

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

2005-2006
ANNUAL
REPORT

The Federal Bridge
Corporation Limited



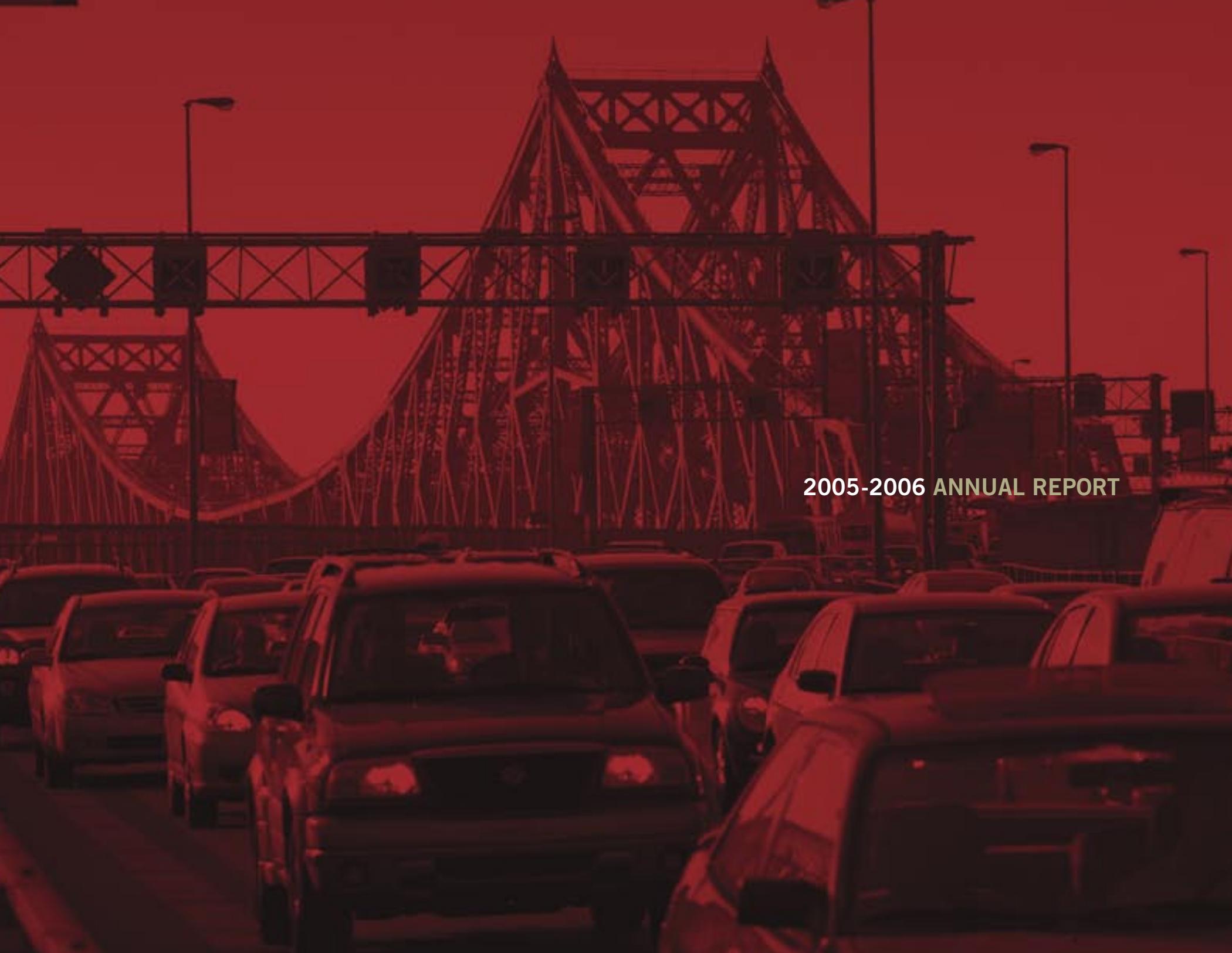
La Société des ponts
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Canada

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Cover photo: View of the Jacques Cartier Bridge at night

Title page photo: The Jacques Cartier Bridge during a typical rush hour in Montréal



2005-2006 ANNUAL REPORT



The Honoré Mercier Bridge in Montréal

LETTER TO THE MINISTER

June 30, 2006

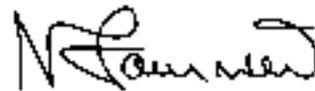
The Honourable
Lawrence Cannon,
Minister of Transport, Infrastructure and Communities
29th floor
330 Sparks Street
Tower C, Place de Ville
Ottawa, Ontario K1A 0N5

Dear Minister,

In accordance with the provisions of Section 150 of the *Financial Administration Act*, I am pleased to submit the Annual Report of The Federal Bridge Corporation Limited for the fiscal year ending March 31, 2006.

This Report also contains the financial statements of the Corporation, which have been audited by the Auditor General of Canada. In the interests of economy, this Report also incorporates the Annual Reports of our subsidiary organizations, The Seaway International Bridge Corporation, Ltd., The Jacques Cartier and Champlain Bridges Incorporated, and the St. Mary's River Bridge Company.

Yours truly,



MICHEL FOURNIER
President and Chief Executive Officer

The Seaway International Bridge in Cornwall

MESSAGE FROM THE PRESIDENT





MICHEL FOURNIER
President and Chief Executive Officer

In 2005-2006, The Federal Bridge Corporation (FBCL) focused on the most efficient means of achieving the five key objectives established in our corporate plan, which encompasses all the businesses and activities, including investments, of the Corporation and its wholly-owned subsidiaries.

The first objective for the Corporation was to continue *improving management and operational issues* at the parent and subsidiaries through key initiatives in corporate governance, the implementation of a risk management policy, the development of a business enterprise model, and the adoption of an integrated team approach. FBCL's governance committee has been mandated to provide oversight for the current implementation of the measures recommended in 2004 and has developed an explicit governance framework to strengthen its relationship with its subsidiaries. These multiple initiatives led to the refinement of the FBCL governance framework and the implementation of effective management and governance instruments.

The second objective was to *address the outstanding financial issues* faced by some FBCL bridges. A bi-national study on the Thousand Islands Bridge and the Seaway International Bridge was completed in July 2005. The study provided recommendations to follow up on financial forecasts that have identified problems in meeting requirements for funding a long-term capital project at the Thousand Islands Bridge and the Seaway International Bridge under the current toll structures and funding arrangements.

The safety and security of clients using FBCL-managed structures are key priorities. Our third objective was to *implement the safety and security initiatives* policy. In light of the events of the past few years, and the much greater focus on security issues, risk assessments were completed over the last two years at all FBCL bridges. The Risk Management Committee of FBCL and similar committees at the subsidiary level examined all possible risk scenarios. Action plans have been developed for the implementation of new security measures. Through its representation on the boards of its subsidiaries, FBCL ensures proper action is taken concerning security, safety and other emergency matters so that the interests of Canadians are efficiently protected. Traffic flow and border security are inextricably linked at the international bridges. Close co-operation among FBCL and its subsidiary companies, Transport Canada, the Canada Customs and Revenue Agency, the Canadian Border Service Agency, as well as provincial and US authorities has become the norm in our quest to meet the imperatives of national security and efficient movement of commercial and passenger traffic through border crossings.



Men at work on the Champlain Bridge
in Montréal

The fourth objective related to the uniform *implementation of the environmental policy*. Significant progress, through quarterly meetings of the environmental committee, has been achieved in identifying and proposing appropriate actions for properties under the jurisdiction of the Corporation.

The fifth objective was to *further enhance business expansion opportunities* across the organization. With a view to expand its business, FBCL has reviewed its corporate processes and is ready to assume expanded responsibilities in bridge operations and management. In particular, FBCL continues to be actively involved in Canada-US corridor proposals and in Federal/Provincial projects in and around Montréal.

Over the recent years, FBCL invested significant efforts to maintain and improve its infrastructure and ensure efficient, top-quality services to bridge users. The Corporation has also dedicated significant resources to improve and strengthen its operations. The outcome is clear. FBCL's reputation for excellence is an obvious evidence of its performance. FBCL is indeed proud of its achievements. Its most significant source of pride, however, resides in the capacity it has been able to develop to assist the government in achieving its objectives with regards to improving governance, strengthening federal oversight and increasing self-sufficiency for federally-owned bridges.



The Thousand Islands International Bridge

The network of international and domestic bridges in Canada is not only essential to commuter traffic, but is a key strategic component of the larger Canadian transportation system and a vital part of the country's commercial trade with the U.S. This system is facing complex and significant challenges that require specific attention (e.g. higher demands for safety and security; competing financial requirements for maintenance, replacement or addition of structures; needs for a more consolidated approach to managing the bridge network).

As the only Crown corporation specifically created as a parent company, and given its experience at successfully managing some of the largest assets and the busiest bridges in Canada, FBCL is ready to play a pivotal role in assisting its shareholders to successfully address the issues ahead and fulfill its own mandate.

The Seaway International Bridge in Cornwall

OUR MANDATE





The Jacques Cartier Bridge in Montréal

The Federal Bridge Corporation Limited was incorporated in 1998 to assume the non-navigational management responsibilities of The St. Lawrence Seaway Authority.

FBCL is the only Crown corporation in the field of international and domestic crossings with a clear mission as a parent company. FBCL oversees several assets in Québec and Ontario. FBCL directly manages three subsidiary companies. The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) and the Seaway International Bridge Corporation, Ltd (SIBC) are fully-owned. The St. Mary's River Bridge Company (SMRBC) is owned at 91%. In addition to these responsibilities, FBCL is also accountable for the oversight and management of the Canadian portion of the Thousands Islands Bridge.

In its portfolio, are for both domestic and international structures. Domestic structures operate through parliamentary appropriations while the international structures are expected to operate on a self-sufficiency basis. FBCL is not directly involved in the day-to-day operations of these infrastructures but relies on the management teams of its subsidiary operations. The assets under FBCL's jurisdiction are among the largest and busiest in Canada.



The Thousand Islands International Bridge

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED (JCCBI)

JCCBI is financed mainly through parliamentary appropriations. Revenues from other sources such as leases and licenses also contribute to its funding but in a minor way.

