard Lalonde, *Member*Thye Lee, *Member*Bill Moulton, *Member*Glenn W. Hewus, *Member*

Human Resources Committee

Normand Brochu, *Chairperson*Arthur Hamilton, *Member*Norman Willans, *Member ex officio*Robin Rensby, *Member ex officio*

Nominating Committee

Sheila Tremblay, *Chairperson*Arthur Hamilton, *Member*James Roche, *Member*Clément Joly, *Member*

Risk Management Committee

Normand Brochu, *Chairperson*Arthur Hamilton, *Member*Gérard Lalonde, *Member*Glenn W. Hewus, *Member*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

(As of March 31, 2007)

BOARD OF DIRECTORS AND OFFICERS

Board of Directors

Michel Fournier, *President*
(until March 7, 2007)Yvon Bourget, *Member*Normand Brochu, *Member*Clément Côté, *Member*René Therrien, *Member*Denise Hébert, *Member*

Officers and Senior Managers

Michel Fournier, *President*
(until March 7, 2007)Glen P. Carlin, *General Manager*Sylvie Lefebvre, *Counsel and*
*Corporate Secretary*Daniel Dupuis, *Director, Finance*
*and Administration*Guy Mailhot, *Director, Engineering*Denis Dauphinais,
Director, Construction and Project
*Management*Raymond Denault, *Director,*
Operations and Maintenance

COMMITTEES OF THE JCCBI BOARD OF DIRECTORS

Audit Committee

Denise Hébert, *Chairperson*René Therrien, *Member*Clément Côté, *Member*

Management Committee

René Therrien, *Chairperson*Yvon Bourget, *Member*Clément Côté, *Member*Steering Committee for the
Honoré Mercier Bridge Deck
Replacement ProjectRené Therrien, *Chairperson*Yvon Bourget, *Member*Clément Côté, *Member*

Risk Management Committee

Glen P. Carlin, *Chairperson*Sylvie Lefebvre, *Member*Guy Mailhot, *Member*Raymond Denault, *Member*

Human Resources Committee

Denise Hébert, *Chairperson*Clément Côté, *Member*Normand Brochu, *Member*Clément Poulin,
Member ex officio

FINANCIAL SUMMARY

The Jacques Cartier and Champlain Bridges Incorporated

(in dollars)	2007	2006
Operating results		
Revenues		
Leases and licenses	773,312	759,896
Interest	121,916	97,647
Gain on disposal of fixed assets	-	5,512,082
Other	40,615	34,475
Charges		
Maintenance	22,357,953	18,327,122
Operation	3,690,222	3,592,081
Administration	3,365,982	3,366,192
Amortization of fixed assets	4,984,696	4,236,570
Net loss before government funding	(33,463,010)	(23,117,865)
Parliamentary appropriation for operating expenditures	28,174,163	24,585,645
Parliamentary appropriation for charges to environmental case	225,450	-
Remittance to the Treasury of the amount recovered from the Goods and Services Tax paid during previous reporting periods	-	(223,940)
Remittance to the Treasury of the proceeds from disposal of fixed assets	-	(5,850,099)
Amortization of deferred capital funding	4,299,010	3,594,890
Net loss	(764,387)	(1,011,369)
Balance sheet		
Current assets	10,903,188	8,497,262
Current liabilities	7,711,672	5,305,746
Due from Canada	-	2,625,809
Goods and services tax receivable	-	170,157
Fixed assets	139,506,492	138,664,414
Holdback	-	2,795,966
Employee future benefits	801,052	722,351
Environmental obligations	1,000,000	-
Deferred capital funding	129,939,826	130,920,889
Shareholder's equity	10,957,130	10,212,690
Financial position		
Operating activities	(2,664,162)	619,813
Investing activities	(4,826,774)	(1,302,877)
Financing activities	4,826,774	1,302,877
(Decrease) increase of cash flow	(2,664,162)	619,813

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION LTD.