JCCBI's main activities fall into two specific sectors, namely Engineering and Construction, and Operations and Maintenance. Administrative departments, such as Legal Affairs, Procurement, Finance and Human Resources, support these two sectors.

The Engineering and Construction department manages the activities related to major construction, renovation and repair projects that specifically target the components of civil and road engineering structures, such as piers, beams, decks, steel structures, foundations, pavement and painting.

The Operations and Maintenance department specifically oversees and manages contracts for snow removal, the spreading of abrasives, road cleaning and maintenance, landscaping, replacement of guardrails, sealing cracks and lubricating bearings, maintenance and operation of systems that control lane signals, surveillance cameras, electrical distribution and road lighting.

The Sûreté du Québec polices the Jacques Cartier and Champlain Bridges, the Bonaventure Expressway and the Champlain Bridge ice control structure (Estacade) under the terms of a contractual agreement.

Since 1982, a reserved bus lane has been operational at rush hours on the Champlain Bridge. A provincial government agency responsible for public transit operates the reserved lane.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION LTD. (SIBC)

SIBC is mandated to be financially self-sufficient through the collection of tolls. Any operating surpluses are returned to the joint venturers, the Federal Bridge Corporation limited, and its US partner, the Saint Lawrence Seaway Development Corporation.

The SIBC operates and maintains an international toll bridge on the Highway 138 corridor between Cornwall and New York Highway 37. The crossing comprises two high level bridges that span the north and south branches of the St Lawrence River, and an inter-connecting road on Cornwall Island. The island forms part of the Akwesasne Mohawk Reserve. Traffic between Canada and the USA on the Seaway International Bridge is primarily local and regional. There are more transits on the Seaway International Bridge than on the international toll crossings at Ogdensburg, the Thousand Islands and Sault Ste. Marie.

THE ST. MARY'S RIVER BRIDGE COMPANY (SMRBC)

Through a special act of Parliament, SMRBC was incorporated to build and own the Canadian portion of the Sault Ste. Marie International Bridge. The majority (91.3%) of the shares of SMRBC were transferred in 2000 (in accordance with orders in council to that effect) from the province of Ontario to FBCL.

THE THOUSAND ISLANDS BRIDGE

The Thousand Islands Bridge is an international bridge connecting the United States and Canada between Ivy Lea in Ontario and the northern tip of New York State. The Thousand Islands Bridge is operated by a U.S. Corporation, The Thousand Islands Bridge Authority, through an operating Agreement with FBCL.

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

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 abroad).

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 and highway infrastructures in Canada.

The 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, Corporation management and personnel base their decisions and actions on seven principal values:

- sound management practices;
- good planning;
- strategic alliances and communications;
- customer satisfaction through efficiencies;
- safety and security for customers and facilities;
- preserving the environment;
- respect and value the contributions of all.

Aerial view of the Bonaventure Expressway



Worker chipping concrete at the Seaway International Bridge

OPERATIONAL REVIEW



View of the Jacques Cartier Bridge superstructure



Video camera surveillance and lane signalling control room for the Jacques Cartier and Champlain bridges in Montréal

The Federal Bridge Corporation Limited operates and manages some of the most important and strategic fixed-link crossings in the country. FBCL and its subsidiary companies are together responsible for the management and maintenance of three international bridge crossings in Ontario and six domestic infrastructures in the Greater Montréal area.

Over 148 million vehicle transits were recorded this year on our structures. Our international bridges play an essential role in the movement of people and goods between Canada and the United States. The role and contribution of our infrastructure to the North American economy and on commercial and commuter transportation is significant. The estimated value of the goods transiting through FBCL's assets is estimated at more than \$67 billion on a yearly basis.

Bridges, roads and tunnels are an integral component of people's daily lives: commuters, tourists, travellers and pedestrians alike use them on a regular basis. Crossings are also strategic components of the Canadian transportation system and a vital part of the country's connection with the United States.

PARTNERSHIP

FBCL and its subsidiaries have developed a solid network of partners. As illustrated in the table below, those partners can be categorized in four categories:

- Federal (i.e., central agencies, departments, and other federal organizations)
- Federal/provincial (i.e., steering committees and workgroups)
- Provincial (i.e., department and agencies of the governments of Ontario and Quebec)
- Other Canadian partners (i.e., municipal governments, local enforcement authorities, aboriginal councils, chambers of commerce, industry stakeholder, user associations, etc.)
- U.S. partners (i.e. relevant authorities at the Federal, state and country levels)

| | FEDERAL | FEDERAL / PROVINCIAL STEERING COMMITTEES | PROVINCIAL | OTHERS | U.S. / INTERNATIONAL |
|---|---|--|---|--|---|
| The Federal Bridge Corporation Limited (FBCL) | <ul style="list-style-type: none"> – Privy Council Office – Treasury Board Secretariat – Transport, Infrastructure and Communities – Finance Canada – Canada Border Services Agency – Indian and Northern Affairs | <ul style="list-style-type: none"> – Sous-comité des communications pour le parachèvement de l'autoroute 30 – Contribution Agreement Management Committee 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 | <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 |
| The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) | <ul style="list-style-type: none"> – Transport, Infrastructure and Communities – Environment Canada – Indian and Northern Affairs – Treasury Board Secretariat | | <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 – City of Brossard – Industry stakeholders – Société du Havre de Montréal – Mohawk Council of Kahnawake – Mohawk Peacekeepers | |

| | FEDERAL | FEDERAL / PROVINCIAL STEERING COMMITTEES | PROVINCIAL | OTHERS | U.S. / INTERNATIONAL |
|---|---|--|---|---|---|
| Seaway International Bridge Corporation (SIBC) | <ul style="list-style-type: none"> – Transport, Infrastructure and Communities – Canada Border Services Agency – Environment Canada – Indian and Northern Affairs – Treasury Board Secretariat | <ul style="list-style-type: none"> – Intelligent Border Workgroup | <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 – St. Lawrence Seaway Development Corporation – Homeland Security (includes Customs and Border Protection Agency) – General Services Administration – BTOA – Bridge and Tunnel Operators Association – IBTTA – International Toll and Turnpike Association – St. Lawrence County |
| St. Mary's River Bridge Company (SMRBC) | <ul style="list-style-type: none"> – Transport, Infrastructure and Communities – Canada Border Services Agency | | <ul style="list-style-type: none"> – Ontario Ministry of Transportation – Ontario Provincial Police | <ul style="list-style-type: none"> – Industry stakeholders | <ul style="list-style-type: none"> – Michigan Department of Transportation |
| Thousand Islands Bridge Authority (TIBA) | <ul style="list-style-type: none"> – Canada Border Services Agency | | <ul style="list-style-type: none"> – Ontario Ministry of Transportation – Ontario Provincial Police | <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 |

HIGHLIGHTS

FBCL and its subsidiaries' assets have a significant impact on local, provincial and regional economies, and are critical for international trade. Total assets represent \$200,481,090. FBCL and its subsidiaries employ more than 100 employees.

NUMBER OF EMPLOYEES

(involved in the management and operation of all assets under FBCL) as of March 31, 2006

| | FBCL Ottawa | JCCBI Longueuil | SIBC Cornwall | TIBA Thousand Islands | JIBA Sault Ste. Marie |
|------------------------------------|----------------|--------------------|------------------|--------------------------|--------------------------|
| Full-time | 10 | 43 | 21 | 43 | 34 |
| Seasonal¹ | n/a | 0 | 26 | 29 | 12 |
| Students | – | 2 | – | – | 1 |
| Part time | 3 | n/a | – | – | n/a |
| FTE (Contracts)² | 1 | 284 | – | 11 | n/a |

¹ Includes part-time and students

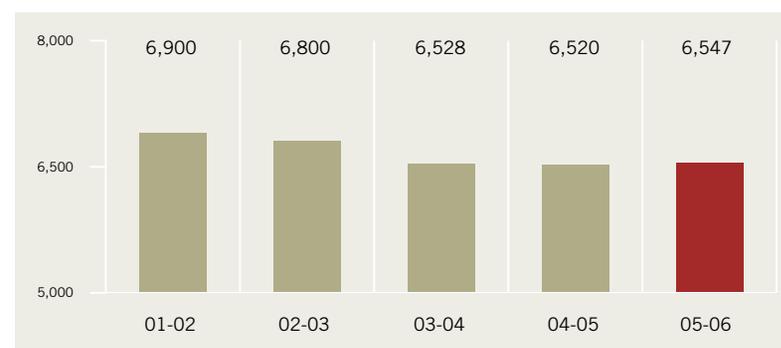
² Full-time equivalents for contracts to private sector

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



¹ Estimate based on JCCBI traffic counts

NUMBER OF TRANSITS – INTERNATIONAL BRIDGES² (thousands)



² 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

VEHICULE TRANSITS

(in millions)

Total 148,016,240

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



Bonaventure Expressway¹



Honoré Mercier Bridge¹



Jacques Cartier Bridge¹



Champlain Bridge¹

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

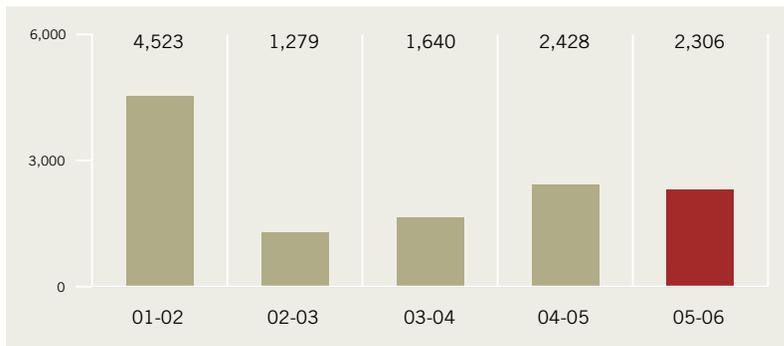


OPERATING REVENUE FROM THE THOUSAND ISLANDS INTERNATIONAL BRIDGE (thousands of dollars)



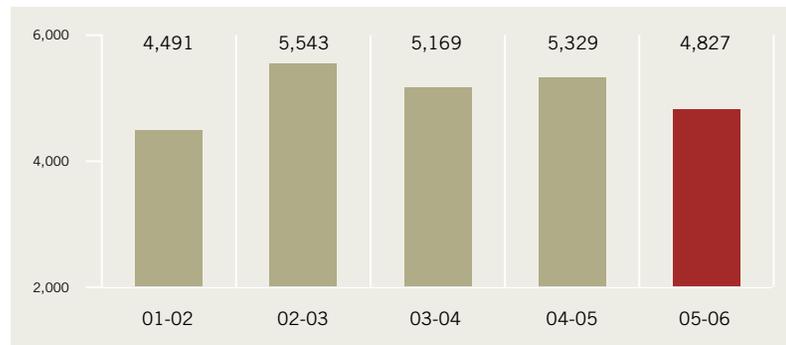
LEASES AND LICENSES

(thousands of dollars)



TOLLS

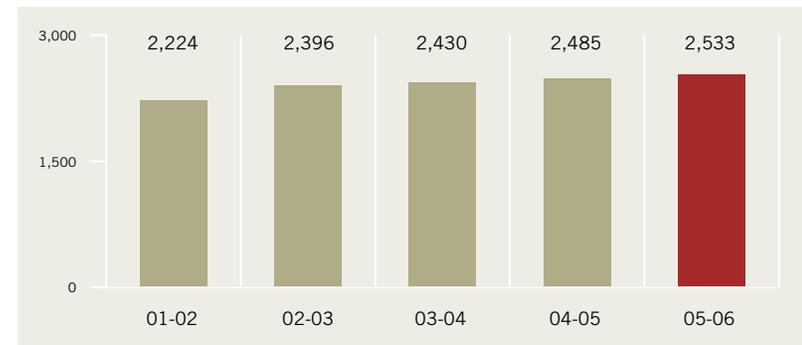
(thousands of dollars)



Revenue from tolls have decreased by 9% when compared to last year. This decrease in traffic is attributable in part to the rising exchange rate 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

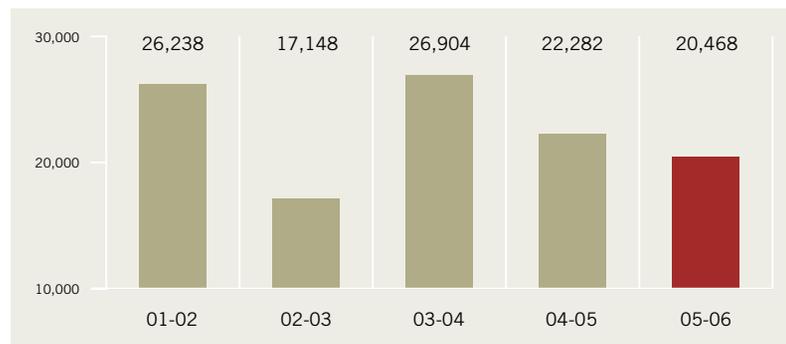
(thousands of dollars)



Revenue generated by advertising continue to be an major source of revenue for the Corporation. The amount of \$2.5 million for the year represents approximately 21% of all regular revenues.

MAINTENANCE

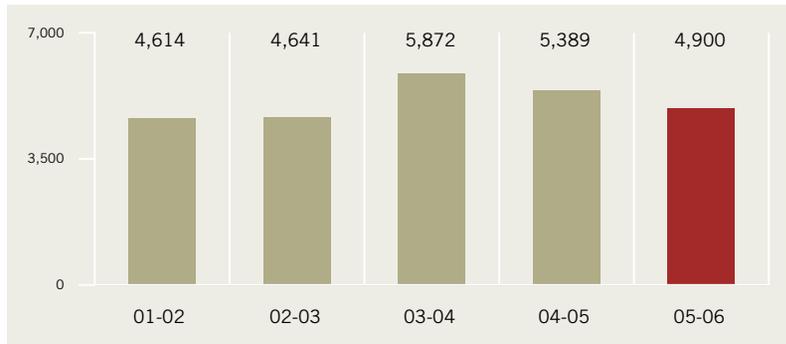
(thousands of dollars)



Maintenance costs have decreased by \$1.8 million from last year. This decrease can be attributed to a reduction in the number of projects incurred for the bridges in the Montreal area, where maintenance costs were \$1.5 million less 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

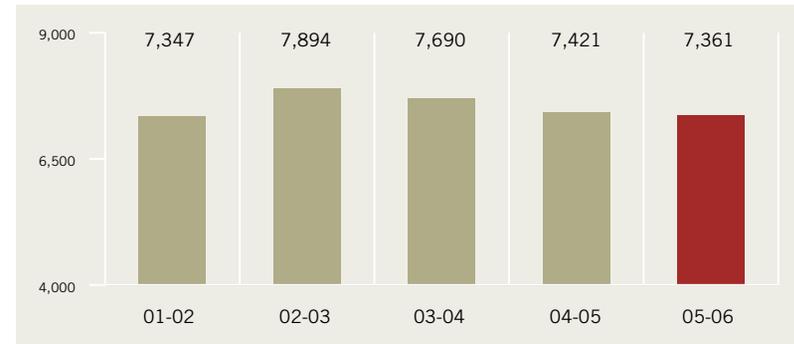
(thousands of dollars)



Operating costs relates to the structures in the Montreal area and the toll collection at international bridges. At \$4.9 million this year they represent 13% of all expenses and have decrease of \$0.5 million when compared to last year.

ADMINISTRATION COSTS

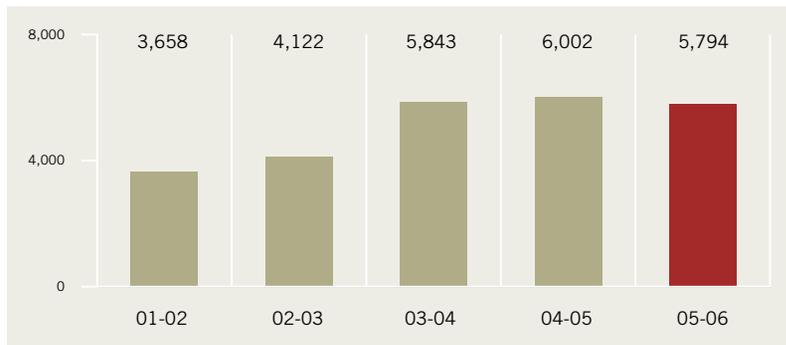
(thousands of dollars)



Administration costs represent 19% of all expenses. They have been fairly stable since the integration of the last subsidiary, which was acquired in October 2000. This year they have decreased reflecting the Corporation's effort to streamline its administration costs.

AMORTIZATION

(thousands of dollars)



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

The Sault Ste. Marie International Bridge

CORPORATE PERFORMANCE AGAINST OBJECTIVES





The Honoré Mercier Bridge in Montréal



Work being performed on Honoré Mercier Bridge piers in Montréal

The Federal Bridge Corporation Limited

The five key strategic objectives established by the Federal Bridge Corporation in last year's Corporate Plan for the 2005-2006 planning period, along with the results achieved, were:

(1) CONTINUE TO IMPROVE MANAGEMENT AND OPERATIONAL ISSUES AT THE PARENT AND SUBSIDIARIES

Results: Improvements were achieved through four key initiatives: strengthening corporate governance both within FBCL and with its subsidiaries; implementing a risk management policy; developing a business enterprise model; and adopting an integrated team approach.

(2) ADDRESS THE OUTSTANDING FINANCIAL ISSUES FACED BY SOME BRIDGES

Results: Outstanding financial issues faced by some of the bridges are mainly related to the funding of major capital projects, and maintaining the funding necessary to ensure self-sufficiency as directed by Treasury Board.

A bi-national study involving the New York State Department of Transportation (NYSDOT), FBCL, the Ministry of Transport of Ontario (MTO) and Transport Canada identified short and long-term improvements (capital and operating) that will be required at Thousand Islands Bridge Authority (TIBA) and Seaway International Bridge Corporation (SIBC). This study was completed in July 2005.

The study provided recommendations to follow up on financial forecasts that have identified problems in meeting requirements for funding a long-term capital project at TIBA and SIBC given the existing toll structures and funding arrangements.

At SIBC, the recommendations from the bi-national study are integrated into the Environmental Assessment Report (near completion). In summary, the study recommends that prior to 2012 a number of capital improvements should be completed including: a new two-lane low-level North-Channel bridge; a traffic roundabout at Cornwall island intersection; toll facility relocation; Canadian Border Services Agency (CBSA) facility improvements.

Furthermore, a comprehensive review of the financial situation at Sault Ste. Marie (SSM). The report identified some significant imbalances of power between the U.S. and Canadian partners, in favour of the U.S. As a result, the International Agreement used currently for the administration of the crossing is being renegotiated.



Work at the Thousand Islands International Bridge

(3) IMPLEMENT THE SAFETY AND SECURITY INITIATIVES POLICY

Results: Risk assessments have been carried out at all bridges. Recommended security measures are being put in place at international crossings.

Inspection reports play a major role in assisting the operating company in defining its capital and major maintenance program. As owner of the Canadian assets at SIBC, TIBA, and majority shareholder at SSM, FBCL monitors compliance with government directives and progress of critical work. The bi-national study at TIBA, for instance, identified the implementation of a “Queue end Detection System” as the top priority. This has been installed at other international bridges to avoid fatalities from cars running into the back of trucks stopped on the major access roads.

At SSM, implementation of video surveillance above and below deck is currently in progress and plans are being completed for a control room to monitor conditions. In addition, gates have been placed on stairwells accessing the deck and other protective measures implemented by staff.

Work is also progressing at TIBA and SIBC on the implementation of security measures and developing protocols with local police and emergency organizations.

(4) IMPLEMENT THE ENVIRONMENTAL POLICY UNIFORMLY

Results: Over the last planning period, the FBCL Environment Committee met quarterly to ensure proper implementation of the environment policy. Some key issues dealt with by the committee included:

The JCCBI contaminated lands along the Bonaventure Expressway: a feasibility study was carried out in July 2005 to determine the most appropriate mitigation measures to be implemented. JCCBI has registered these contaminated sites with the Treasury Board Secretariat's Federal Contaminated Sites Inventory. JCCBI has also applied to receive special funding in 2006-2007 under the Federal Contaminated Sites Action Plan (FCSAP) to carry out feasibility studies.

Improvements to land usage under the north approach of the Jacques Cartier Bridge: During the course of the construction for a public square, beneath the bridge along St Catherine Street, contaminated soils required excavation and disposal by the contractor. The site was also the object of an archaeological dig.