(As of March 31, 2007)

BOARD OF DIRECTORS AND OFFICERS

Board of Directors

Sheila Tremblay, *President*Collister Johnson, *Vice-President*Guy Berthiaume, *Director*Salvatore Pisani, *Director*Roger J. Forgues, *Director*Edward Margosian, *Director*John M. Kroon, *Director*André G. Poirier, *Director*

Officers and Senior Managers

Gerard Lalonde, *Treasurer*Edward Margosian,
*Assistant Treasurer*Roger J. Forgues, *Assistant Treasurer*Norman B. Willans, *General Counsel
and Corporate Secretary*Hendrik H. Saaltink,
General Manager

COMMITTEES OF THE SIBC BOARD OF DIRECTORS

Audit Committee

John M. Kroon, *Chairperson*Edward Margosian, *Member*Roger J. Forgues, *Member*

Management Committee

John M. Kroon, *Chairperson*Sheila Tremblay, *Member*Salvatore Pisani, *Member*

Risk Management Committee

Hendrik H. Saaltink, *Chairperson*Wade Dorland, *Member*Ian McPherson, *Member*

FINANCIAL SUMMARY

The Seaway International Bridge Corporation, Ltd.

(in dollars)	2007	2006
Operating results		
Revenues		
Tolls	3,924,857	3,670,601
Rentals	142,728	142,846
Investments	101,948	65,676
Others	8,750	14,550
Expenses		
Maintenance	1,363,149	1,319,732
Tolls collection	772,050	704,663
Administration	927,752	931,347
Amortization	156,594	168,103
Net income	958,738	769,828
Balance sheet		
Current assets	3,171,129	2,590,577
Current liabilities	1,141,921	1,018,579
Capital assets	917,881	821,655
Bridge and infrastructure betterments	123,541	156,729
Provision for employees future benefits	288,453	312,736
Capital stock and debentures payable	16,000	16,000
Due to venturers	2,766,177	2,221,646
Financial position		
Operating activities	1,218,579	964,465
Investing activities	(239,858)	(132,502)
Financing activities	(403,052)	(911,091)
Increase (decrease) of cash and cash equivalents	575,669	(79,128)

THE ST. MARY'S RIVER BRIDGE COMPANY

(As of March 31, 2007)

BOARD OF DIRECTORS AND OFFICERS

James McIntyre, *President*

Helen Gillespie, *Director*

Alexander Harry, *Vice-President*

Gerald H. Johnston, *Director*

Rick Talvitie, *Director*

Lorie Bottos, *Director
and Secretary-Treasurer*

Mary Trbovich, *Director*

FINANCIAL SUMMARY

St. Mary's River Bridge Company

(in dollars)	2006	2005
Operating results		
Revenues		
Tolls	2,702,532	2,991,370
Leases and licences	297,544	305,844
Investments	130,745	76,523
Other	91,270	92,513
Expenses		
Maintenance	1,317,576	1,241,328
Tolls collection	845,960	817,010
Administration	770,531	769,710
Amortization	395,172	390,341
Net income	(107,148)	247,861
Balance sheet		
Current assets	3,629,364	3,679,866
Current liabilities	941,291	889,844
Capital assets	8,157,194	8,231,347
Capital stock	1,500	1,500
Retained earnings	10,348,706	10,455,854
Financial positions		
Operating activities	259,320	657,322
Investing activities	(393,681)	(2,082,864)
Increase (decrease) of cash and cash equivalents	(134,361)	(1,425,542)

GOVERNANCE AT FBCL

In 2006 – 2007 the FBCL Governance Committee continued to be active on a number of fronts including the following highlights:

In line with the requirements of the government's accountability regime, the Committee oversaw the split of the positions of President and CEO.

The Committee oversaw the development and implementation of a new policy on disclosure protection. The policy is consistent with the federal government's policy and is tailored to meet the needs of FBCL. The policy has been shared with the Governance Committees at the subsidiaries.

The Corporation's Governance Handbook was revised, approved by the Committee and distributed to the subsidiaries as a guide in the development of their handbooks.

The Committee approved a document that describes the specific steps to be taken to ensure that its responsibilities related to each of the ten Treasury Board governance guidelines are discharged appropriately.

The Committee discussed and approved an approach to Board performance evaluation to be applied at the parent and recommended at the subsidiaries.

The Committee initiated a restructuring of the Risk Management Committee to include Board-level participation to ensure that a Board-level perspective is brought to bear on risk management issues.