Environmental considerations over the deck replacement project of the Honoré Mercier: The Corporation carried out a study on the project's environmental impacts and the recommended mitigation measures will be incorporated into the contracts.

In 2005-2006 the committee also dealt with a large range of issues such as environmental audits, environmental management of road salts, sewage treatment plants and holding tanks, petroleum products storage tank systems, to name but a few.

Furthermore, the SIBC environmental assessment completed for the replacement of the high-level North Channel Bridge with a new low-level bridge between Cornwall and Cornwall Island was completed in 2006.



Toll collector at the Seaway International Bridge

(5) FURTHER ENHANCE BUSINESS EXPANSION OPPORTUNITIES ACROSS THE ORGANIZATION

Results: With a view to expanding its business, FBCL has streamlined its corporate processes and has prepared itself to assume a larger level of involvement in bridge operations and management.

FBCL continues to be involved in Canada-US corridor proposals and in federal-Québec projects in and around Montréal.

FBCL and TIBA have been exploring options to develop alternative business management structures and expansion of financial cost recovery in the interest of self-sufficiency at the Thousand Islands Bridge. This has involved TIBA, Canadian and US stakeholders, the NYSDOT, chambers of commerce, and tourism development bodies, which have been discussing extensively the development of a trade and tourism corridor that spans between Ottawa and Washington, D.C. and includes all modes of transportation. As a follow up to the Trade Corridor Study, a document entitled “A Strategic and Organizational Approach to Develop and Promote a Trade and Tourism Corridor” has been prepared. In March 2006 a new Web site (www.thecapitalcorridor.com) was put online to provide visibility to the initiative.



Reserved bus lane during rush hours on the Champlain Bridge in Montréal

The Jacques Cartier and Champlain Bridges Incorporated

The seven key strategic objectives identified by JCCBI for the 2005-2006 period were:

(1) TENDER THE PROJECT TO REPLACE THE DECK OF THE FEDERAL PORTION OF THE HONORÉ MERCIER BRIDGE

Result: Discussions with various stakeholders namely; the Mohawks of Kahnawake, the Ministère des Transports du Québec and JCCBI took place in 2005-2006 in order to agree on the planning structure for the project. Tendering is planned for 2006 and 2007, with work to be carried out over a three year period.

(2) CONDUCT FURTHER PLANNING FOR THE REPAIR AND RE-DECKING OF THE NUNS' ISLAND BRIDGE

Result: Re-decking scenarios for the bridge are still under review. A project to re-deck the bridge is planned for 2007 and 2008.

(3) CONDUCT A FEASIBILITY STUDY ON CONTROLLING GROUNDWATER MIGRATION FROM THE PROPERTIES MANAGED BY JCCBI AND OTHER STAKEHOLDERS

Result: JCCBI carried out a feasibility study that concludes that a hydraulic underground barrier could be a cost effective solution. Further feasibility studies are necessary to further develop the proposed solution.

(4) MAINTAIN STRUCTURES IN LINE WITH RECOGNIZED HIGH LEVELS OF SAFETY

Result: Major maintenance repairs were completed in 2005 as follows: South approach roadwork to the Melocheville Tunnel; structural steel repairs and painting to the Honoré Mercier Bridge; rehabilitation of concrete piers and beams of the Champlain Bridge; foundation repair and paving of a section of the Bonaventure Expressway; rehabilitation of structural steel to the Jacques Cartier Bridge.

(5) NEGOTIATE A NEW COLLECTIVE AGREEMENT WITH THE CANADIAN UNION OF PUBLIC EMPLOYEES REPRESENTING WHITE COLLAR STAFF

Result: A new three-year collective agreement was signed in May 2005.

(6) BEGIN URBAN RENEWAL OF PROPERTIES BENEATH THE MONTRÉAL APPROACH OF THE JACQUES CARTIER BRIDGE

Result: A public square with architectural lighting was completed in 2006.



Typical rush hour on the Champlain bridge in Montréal. The variable message signs keep bridge users informed on traffic conditions ahead and potential alternative routes



In June 2005 during the Jacques Cartier Bridge 75th Anniversary celebrations, the Canadian Society for Civil Engineering (CSCE) presented the Corporation with a commemorative plaque which recognized the bridge as a National Historic Civil Engineering Site.

From left to right: M. George Archer, a former President of the CSCE, Michel Fournier, President and Chief Executive Officer, FBCL, Véliéda Baulne, daughter of engineer S.A. Baulne who was a member of the Advisory Board of Engineers for to the construction of the bridge (1925-1930), Glen Carlin, General Manager, JCCBI, Michel Langelier, former Executive Director at CSCE, Alistaire MacKenzie, CSCE President, Reg Wallace, Chair National History Committee CSCE, H.H.L. Pratley, son of P.L. Pratley who was one of the design and supervising Engineers in 1925-1930, André Girard, Vice-President, Communications, FBCL

(7) HIGHLIGHT THE 75TH ANNIVERSARY OF THE JACQUES CARTIER BRIDGE

Result: Several successful events raised awareness of the history of the bridge and reinforced its position as an icon of greater Montréal.

These events included special initiatives such as:

- Commemorative banners installed on the Bridge;
- A six-month art exhibit of Jacques Cartier Bridge related paintings at the Marc-Aurèle Fortin Museum in Old Montréal;
- A symphonic concert followed with fireworks, on the first night of the Canada Day celebrations in Montréal (in collaboration with federal partners including the Old Port of Montréal);
- Canada Post issue of a commemorative 75th Anniversary stamp.





The Seaway International Bridge

The Seaway International Bridge Corporation Ltd.

The eight key objectives established for SIBC in 2005-2006 were:

(1) SELF-SUFFICIENCY/GOVERNMENT SUPPORT – PROVIDE CLEAR OPTIONS TO DECISION-MAKERS

Results: Management has analyzed the financial costs and impacts of several operating options for SIBC. These include: status quo toll policy; status quo toll policy with relocated toll facility and one-way tolling; renegotiated stringent toll policy with relocated toll plaza and one-way collection.

(2) ADVANCE THE REPLACEMENT OF THE NORTH CHANNEL BRIDGE BY ADDRESSING ISSUES IDENTIFIED IN THE ENVIRONMENTAL ASSESSMENT

Results: In 1998, SIBC concluded that it was economically advantageous to construct a new, low level North Channel Bridge rather than to replace the concrete deck and repaint the steel on the existing high level structure. FBCL funded a harmonized environmental review process so that Mohawk, Ontario and federal environmental requirements were satisfied. A *Canadian Environmental Assessment Act* (CEAA) screening report is now completed and awaiting approval by Transport Canada. Stakeholders and government agencies and departments have provided comment.

(3) ADVANCE THE PLANNING WORK NECESSARY FOR IMPLEMENTATION OF BI-NATIONAL STUDY RECOMMENDATIONS; CONTINUE TO MEET WITH STAKEHOLDERS THROUGH THE ADVISORY COMMITTEE

Results: The FBCL and the New York State Department of Transportation funded a study of the SIBC crossing to identify what needs to be done to meet traffic demand over the next thirty years. The bi-national study report recommended short term improvements including:

- new low level North Channel Bridge;
- improvements to the Cornwall Island Road intersection and international road;
- toll booth capacity improvements;
- US Customs facility improvements;
- Canada Customs Commercial vehicle building improvements.

(4) SUPPORT NEGOTIATIONS BETWEEN CANADA AND THE MCA

Results: Transport Canada and FBCL have formed a steering committee to oversee the negotiations process with the Mohawks of Akwesasne on the construction of a new North Channel bridge, roadway improvements on the island corridor, toll plaza relocation, improved policing and security on the roadway and toll collection (bridge pass policy). SIBC is represented by the General Manager and two directors on an advisory committee to support the negotiating team with information, analysis and draft policies. The advisory committee is also made up of a representative from the Department of Indian and Northern Development and two representatives from the Canadian Border Services Agency as well as the Transport Canada negotiators reporting to the steering committee.

(5) ASSIST THE OWNERS IN PLANNING FOR THE MAJOR PAINTING PROGRAM OF THE SOUTH CHANNEL

Results: A report on the cost and methodology for recoating the structure indicates that an access platform to the underside of the structure and full enclosure of work will be required. This project estimated at \$10 million is scheduled for 2008 and 2009.

(6) ENHANCE THE GAS PIPELINE SECURITY

Results: FBCL and SIBC are reviewing the options with the support of security and technical experts as required.

(7) ESTABLISHMENT OF PERFORMANCE MEASURES & TARGETS

Results: SIBC refined the performance measures and targets so that Corporate Objectives are linked to the work plan and to individual performance evaluations. The measures are tied to a customer satisfaction survey completed in 2005.

(8) FUNDING FOR PLANNED INFRASTRUCTURE IMPROVEMENTS

Results: An engineering report was prepared to confirm the scope, timing, methodology, and cost of the recoating of the South Channel Bridge stiffening truss. The information has been provided to the owners and the SIBC long-range plan has been updated.