Going forward, the FBCL Governance Committee will continue to oversee the evolution of governance practices at the parent to ensure alignment with developments in the broad public sector. As well, the Committee will oversee the continuing evolution and clarification of governance responsibilities between the parent and its subsidiaries.

CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements contained in this annual report have been prepared by Management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of the data in these consolidated financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the *Canada Marine Act* and regulations as well as the articles and by-laws of the Corporation and its wholly-owned subsidiaries.

The Board of Directors is composed of directors who are not employees of the Corporation. The Board of Directors is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee comprised of external members. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls, and other relevant financial matters. The Audit Committee has reviewed the consolidated financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the consolidated financial statements.

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



Norman Willans
Acting Chief Executive Officer

June 19, 2007



Auditor General of Canada
Vérificatrice générale du Canada

To the Minister of Transport, Infrastructure and Communities

I have audited the consolidated balance sheet of The Federal Bridge Corporation Limited as at March 31, 2007 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the *Canada Marine Act* and regulations, and the articles and by-laws of the Corporation and its wholly-owned subsidiaries.

A handwritten signature in cursive script, reading "Joanne Chenail-Trépanier".

Joanne Chenail-Trépanier, CA
for the Auditor General of Canada

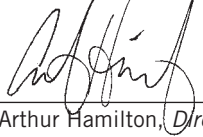
Ottawa, Canada
June 19, 2007

CONSOLIDATED BALANCE SHEET

As at March 31, 2007

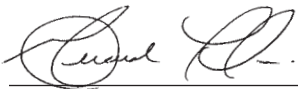
	2007	2006
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	10,672,121	8,731,981
Short-term investments (Note 3)	12,926,971	14,625,716
Accounts receivable	1,181,228	1,593,859
Advance to co-venturer (Note 4)	248,710	201,526
Accrued interest receivable	95,450	120,293
Prepaid expenses	302,878	505,222
Due from Canada (Note 5)	7,576,118	3,901,951
	<u>33,003,476</u>	<u>29,680,548</u>
Long-term		
Due from Canada (Note 5)	-	2,625,809
Fixed assets (Note 6)	168,340,797	168,174,733
	<u>201,344,273</u>	<u>200,481,090</u>
LIABILITIES		
Current		
Accounts payable	9,503,355	6,423,263
Deferred revenue	583,800	567,224
Instalments on obligation under capital lease	10,866	10,353
	<u>10,098,021</u>	<u>7,000,840</u>
Long-term		
Client deposit	100,000	100,000
Due to co-venturer (Note 4)	1,322,782	1,035,470
Obligation under capital lease (Note 7)	8,521	19,348
Holdback (Note 5)	-	2,795,966
Provision for employee future benefits (Note 10)	1,245,355	1,104,523
Environmental obligation (Note 14)	1,000,000	-
Deferred capital funding (Note 8)	130,426,366	131,465,556
Non-controlling interest	657,556	666,846
	<u>134,760,580</u>	<u>137,187,709</u>
	<u>144,858,601</u>	<u>144,188,549</u>
Commitments (Note 13)		
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized		
Unlimited number of shares, without par value		
Issued and fully paid		
1 share	1	1
Contributed capital	53,664,379	53,664,379
Retained earnings	2,821,292	2,628,161
	<u>56,485,672</u>	<u>56,292,541</u>
	<u>201,344,273</u>	<u>200,481,090</u>

Approved by the Board of Directors :


Arthur Hamilton, *Director*

Normand Brochu, *Director*

On behalf of Management:


Gérard Lalonde, *Director,*
Administrative Services and Treasurer

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

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the year ended March 31, 2007

	2007	2006
	\$	\$
Revenues		
Tolls	4,664,961	4,826,671
Leases and licenses	4,811,695	4,838,552
Thousand Islands Bridge operating revenue (Note 9)	3,433,054	4,099,275
Gain (loss) on disposal of fixed assets	(24,011)	5,469,015
Interest	932,293	635,258
Other	199,560	42,271
	14,017,552	19,911,042
Expenses		
Maintenance	24,650,719	20,468,057
Operation	5,107,580	4,899,830
Administration	7,629,501	7,360,568
Thousand Islands Bridge operating expenses (Note 9)	2,772,412	2,515,778
Amortization	6,565,449	5,793,679
	46,725,661	41,037,912
Loss before government funding and share of non-controlling interest	(32,708,109)	(21,126,870)
Government funding		
Parliamentary appropriation for operating expenses	28,534,813	24,585,645
Amortization of deferred capital funding (Note 8)	4,357,137	3,627,724
Remittance to the Consolidated Revenue Fund of the recovery of the Goods and Services Tax paid in prior years	-	(223,940)
Remittance to the Consolidated Revenue Fund of the proceeds from the disposal of fixed assets	-	(5,850,099)
	32,891,950	22,139,330
Net earnings before share of non-controlling interest	183,841	1,012,460
Share of non-controlling interest	9,290	(21,490)
Net earnings	193,131	990,970
Retained earnings, beginning of year	2,628,161	1,637,191
Retained earnings, end of year	2,821,292	2,628,161

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2007

	2007	2006
	\$	\$
Operating activities		
Net earnings	193,131	990,970
Non-cash items		
Amortization of fixed assets	6,565,449	5,793,679
Loss (gain) on disposal of fixed assets	24,011	(5,469,015)
Amortization of deferred capital funding	(4,357,137)	(3,627,724)
Decrease in long-term due from Canada	2,625,809	-
Increase in provision for employee future benefits	140,832	99,970
Non-controlling interest	(9,290)	21,490
Changes in working capital items (Note 11)	(2,780,831)	(539,548)
Cash flows used for operating activities	2,401,974	(2,730,178)
Investment activities		
Decrease (increase) in short-term deposits	1,698,745	(1,626,981)
Acquisition of fixed assets	(5,764,644)	(9,187,732)
Disposal of fixed assets	9,120	5,850,099
Cash flows used for investment activities	(4,056,779)	(4,964,614)
Financing activities		
Increase in due to co-venturer	287,312	227,365
Increase in deferred capital funding	3,317,947	6,901,323
Repayment of obligation under capital lease	(10,314)	(11,211)
Contributed capital from Canada for the acquisition of land	-	1
Cash flows from financing activities	3,594,945	7,117,478
Net increase (decrease) for the year	1,940,140	(577,314)
Cash and equivalents, beginning of year	8,731,981	9,309,295
Cash and equivalents, end of year	10,672,121	8,731,981

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

1 – AUTHORITY AND ACTIVITIES

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

In accordance with a directive issued by the Minister of Transport, under the *Canada Marine Act*, the St. Lawrence Seaway Authority transferred its assets on October 1, 1998. Specifically, the responsibility for The Jacques Cartier and Champlain Bridges Incorporated, for The Seaway International Bridge Corporation, Ltd., and for the operations of the Thousand Islands Bridge were transferred to The Federal Bridge Corporation Limited. The responsibility for the Melocheville Tunnel and the Mercier Bridge were transferred to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated.

On October 17, 2000, the Federal Bridge Corporation Limited acquired 91.33% of the outstanding voting and participating shares of St. Mary’s River Bridge Company from the province of Ontario for \$1,370.

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

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

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

The consolidated financial statements include the accounts of The Federal Bridge Corporation Limited, its wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, the 91.33% owned subsidiary, St. Mary's River Bridge Company and its proportionate share (50%) of its interest in its joint venture operated by The Seaway International Bridge Corporation Ltd. The fiscal year-end of the wholly-owned subsidiary and the joint venture is March 31 while that of the subsidiary, the St. Mary's River Bridge Company, is December 31.

b) Parliamentary appropriations

The parliamentary appropriations, which the subsidiary The Jacques Cartier and Champlain Bridges Incorporated uses to cover the excess of expenditures over the revenues of operations is reflected in the consolidated statement of operations and retained earnings. In this regard, operating expenses do not include amortization, any change in the provision for employee future benefits and any gain or loss on disposal of fixed assets.

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

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

c) Fixed assets

Fixed assets are recorded at cost. Replacements and major improvements which extend the useful service lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred.