One access to the Jacques Cartier Bridge from Longueuil



**MANAGEMENT'S
DISCUSSION
AND ANALYSIS**



The Jacques Cartier Bridge



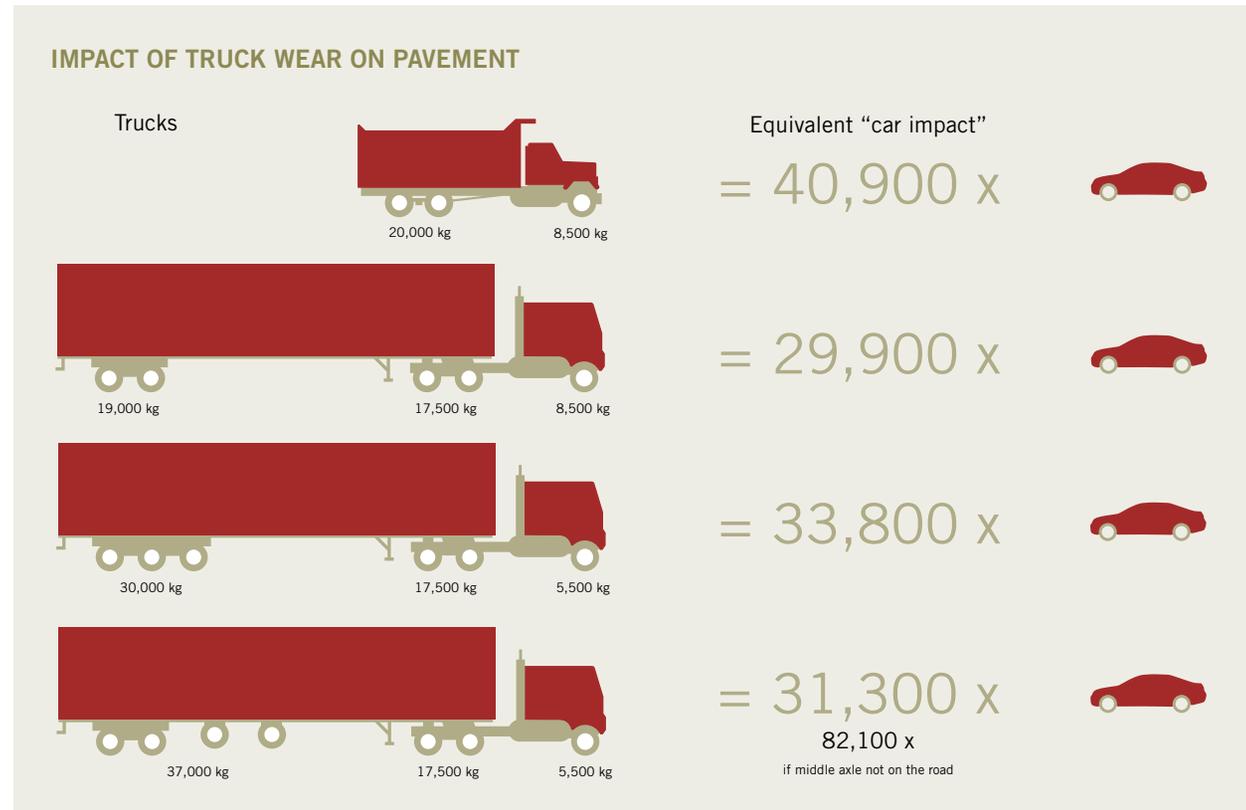
Worker at the Seaway International Bridge

FBCL operates in a dynamic and complex environment, where economic conditions, security concerns, environmental factors, and the requirements of government have a significant impact on the Corporation's plans and operations.

Economic Conditions

(1) SELF-SUFFICIENCY

In general, regular vehicle traffic is decreasing while heavy traffic (trucks) tends to increase, leading to more capital projects being required in the medium to long term. The main reason is that one single heavy truck has a much more detrimental impact on pavement wear than many thousand cars as illustrated in the table below (Étude des ponts de la Rive-Sud – Solutions globales: transport de personnes et de marchandises by Roche-Deluc, August 2000).



All bridges will not be able to achieve self-sufficiency by themselves, because of the overall traffic situation, the high cost of major capital projects, and particular circumstances specific to each location. Alternative approaches must be worked out with the various players involved.

(2) AGING

Infrastructures continue to age rapidly. This is particularly the case in the Montréal area where most of the bridge and roadway structures are approaching 45 years in age, with the noticeable exception of the Jacques Cartier Bridge, which is 75 years of age. The heavy truck traffic and the necessary use of road salt contribute greatly to this phenomenon.

(3) REVENUES

Overall FBCL revenues are derived from four primary sources: bridges operating revenue, leases and licenses, tolls and interest and other revenues.

Bridges operating revenues include the net results of the Canadian operation (all revenues including tolls, leases and interest less expenses) at the Thousand Islands Bridge. These revenues represent 13% of the consolidated revenues (before the gain on disposal of assets). The net results of the operations of the Thousand Islands Bridge were of \$1.583 million. This amount represents a decrease of \$248 thousand when compared to the previous year. The decrease is in part attributable to additional costs incurred for traffic control operations necessary due to the significant delays and backups of traffic at the border enforcement facilities. Additional expenses include the rental and operations of variable message signage and improvements to the sand storage facilities. Traffic volume was similar to previous year.

Leases and licenses account for almost 41% of consolidated revenues (before the gain on disposal of assets). They include revenue from the Duty Free Store, publicity panels and rental for public utilities on our bridges. Revenue from leases and licenses, except for those from the Duty Free Store, has kept with inflation.

Revenue from tolls has decreased by 2.75% 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 are members of the Mohawk community and services providers to the community) are exempt from tolls.

Interest and other revenues represent the balance of revenue derived from investment of temporary surplus cash and other miscellaneous income. This year a one-time gain on disposal of fixed assets was realized on the sale of a parcel of land in Longueuil.

(4) FACTORS AFFECTING EXPENSES

Maintenance is the single most significant expense of the Corporation representing 53% of all expenses. Maintenance work is mostly concentrated at JCCBI bridges and is necessary to maintain the bridges in safe condition. The age of the structures, the high volume of traffic and the difficult winter condition are all factors that contribute to the high cost of maintenance.

Operations consist of the toll operations on the Seaway International Bridge and other works in the Montréal area. Operation costs are forecasted to decrease by \$557,000 in 2006-2007. The toll operations remained constant and the decrease is attributable to the other works in the Montréal area that will be less than the previous year.

Administration costs are forecasted to increase by \$436,000 in 2006-2007. The increase is mostly due to at JCCBI's focus on professional services and governance matters.

Amortization includes amortization on bridges, buildings, equipment and vehicles.



Respect of the environment is a constant concern when painting structures.

(5) FACTORS AFFECTING PROFITABILITY

The profitability of the Corporation is affected by a number of factors, including fluctuating exchange rates, the strength of the U.S. and Canadian economies, commercial traffic and tourism. The aging of our structures also put pressure on the Corporation. Profitability is largely dependent upon strong economies in both the U.S. and Canada. When the U.S. economy is expanding, exports of Canadian products tend to rise. With the Thousand Islands Bridge, the Seaway International Bridge and the bridges in Montréal being major international crossings or route to the U.S., the Corporation revenues and thus profitability improves with the increase in activity.

Safety and Security Factors

Safety and security issues, particularly at international crossings, have now become a key priority.

As owner of the Canadian assets at SIBC, TIBA, and majority shareholder at Sault Ste. Marie, FBCL monitors compliance with government directives and progress of critical work.

In addition, to the direct impacts associated with new security measures (such as the implementation of a Queue en Detection System), security issues have significant indirect impacts on bridge operations (i.e. traffic slowdown at customs on international structures have a direct impact on the flow of traffic on our structures). There is a need to balance security issues with efficiency.

The security of our structures is linked to the overall international situation which is tied to external matters which may present challenges for the safety of our structures.

In implementing new technologies on our international structures, we often have to follow rules and guidelines established by other parties (such as the Canada Border Services Agency and Homeland Security) and our ongoing challenge is to adapt and succeed in implementing strategies that meet our objectives of minimizing negative impacts for our users with those of our partners. For example, in Sault Ste Marie, the implementation of video surveillance is currently in progress and plans are being completed for a control room to monitor conditions. In addition, gates have been placed on stairwells accessing the deck and other protective measures implemented. The funding provided by Homeland Security and the State of Michigan for the implementation of these security measures was greatly appreciated.

Environmental issues

The condition and location of certain properties that fall under FBCL or its subsidiaries can present environmental challenges in particular the landfill site along the Bonaventure Expressway and the environmental assessment for the planned low level bridge in Cornwall that required addressing the concerns raised by the Mohawks of Akwesasne in regards to this project.

Government Requirements

As a Crown corporation, FBCL has a responsibility to provide additional support to the Government of Canada where requested. Given the Corporation's extensive capabilities and proven record of expertise in its field, this can create opportunities for FBCL to contribute in varied ways.

Overall government expectations in terms of self-sufficiency and governance will put pressure on Crown corporations such as FBCL. The Corporation is addressing these requirements by creating the appropriate financial and governance mechanisms.

Furthermore, Customs and Immigration facilities will require improvement or replacement at all three international bridges.

FBCL has a responsibility for:

- A.** Sault Ste. Marie: The International Agreement is being renegotiated to better reflect the true partnership nature of our long lasting relationship. FBCL will continue to work with Transport Canada in the negotiations with the Michigan Department of Transportation (MDOT), for revisions to the existing Intergovernmental Agreement to provide more equitable terms for Canada at SSM.
- B.** Cornwall: FBCL and SIBC representatives are actively involved with transport Canada in negotiating with the Mohawk Council of Akwesasne to enable the effective and efficient replacement of the north Channel Bridge.



Men at work on top of the Seaway International Bridge

The Melocheville Tunnel near Montréal

GOING FORWARD





Aerial view of the Champlain Bridge in Montréal

2006-2007 represents many challenges for FBCL, but at the same time, it will provide many new business development opportunities.

In particular, FBCL is ideally positioned to support the Government of Canada in achieving its agenda:

(1) Given the nature of the challenges observed with Canada's bridge infrastructures (i.e. aging infrastructures, increasing level of services, growing demand for safety and security, growing financial requirements for asset maintenance, replacement or addition), FBCL, the only parent company in its sector, has significantly invested to offer the Government with a strategic and operational capacity should it decide to go ahead with a more consolidated approach to managing the Canadian network of bridges.



The Thousand Islands International Bridge

(2) FBCL has taken tangible actions to further strengthen the nature of its relationship with key partners. Of ongoing importance in 2006-2007, will be the redefinition of the International Agreement with MDOT in the operation of the Sault Ste. Marie Bridge and the negotiations with the MCA for the replacement of the North Channel Bridge in Cornwall.

(3) A series of capital projects are planned or being considered. They include:

Replacement of the North Channel Bridge in Cornwall

A few years ago, after careful analysis, SIBC concluded that it was economically advantageous to construct a new, low level North Channel Bridge rather than to replace the concrete deck and repaint the steel on the existing high level structure. A *Canadian Environmental Assessment Act* (CEAA) screening report is now completed, awaiting approval by Transport Canada. Final sign-off is anticipated in 2006.

Preliminary findings of the CEAA Screening Report conclude that “The project is not likely to cause significant adverse environmental effects: the project can proceed with the application of the mitigation measures specified in the report.” There are numerous mitigation measures included in the screening report. However, few, if any, would be associated with “major findings”.

Tender the project to re-deck the federal portion of the Honoré Mercier Bridge

One of JCCBI’s main priorities is to undertake the deck replacement of the Mercier Bridge. This project is complex from both a technical and administrative viewpoint. Considering the annual traffic of some 28 million vehicles, the project’s challenges will be to undertake the work with a minimum of disruption to traffic. The bridge carries four lanes of traffic and since there is no other nearby bridge where traffic can be easily diverted, it will become necessary to allow the users to cross the bridge while the re-decking work is underway. Due to the bridge’s location, the project has been structured to take into consideration the participation of the local skilled Mohawk native workforce at Kahnawake. The bridge jurisdiction is shared between the ministère des Transports du Québec (MTQ) and JCCBI and the MTQ also requires re-decking to its portion of the bridge. Therefore careful coordination will be necessary to reduce the impact on users. Discussions are underway with the MTQ in view of putting in place a project structure to address this issue. Present planning envisages construction taking place in 2007-2008, 2008-2009 and 2009-2010.

Aging of the Structures and Increasing Activities

No new infrastructures have been constructed by any of the three levels of government in the Greater Montréal Region to relieve the over utilization of the bridges and other structures under JCCBI's responsibility. Consequently, repairs continue to escalate, rush hour periods are longer thus reducing the periods when interventions can be carried out. JCCBI continues to examine different scenarios in view of presenting options for government consideration.

JCCBI is working with different partners including the MTQ on this issue, which could represent major opportunities for both levels of governments.

View of the Champlain Bridge from the South Shore of Montréal



The Jacques Cartier Bridge superstructure as seen from Montréal

BRIDGES AND TRANSPORTATION INFRASTRUCTURES

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 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 or 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 2005-2006, more than 34 million vehicles crossed the Jacques Cartier 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 2005-2006, more than 57 million vehicles crossed the Champlain Bridge, to which must be added 8 million public transit users.



The Bonaventure Expressway



The Champlain Bridge Ice Control Structure

THE CHAMPLAIN BRIDGE ICE CONTROL STRUCTURE (ESTACADE)

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 2005-2006, 28.9 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 approximately 230 metres in length and provides access to one lane of traffic in either direction. In 2005-2006, 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 2005-2006, 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 2005-2006, 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 2005-2006, 1.89 million vehicles, crossed the Sault Ste. Marie International Bridge.

Aerial view of the Jacques Cartier Bridge and the surrounding area



The Honoré Mercier Bridge

MANAGEMENT AND FINANCIAL STATEMENTS



The Honoré Mercier Bridge

**BOARD OF DIRECTORS AND OFFICERS
COMMITTEES OF THE BOARD OF DIRECTORS
SUBSIDIARY SUMMARIES**

| | |
|--|----|
| Financial Summary – FBCL | 59 |
| The Federal Bridge Corporation Limited | 60 |
| The Jacques Cartier and Champlain Bridges Incorporated | 62 |
| The Seaway International Bridge Corporation Ltd. | 64 |
| The St. Mary’s River Bridge Company | 66 |
| Governance at FBCL | 68 |
| Consolidated Financial Statements | 69 |

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

(unaudited – for period ending on March 31)

| (thousands of dollars) | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|-----------------|----------|----------|----------|----------|
| Revenues | | | | | |
| Thousand Islands Bridge operating revenue | 1,583 | 1,831 | 2,269 | 2,014 | 1,854 |
| Leases and permits | 4,839 | 4,913 | 4,851 | 5,070 | 4,966 |
| Tolls | 4,827 | 5,329 | 5,169 | 5,543 | 4,491 |
| Interest | 635 | 263 | 639 | 541 | 691 |
| Other | 5,511 | (89) | 146 | 51 | 89 |
| | 17,395 | 12,247 | 13,074 | 13,219 | 12,091 |
| Expenses | | | | | |
| Maintenance | 20,468 | 22,282 | 26,904 | 17,148 | 26,237 |
| Operation | 4,900 | 5,389 | 5,872 | 4,640 | 4,614 |
| Administration | 7,361 | 7,422 | 7,690 | 7,894 | 7,347 |
| Amortization | 5,794 | 6,002 | 5,843 | 4,122 | 3,658 |
| | 38,523 | 41,095 | 46,309 | 33,804 | 41,856 |
| Loss before government funding | (21,128) | (28,848) | (33,235) | (20,585) | (29,765) |
| Parliamentary appropriation for operating expenses | 24,586 | 25,944 | 30,622 | 23,345 | 26,726 |
| Amortization of deferred capital funding | 3,628 | 3,397 | 3,382 | 972 | 214 |
| Remittance to the Consolidated Revenue Fund | (6 074) | – | – | – | – |
| Non-controlling interest | (21) | (26) | (50) | (97) | (79) |
| Net income (loss) | 991 | 467 | 719 | 3,635 | (2,904) |

Certain figures have been classified for presentation purposes.

The Federal Bridge Corporation Limited

(as of March 31, 2006)

BOARD OF DIRECTORS AND OFFICERS

Board of Directors

Michel Fournier¹
*President and
Chief Executive Officer*

Sheila Tremblay²
Vice Chairperson/Lead Director

Carole Workman³
Director

Normand Brochu⁴
Director

Officers and Senior Managers

Norman B. Willans
*Legal Counsel and
Corporate Secretary*

André Girard
Vice-President, Communications

Glen P. Carlin,
Vice President, Special Projects

Hendrik H. Saaltink,
*Vice-President, International
Bridge Projects*

Gérard Lalonde
*Director, Administrative
Services and Treasurer*

Robin Rensby
Senior Director, Human Resources

Thye Lee
*Director, Engineering and
Construction*

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.



COMMITTEES OF THE FBCL BOARD OF DIRECTORS (As of March 31, 2006)**Audit Committee**Carole Workman, *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*Gerald H. Johnston,
*Board Member JIBA*Norman. B. Willans,
*Corporate Secretary and Legal
Counsel, FBCL***Environment Committee**Glen P. Carlin, *Chairperson*Hendrik H. Saaltink, *Member*Ian McPherson, *Member*Norman. B. Willans, *Member*Sylvie Lefebvre, *Member*Raymond Denault, *Member*Gérard Lalonde, *Member*Gerald H. Johnston, *Member*Thye Lee, *Member*Bill Moulton, *Member***Human Resources Committee**Carole Workman, *Chairperson*Normand Brochu, *Member*Norman Willans, *Member ex officio*Robin Rensby, *Member ex officio***Nominating Committee**Sheila Tremblay, *Chairperson*Carole Workman, *Member*James Roche, *Member*Clément Joly, *Member***Risk Management Committee**Norman. B. Willans, *Chairperson*Yvon Bourget,
*Board Member, JCCBI*Gérard Lalonde,
*Director Administrative Services
and treasurer, Member*Wade Dorland, *SIBC, Member*

The Jacques Cartier and Champlain Bridges Incorporated

(as of March 31, 2006)

BOARD OF DIRECTORS AND OFFICERS

Board of Directors

Michel Fournier, *President*

Yvon Bourget, *Director*

Normand Brochu, *Director*

Clément Côté, *Director*

René Therrien, *Director*

Officers and Senior Managers

Michel Fournier, *President*

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

René Therrien, *Member*

Clément Côté, *Member*

Management Committee

René Therrien, *Chairperson*

Yvon Bourget, *Member*

Clément Côté, *Member*

Risk Management Committee

Glen P. Carlin, *Chairperson*

Sylvie Lefebvre, *Member*

Guy Mailhot, *Member*

Raymond Denault, *Member*

FINANCIAL SUMMARY

The Jacques Cartier and Champlain Bridges Incorporated

| (in dollars) | 2006 | 2005 |
|---|--------------|--------------|
| Operating results | | |
| Revenues | | |
| Leases and licenses | 759,896 | 740,668 |
| Interest | 97,647 | 92,150 |
| Gain on disposal of fixed assets | 5,512,082 | – |
| Other | 34,475 | 47,100 |
| Expenses | | |
| Maintenance | 18,327,122 | 19,777,138 |
| Operation | 3,592,081 | 3,513,074 |
| Administration | 3,366,192 | 3,367,681 |
| Amortization of fixed assets | 4,236,570 | 4,449,489 |
| Reimbursement of interests made on parliamentary received in advance | – | 205,292 |
| Net loss before government funding | (23,117,865) | (30,432,756) |
| Parliamentary appropriation for operating expenditures | 24,585,645 | 25,944,104 |
| 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 | 3,594,890 | 3,393,608 |
| Net income (loss) | (1,011,369) | (1,095,044) |
| Balance sheet | | |
| Current assets | 8,497,262 | 6,359,923 |
| Current liabilities | 5,305,746 | 3,168,407 |
| Due from Canada – Long term | 2,625,809 | 2,625,809 |
| General and services tax receivable – Long term | 170,157 | 170,157 |
| Fixed assets | 138,664,414 | 136,086,025 |
| Holdback | 2,795,966 | 2,795,966 |
| Employee future benefits | 722,351 | 690,679 |
| Deferred capital funding | 130,920,889 | 128,120,312 |
| Shareholder's equity | 10,212,690 | 10,466,550 |
| Financial position | | |
| Operating activities | 619,813 | 2,515,863 |
| Investing activities | (1,302,877) | (6,999,774) |
| Financing activities | 1,302,877 | 6,999,774 |
| Increase (Decrease) of cash flow | 619,813 | (2,515,863) |

The Seaway International Bridge Corporation Ltd.