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

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

Fixed assets acquired from Government of Canada created departments, agencies and Crown corporations are accounted for at the transferor's carrying amount with the consideration shown in contributed capital when the transaction lacks commercial substance, otherwise they are accounted for at exchange amount.

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

Bridges	2% - 7%
Bridge and infrastructure betterments	5% - 10%
Deferred major repairs	10%
Vehicles, equipment and equipment under capital lease	3% - 33%
Buildings	2% - 20%

d) Revenue recognition

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

Leases and permits revenue is recognized using the accrual method of accounting in accordance with the lease agreements.

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

Interest income is recognized using the accrual method of accounting.

e) Employee future benefits

Termination benefits

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

Pension plan

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

The Federal Bridge Corporation Limited employees participate in a defined contribution private pension plan and the cost of this plan is shared by the employees and the Corporation. The Corporation's contributions are expensed when services are rendered and represent the total pension obligation of the Corporation. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of services remaining prior to retirement.

f) *Measurement uncertainty*

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

g) *Environmental obligations*

When Management concludes that it is probable that a liability exists with respect to environmental issues or other matters and if the amount of the loss can be estimated with a reasonable amount of effort, estimated future costs are recorded as a liability in the financial statements. Costs that permit the extension of the lifespan of the Corporation's assets, increase their capacity, safety or effectiveness, or are committed to reduce or prevent future environmental contamination can be capitalized. Other expenses related to environmental measures are accounted as soon as they are incurred.

h) *Future accounting changes*

In January 2005, the Canadian Institute of Chartered Accountants (CICA) issued the following two accounting standards. These new standards become effective for the Corporation on April 1st, 2007 and will be applied prospectively.

Financial instruments – Recognition and measurement

This standard sets out criteria for the recognition, derecognition, measurement and classification of financial instruments. The Corporation will categorize its financial assets and liabilities as held for trading, held to maturity or as loans and receivables. The category available for sale will not be used by the Corporation. Financial assets and liabilities categorized as held for trading will be measured at fair value while financial assets and liabilities held to maturity as well as loans and receivables will be measured at amortized cost.

Comprehensive income

This standard requires that certain gains and losses that would otherwise be recorded as part of net income to be presented in other comprehensive income until such time as it is considered appropriate for them to be recognized in net income. The Corporation will be required to present a new financial statement titled Comprehensive Income to record such amounts until they are realized.

In accordance with these new standards, the carrying value of our financial assets and liabilities will be re-measured as appropriate on April 1, 2007. The adjustment to their carrying values will be recognized as an adjustment to the opening balance of retained earnings.

3 – SHORT-TERM INVESTMENTS

The Corporation invests in the short-term money market. The short-term investments are mainly composed of Canadian Treasury bills, guaranteed debentures and term deposits. These investments are held to maturity and the rate of return on short-term investments varied between 3.75% to 5.16% for the year ended March 31, 2007 (2006 - 2.5% to 4.43%). On average, the term to maturity is 162 days (2005 - 251 days). The fair value of the short-term deposits approximates the book value due to their impending maturity.

	2007	2006
	\$	\$
Treasury bills	10,286,143	9,999,506
Term deposits	2,321,832	4,307,871
Guaranteed debentures	318,996	318,339
Total	12,926,971	14,625,716

4 – ADVANCE AND DUE TO CO-VENTURER

The advance and the due bear interest monthly at the average one-year Treasury bill rate. The due to co-venturer has no repayment terms. As at March 31, 2007, their carrying amounts approximated their fair value.

5 – DUE FROM CANADA

During the period ended March 31, 2005, the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, reimbursed to the Consolidated Revenue Fund an amount of \$2,625,809 corresponding to parliamentary appropriations cashed within parliamentary appropriation requests from 2001 to 2003 and related to a holdback on a contract which will only be paid in October 2007. As at March 31, 2007, the holdback, in the amount of \$2,795,966 is included with accounts payable and at the disbursement of the holdback in 2007, the subsidiary will make a funding request to the Consolidated Revenue Fund. The request will not affect approved budgets nor the reference level for 2007-2008.

6 – FIXED ASSETS

	2007			2006
	Cost	Accumulated amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	4,234,733		4,234,733	4,234,734
Bridges and roads	295,514,072	141,920,284	153,593,788	155,136,141
Vehicles and equipment	7,343,227	5,126,033	2,217,194	2,267,335
Buildings	5,119,567	2,897,943	2,221,624	2,102,907
Bridge and infrastructure betterments	1,109,142	1,047,371	61,771	78,365
Projects in progress	5,005,441	–	5,005,441	4,331,672
Environmental obligations	1,000,000	–	1,000,000	–
Equipment under capital lease	58,245	51,999	6,246	23,579
	319,384,427	151,043,630	168,340,797	168,174,733

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

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

7 – OBLIGATION UNDER CAPITAL LEASE

	2007	2006
	\$	\$
Obligation under capital lease, 4.644%, payable in monthly instalments, maturing in 2009	19,387	29,701
Instalments due within one year	10,866	10,353
Long-term instalments due	8,521	19,348

Future minimum lease payments for the next two years under a capital lease expiring in 2009 and balance of the obligation under this capital lease:

	\$
2008	11,514
2009	8,670
	20,184
Interest included in minimum lease payments	797
Principal portion of capital lease payments	19,387

8 – DEFERRED CAPITAL FUNDING

	2007	2006
	\$	\$
Balance, beginning of year	131,465,556	128,191,957
Parliamentary appropriation to finance the acquisition of amortizable fixed assets	3,317,947	6,901,323
Amortization	(4,357,137)	(3,627,724)
Balance, end of year	130,426,366	131,465,556

9 – THOUSAND ISLANDS BRIDGE OPERATING REVENUES AND EXPENSES

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

10 – EMPLOYEE FUTURE BENEFITS

a) Pension benefits

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

	2007	2006
Contributions	\$	\$
Corporation	654,400	614,335
Employees	264,158	256,637

b) Severance benefits

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

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

	2007	2006
	\$	\$
Accrued benefit obligation, beginning of year	1,405,308	1,209,859
Cost for the year	443,604	216,012
Benefits paid during the year	(343,654)	(20,563)
Accrued benefit obligation, end of year	1,505,258	1,405,308
Short-term portion included in accounts payable	(259,903)	(300,785)
Long-term portion	1,245,355	1,104,523

11 – NET CHANGES IN WORKING CAPITAL OTHER THAN CASH

	2007	2006
	\$	\$
Decrease in accounts receivable	412,631	386,944
Decrease (increase) in advance to co-venturer	(47,184)	254,019
Decrease (increase) in accrued interest receivable	24,843	(78,620)
Decrease in prepaid expenses	202,344	140,413
Increase in due from Canada	(3,674,167)	(1,902,412)
Increase in accounts payable (Note 5)	284,126	592,582
Increase in deferred revenue	16,576	67,526
Net changes	(2,780,831)	(539,548)

12 – RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These operations are measured at the exchanged amounts, which is the value of the consideration established and agreed upon by the related parties. During the year, the Corporation recovered costs totalling \$304,825 (\$299,000 in 2006) from related parties. As at March 31, the Corporation recorded accounts receivable of \$239,000 (\$233,000 in 2006) from related parties.

13 – COMMITMENTS

a) Operations

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 2008, is \$3.4 million on an annual basis. This agreement is renewable at maturity unless notice to the contrary from one party.

b) Suppliers

The Corporation has commitments principally for major repairs, supply contracts, professional services and rental agreements for amounts totalling \$11,205,575 until 2012. Minimum payments over the next years are as follows:

	\$
2008	8,793,498
2009	1,482,364
2010	412,932
2011	412,932
2012	103,849

14 – CONTINGENCIES

- a) In the normal course of its activities, the Corporation is the claimant or defendant or is involved in certain pending claims or lawsuits. It is the opinion of management that these claims or lawsuits will not result in any material liabilities to the Corporation. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the Corporation's financial statements.
- b) With regards to the environment, the Corporation reviewed all of its properties to determine their environmental condition. The properties considered to be contaminated will require additional investigation in the coming years. Certain of these properties may eventually require decontamination or mitigation measures.