(as of March 31, 2006)

BOARD OF DIRECTORS AND OFFICERS

Board of Directors

Sheila Tremblay, *President*

Albert S. Jacquez, *Vice-President*

Guy Berthiaume, *Director*

Sal Pisani, *Director*

Roger J. Forgues, *Director*

Edward Margosian, *Director*

John M. Kroon, *Director*

Denis Thibault, *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*

Sal 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) | 2006 | 2005 |
|--|-----------|-----------|
| Operating results | | |
| Revenues | | |
| Tolls | 3,670,601 | 3,774,522 |
| Rentals | 142,846 | 134,369 |
| Investments | 65,676 | 58,634 |
| Others | 14,550 | 118,813 |
| Expenses | | |
| Maintenance | 1,319,732 | 1,353,024 |
| Tolls collection | 704,663 | 852,352 |
| Administration | 931,347 | 907,783 |
| Amortization | 168,103 | 150,996 |
| Net income | 769,828 | 822,183 |
| Balance sheet | | |
| Current assets | 2,590,577 | 2,646,886 |
| Current liabilities | 1,018,579 | 1,556,244 |
| Capital assets | 821,655 | 849,568 |
| Deferred major repairs | 156,729 | 189,917 |
| Provision for employees future benefits | 312,736 | 310,935 |
| Capital stock and debentures payable | 16,000 | 16,000 |
| Due to venturers | 2,221,646 | 1,803,192 |
| Financial position | | |
| Operating activities | 912,787 | 1,287,523 |
| Investing activities | (107,002) | (431,815) |
| Financing activities | (859,413) | (978,979) |
| Increase (decrease) of cash and cash equivalents | (53,628) | (123,271) |

The St. Mary's River Bridge Company

(as of March 31, 2006)

BOARD OF DIRECTORS AND OFFICERS

James McIntyre, *President*

Helen Gillespie, *Director*

Alexander Harry, *Vice-President*

Gerald H. Johnston, *Director*

Rick Talvitie, *Director*

Lorie Bottos, *Secretary-Treasurer*

Mary Trbovich, *Director*

FINANCIAL SUMMARY

The St. Mary's River Bridge Company

| (in dollars) | 2005 | 2004 |
|--|-------------|------------|
| Operating results | | |
| Revenues | | |
| Tolls | 2,991,370 | 3,442,072 |
| Leases and licences | 305,844 | 333,090 |
| Investments | 76,523 | 21,609 |
| Other | 92,513 | 158,453 |
| Expenses | | |
| Maintenance | 1,241,328 | 1,558,000 |
| Tolls collection | 817,010 | 791,252 |
| Administration | 769,710 | 900,924 |
| Amortization | 390,341 | 404,112 |
| Net income | 247,861 | 300,936 |
| Balance sheet | | |
| Current assets | 3,679,866 | 3,557,519 |
| Current liabilities | 889,844 | 891,119 |
| Capital assets | 8,231,347 | 7,643,738 |
| Capital stock | 1,500 | 1,500 |
| Retained earnings | 10,455,854 | 10,207,993 |
| Financial positions | | |
| Operating activities | 657,322 | 1,097,456 |
| Investing activities | (2,082,864) | (150,227) |
| Increase (decrease) of cash and cash equivalents | (1,425,542) | 947,229 |

Governance at FBCL

FBCL strongly believes that principles of sound management such as accountability, transparency and independence are at the very core of good governance. In 2005, FBCL maintained its pro-active approach in implementing rigorous and effective governance practices.

In order to further enhance the effectiveness of its governance framework, carried out with the implementation, under the oversight of the Governance Committee, of the measures stemming from the 2004 Review of Corporate Governance Instruments. FBCL's practices are now aligned with recognized fiduciary and governance standards in both the private and public sectors.

FBCL's efforts, however, have not been limited to "internal" governance. In the field of bridges and crossings, FBCL is the only parent Crown corporation. As such, it is required to provide oversight, direction and guidance to the subsidiaries responsible for operating and maintaining the assets within its portfolio. In 2005, the FBCL Board of directors approved a new explicit governance framework to clarify the role of the parent corporation and strengthen its relationship with the subsidiaries. The initiative led to the identification and implementation of twenty-five measures. These measures include:

- the review of the appointment mechanisms for directors of subsidiaries and the introduction of staggered terms for directors;
- a revision of the by-laws, governance practices and code of ethics of all subsidiaries;
- the development of a new and reinforced strategic planning process;
- the development of performance indicators;
- the articulation of governance instruments such as letters of expectation from the parent to each fully-owned subsidiary;
- the development of other tools related to HR management and evaluation.

FBCL is proud of these initiatives that clearly place the corporation amongst the leaders for good governance.

CONSOLIDATED FINANCIAL STATEMENTS

| | |
|--|----|
| Management's Responsibility for Financial Statements | 70 |
| The Auditor's Report | 71 |
| Consolidated Balance Sheet | 72 |
| Consolidated Statement of Operations and Retained Earnings | 73 |
| Consolidated Statement of Cash Flows | 74 |
| Notes to Consolidated Financial Statements | 75 |
| Corporate Offices | 87 |

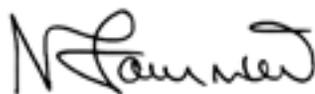
Management's Responsibility for Financial Statements

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 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.



MICHEL FOURNIER
President and Chief Executive Officer

June 2, 2006



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, 2006 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, 2006 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 black ink that reads "Alain Boucher".

Alain Boucher, CA
 Principal
 for the Auditor General of Canada

Ottawa, Canada
 June 2, 2006

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

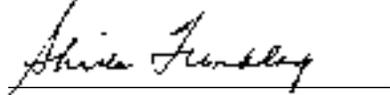
CONSOLIDATED BALANCE SHEET

As at March 31

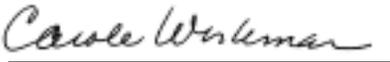
| (in dollars) | 2006 | 2005 |
|--|--------------------|--------------------|
| ASSETS | | |
| Current | | |
| Cash and short-term deposits (Note 3) | 23,357,697 | 22,308,030 |
| Accounts receivable | 1,593,859 | 1,980,803 |
| Advance to joint venturer (Note 4) | 201,526 | 455,545 |
| Accrued interest receivable | 120,293 | 41,673 |
| Prepaid expenses | 505,222 | 645,635 |
| Due from Canada | 3,901,951 | 1,999,539 |
| | 29,680,548 | 27,431,225 |
| Long-term | | |
| Due from Canada (Note 5) | 2,625,809 | 2,625,809 |
| Fixed assets (Note 6) | 168,174,733 | 165,161,764 |
| | 200,481,090 | 195,218,798 |
| LIABILITIES | | |
| Current | | |
| Accounts payable | 6,424,432 | 5,831,850 |
| Deferred revenue | 567,224 | 499,698 |
| Instalments on obligation under capital lease | 10,353 | 11,912 |
| | 7,002,009 | 6,343,460 |
| Long-term | | |
| Due to joint venturer (Note 4) | 1,035,470 | 808,105 |
| Obligation under capital lease (Note 7) | 19,348 | 29,000 |
| Holdback (Note 8) | 2,795,966 | 2,795,966 |
| Provision for employee future benefits (Note 12) | 1,203,354 | 1,103,384 |
| Deferred capital funding (Note 9) | 131,465,556 | 128,191,957 |
| Non-controlling interest | 666,846 | 645,356 |
| | 137,186,540 | 133,573,768 |
| | 144,188,549 | 139,917,228 |
| Commitments and contingencies (Notes 15 and 16) | | |
| SHAREHOLDER'S EQUITY | | |
| Capital stock | | |
| Authorized | | |
| Unlimited number of shares, without par value | | |
| Issued and fully paid | | |
| 1 share | 1 | 1 |
| Contributed capital (Note 14) | 53,664,379 | 53,664,378 |
| Retained earnings | 2,628,161 | 1,637,191 |
| | 56,292,541 | 55,301,570 |
| | 200,481,090 | 195,218,798 |

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

APPROVED BY THE BOARD OF DIRECTORS

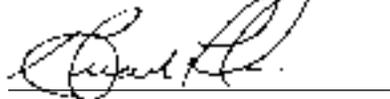


Sheila Tremblay, Director



Carole Workman, Director

ON BEHALF OF MANAGEMENT


Gérard Lalonde, Director,
Administrative Services and Treasurer

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the year ended March 31

| (in dollars) | 2006 | 2005 |
|---|---------------------|--------------|
| Revenues | | |
| Tolls | 4,826,671 | 5,329,333 |
| Leases and permits | 4,838,552 | 4,912,538 |
| Thousand Islands Bridge operating revenue (Note 10) | 1,583,497 | 1,830,994 |
| Gain (loss) on disposal of fixed assets | 5,469,015 | (291,021) |
| Interest | 635,258 | 262,900 |
| Other | 42,271 | 202,161 |
| | 17,395,264 | 12,246,905 |
| Expenses | | |
| Maintenance | 20,468,057 | 22,282,384 |
| Operation | 4,899,830 | 5,389,319 |
| Administration | 7,360,568 | 7,421,486 |
| Amortization | 5,793,679 | 6,001,911 |
| | 38,522,134 | 41,095,100 |
| Loss before government funding and share of non-controlling interest | (21,126,870) | (28,848,195) |
| Government funding | | |
| Parliamentary appropriation for operating expenses | 24,585,645 | 25,944,104 |
| Amortization of deferred capital funding (Note 9) | 3,627,724 | 3,397,379 |
| Remittance to the Consolidated Revenue Fund of the recovery of the Goods and Services Tax paid in prior years (Note 11) | (223,940) | - |
| Remittance to the Consolidated Revenue Fund of the proceeds from the disposal of fixed assets (Note 11) | (5,850,099) | - |
| | 22,139,330 | 29,341,483 |
| Net earnings before share of non-controlling interest | 1,012,460 | 493,288 |
| Share of non-controlling interest | (21,490) | (26,091) |
| Net earnings | 990,970 | 467,197 |
| Retained earnings, beginning of year | 1,637,191 | 1,169,994 |
| Retained earnings, end of year | 2,628,161 | 1,637,191 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

| (in dollars) | 2006 | 2005 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Net earnings | 990,970 | 467,197 |
| Non-cash items | | |
| Amortization of fixed assets | 5,793,679 | 6,001,911 |
| (Gain) loss on disposal of fixed assets | (5,469,015) | 291,021 |
| Amortization of deferred capital funding | (3,627,724) | (3,397,379) |
| Increase in long-term due from Canada | - | (2,625,809) |
| Increase in provision for employee future benefits | 99,970 | 33,285 |
| Non-controlling interest | 21,490 | 26,091 |
| Changes in working capital items (Note 13) | (539,548) | 1,392,124 |
| Cash flows (used for) from operating activities | (2,730,178) | 2,188,441 |
| INVESTMENT ACTIVITIES | | |
| Acquisition of fixed assets | (9,187,732) | (9,140,363) |
| Disposal of fixed assets | 5,850,099 | 4,601 |
| Cash flows used for investment activities | (3,337,633) | (9,135,762) |
| FINANCING ACTIVITIES | | |
| Increase in due to joint venturer | 227,365 | 616,785 |
| Increase in deferred capital funding | 6,901,323 | 6,145,320 |
| Repayment of obligation under capital lease | (11,211) | (17,333) |
| Contributed capital from Canada for the acquisition of land (Note 14) | 1 | - |
| Cash flows from financing activities | 7,117,478 | 6,744,772 |
| Net increase (decrease) in cash flows | 1,049,667 | (202,549) |
| Cash and short-term deposits, beginning of year | 22,308,030 | 22,510,579 |
| Cash and short-term deposits, end of year | 23,357,697 | 22,308,030 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2006

(1) AUTHORITY AND ACTIVITIES

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

In accordance with a directive issued by the Minister of Transport, Infrastructure and Communities under the *Canada Marine Act*, the St. Lawrence Seaway Authority transferred its assets on October 1, 1998. Specifically, the responsibility for The Jacques Cartier and Champlain Bridges Incorporated, for The Seaway International Bridge Corporation, Ltd., and for the operations of the 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, 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, 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 appropriation, 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 amortizable fixed assets is accounted for as deferred capital funding on the balance sheet and amortized on the same basis as the related fixed assets. The portion used to finance non depreciable fixed assets is recorded as contributed capital.