The most pressing environmental issue facing the Corporation is with the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated and relates to the properties situated on the Bonaventure sector in Montreal (Technoparc sector). The properties, managed by the subsidiary since 1978, are located on a portion of a former waste fill site operated by the City of Montreal from 1866 to 1966. This old landfill site covers several properties belonging to various owners. Since 2003, the subsidiary has carried out investigations and ground-water toxicity tests of these properties and undertaken feasibility studies to determine the required mitigation measures. In light of the complexity of the problem, as well as the presence of several owners and the high costs associated with remedial measures, the Federal government is seeking a global solution to the environmental problem of this site and, in this context, other studies are currently in progress. Consequently, the cost of the mitigation measures to be put in place cannot be reasonably estimated at this time. In addition, cost-sharing aspects between the different owners involved will need to be determined. However, based on estimates of some costs put forward in a study conducted in 2005 and a recent study completed in 2006–2007, the subsidiary has assessed an estimated liability in the amount of \$1,000,000 as at March 31, 2007. The subsidiary will eventually submit to the Treasury Board a request for special funding to undertake mitigation measures, according to the portion of costs to be borne, if necessary, by the Corporation.

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

15 – MAJOR WORK

In its endeavour to fulfill its mission, the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, must undertake major rehabilitation work on the roadway deck of the Honoré Mercier Bridge, which it intends to carry out through two contracts. This deck replacement work is scheduled to begin on the bridge in the summer 2007 and be completed by the fall 2009. In June 2006, the Treasury Board has approved an amount of \$85 million for the project, including direct and indirect costs. This amount was based on an estimate prepared by a consultant in the course of a feasibility study. However, the estimate may possibly have to be revised upward, as the scope, methods and costs of some of the work have been refined since that date. Any additional amount required, as the case may be, will be the subject of another Treasury Board submission.

The North Channel Bridge replacement and corridor improvement project received approval from Treasury Board in October 2006 for funding in the amount of \$75 million. The funding is intended to cover all costs associated with the construction of a new low level bridge, demolition of the existing bridge, upgrades to the roads, as well as redevelopment of the Custom's Plaza and construction of new facilities for the bridge operator and Toll plaza. Subject to ongoing negotiations

with third parties, an agreement in principles is expected to be finalized in the near future. The construction of the new bridge is expected to start in late summer 2008, with work on Cornwall Island to take place from 2009 to 2011. The present completion date for the project is schedule for 2012.

16 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of short-term investments, accounts receivable, the advance to a co-venturer, accrued interest receivable, the amount due from Canada, the accounts payable, and the short-term portion of the obligation under capital lease approximates the fair value due to their short-term maturity.

The fair value of the long-term portion of the obligation under capital lease and the due to the co-venturer are not significantly different from their carrying amounts.

Unless otherwise noted, it is the management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

17 – ASSET RETIREMENT OBLIGATIONS

- a) The Jacques Cartier and Champlain Bridges Incorporated received a permit to install, maintain and use one cable for closed-circuit television signals on properties it does not own. This permit for a “during pleasure” term contains a cancellation clause under which the owner or the subsidiary may cancel the permit at any time by giving the other party written notice. Upon cancellation, the permit stipulates that the subsidiary must immediately remove its installations from the owner's land and premises, at its own expense, failing which the owner shall remove them and shall restore them at the subsidiary's expense or, at the owner's option, it may keep them without compensation. Neither the owner of the property nor the subsidiary have indicated their intent to cancel the permit. Since the cancellation date of the permit is unknown, no fair value can be estimated. Consequently, no liability on asset retirement obligations has been recorded in the Balance Sheet as at March 31, 2007.
- b) The Jacques Cartier and Champlain Bridges Incorporated owns certain structures erected on land it does not own. The property owner has transferred management and administration thereof to the Government of Canada. The legal documents of the transfer provide that, in the event there is a change in the use of these structures from the use

at the time of the transfer, the owner will resume control of the land without compensation for the structures erected provided they are in a condition that is satisfactory to the owner. At this time, the subsidiary does not intend to change the current use of these structures. Accordingly, no retirement obligation for these assets has been recognized in the financial statements.

18 – COMPARATIVE FIGURES

Certain figures from 2006 have been reclassified to be consistent with the presentation adopted in the current year.

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