Any portion of the parliamentary 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.

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.

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

| | |
|---|----------|
| Bridges | 2% – 7% |
| Remedial works | 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, permits 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, The Seaway International Bridge Corporation Ltd participate in the Public Service Pension Plan administered by the Government of Canada. The subsidiary and the joint venture contribution to the plan reflects the full cost of the

employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the subsidiary and the joint venture and are charged to operations on a current basis. The subsidiary and the joint venture are not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

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

F. Measurement uncertainty

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

(3) CASH AND SHORT-TERM DEPOSITS

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 portfolio yield is 2.89% (2005 – 2.24%). On average, the term to maturity is 251 days (2005 – 233 days). The fair value of the short-term deposits approximates the book value due to their impending maturity.

| (in dollars) | 2006 | 2005 |
|-----------------------|-------------------|------------|
| Cash | 8,731,981 | 9,309,295 |
| Treasury bills | 9,999,506 | 9,998,735 |
| Term deposits | 4,307,871 | 3,000,000 |
| Guaranteed debentures | 318,339 | – |
| Total | 23,357,697 | 22,308,030 |

(4) ADVANCE AND DUE TO JOINT 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, 2006, 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 appropriation 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 (see note 8 below).

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

| (in dollars) | 2006 | | | 2005 |
|-------------------------------|--------------------|-----------------------------|--------------------|----------------|
| | Cost | Accumulated amortization | Net Book Value | Net Book Value |
| Land | 4,234,734 | – | 4,234,734 | 4,572,750 |
| Bridges and roads | 291,114,628 | 135,978,487 | 155,136,141 | 147,742,931 |
| Vehicles and equipment | 7,047,511 | 4,780,176 | 2,267,335 | 2,622,559 |
| Buildings | 4,859,338 | 2,756,431 | 2,102,907 | 1,488,367 |
| Deferred major repairs | 1,109,142 | 1,030,777 | 78,365 | 94,959 |
| Projects in progress | 4,331,672 | – | 4,331,672 | 8,599,286 |
| Equipment under capital lease | 58,245 | 34,666 | 23,579 | 40,912 |
| | 312,755,270 | 144,580,537 | 168,174,733 | 165,161,764 |

The cost of the Bonaventure Expressway, 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.

Deferred major repairs 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

| | |
|---|---------------|
| (in dollars) | 2006 |
| Obligation under capital lease, 4.644%, payable in monthly instalments, maturing in 2009 | 29,701 |
| Instalments due within one year | 10,353 |
| Long-term instalments due | 19,348 |
| Future minimum lease payments for the next three years under a capital lease expiring in 2009 and balance of the obligation under this capital lease: | |
| 2007 | 11,514 |
| 2008 | 11,514 |
| 2009 | 8,669 |
| | 31,697 |
| Interest included in minimum lease payments | 1,996 |
| Principal portion of capital lease payments | 29,701 |

(8) HOLDBACK

The subsidiary The Jacques Cartier and Champlain Bridges Incorporated temporarily retains an amount on the total of the sums due to a contractor to ensure that the later fulfills its obligations pertaining to warranty, rectification and correction of defects in work. The subsidiary will release the holdback (from which will be deducted any amount the contractor might owe to the Corporation pursuant to the contractual warranty clauses) after the expiry of the warranty period in October 2007. The contractor is entitled to interest of 2.00% and 2.73% on the holdback due for phase 1 and phase 2 respectively, payable annually from December 2003. The interest paid during the year amounted to \$57,668 (\$57,761 in 2005).

(9) DEFERRED CAPITAL FUNDING

| | | |
|--|--------------------|-------------|
| (in dollars) | 2006 | 2005 |
| Balance, beginning of year | 128,191,957 | 125,444,016 |
| Parliamentary appropriation to finance the acquisition of amortizable fixed assets | 6,901,323 | 6,145,320 |
| Amortization | (3,627,724) | (3,397,379) |
| Balance, end of year | 131,465,556 | 128,191,957 |

(10) THOUSAND ISLANDS BRIDGE OPERATING REVENUE

These revenues represent the Corporation's share of the net income 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.

(11) REMITTANCES TO THE CONSOLIDATED REVENUE FUND

As declared in the 2005-2006 / 2009-2010 corporate plan of The Federal Bridge Corporation Limited, the proceeds from the disposal of fixed assets of the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, have been returned to the Consolidated Revenue Fund.

Furthermore, during the period, the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, received reimbursements for the Goods and Services Tax paid during previous periods as a result of a modification to the interpretation of the amount of reimbursements to which it is entitled. These reimbursements were also returned to the Consolidated Revenue Fund.

(12) 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:

| Contributions (in dollars) | 2006 | 2005 |
|----------------------------|----------------|---------|
| Corporation | 614,335 | 440,097 |
| Employees | 256,637 | 206,522 |

B. Severance benefits

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

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

| (in dollars) | 2006 | 2005 |
|---|-----------|-----------|
| Accrued benefit obligation, beginning of year | 1,209,859 | 1,057,240 |
| Cost for the year | 206,446 | 212,993 |
| Benefits paid during the year | (20,563) | (60,374) |
| Accrued benefit obligation, end of year | 1,395,742 | 1,209,859 |
| Short-term portion included in accounts payable | (192,388) | (106,475) |
| Long-term portion | 1,203,354 | 1,103,384 |

(13) NET CHANGES IN WORKING CAPITAL OTHER THAN CASH AND SHORT-TERM DEPOSITS

| (in dollars) | 2006 | 2005 |
|--|-------------|-----------|
| Decrease (increase) in accounts receivable | 386,944 | (79,913) |
| Decrease (increase) in advance to joint venturer | 254,019 | (255,545) |
| Increase in accrued interest receivable | (78,620) | (22,538) |
| Decrease (increase) in prepaid expenses | 140,413 | (166,095) |
| (Increase) decrease in due from Canada | (1,902,412) | 1,869,072 |
| Increase in accounts payable | 592,582 | 14,810 |
| Increase in deferred revenue | 67,526 | 32,333 |
| Net changes | (539,548) | 1,392,124 |

(14) RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These

operations are measured at the 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 \$299,000 (\$293,000 in 2005) from related parties. As at March 31, the Corporation recorded accounts receivable of \$233,000 (\$227,000 in 2005) from related parties.

Furthermore, during the financial period, the Minister of Transport, Infrastructure and Communities and the Minister of Fisheries and Oceans transferred to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, parcels of land totalling approximately 34,000 square meters for a book value of \$1. The purpose of this transaction was to clarify the titles and to allow the subsequent sale of a property which included 650 square meters of the above mentioned parcels of land.

(15) COMMITMENTS

A. Operation

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 2008, is \$3.3 million on an annual basis. This agreement is renewable at term 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 \$12,893,552 until 2012. Minimum payments over the next years are as follows:

| (in dollars) | |
|--------------|------------|
| 2007 | 11,196,868 |
| 2008 | 481,312 |
| 2009 | 376,250 |
| 2010 | 376,250 |
| 2011 | 376,250 |
| 2012 | 86,622 |

(16) 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 Montréal (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 Montréal from 1866 to 1966. This old landfill site covers several properties belonging to various owners. The subsidiary, in collaboration with Environment Canada, conducted between 2003 and 2005 various investigations and tests of ground-water toxicity of these properties and undertook a feasibility study to identify the most appropriate mitigation measures. The conclusions of this study were issued during the 2005-2006 period. Further to this report, the subsidiary registered its properties located on the Technoparc sector to the list of the federal contaminated sites compiled by Treasury Board Secretariat. 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 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 into place cannot be reasonably estimated at the present time. In addition, cost sharing aspects between the different owners involved will have to be determined. 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 subsidiary.

Considering that the budget requirements are not known, and that the distribution of costs between the different owners and the source of funds have not yet been defined, no amounts have been recorded in the financial statements.

(17) MAJOR REHABILITATION WORK

In its endeavour to fulfill its mission, the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, must undertake major rehabilitation works on the roadway deck of the Honoré Mercier Bridge. The subsidiary has to obtain the approval of Treasury Board Secretariat in order to proceed with call for tenders for a project which will be carried out over four fiscal periods. Construction on the bridge is scheduled to begin in March 2007 and to be completed by November 2009. The total project cost, including direct and indirect costs, is estimated at \$85 million.

(18) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of short-term investments, accounts receivable, the advance to a joint 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 joint venturer are not significantly different from their carrying amounts.

The fair value of the long-term amount due from Canada and the guarantee holdback is estimated to be \$2,461,665 and \$2,621,186 respectively (\$2,453,284 and \$2,612,261 in 2005). Since the amounts receivable are due from the Government of Canada, the credit and financing risks are low. The discounting rate used was 3.75%.

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.

(19) ASSET RETIREMENT OBLIGATIONS

A. The Jacques Cartier and Champlain Bridges Incorporated received a permit to install, maintain and use two cables for closed-circuit television on land it does not own. This permit for a “plaisir durant” 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 potential permit cancellation date is undetermined, no retirement obligation for this asset has been recognized for the year ended March 31, 2006.

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.

(20) COMPARATIVE FIGURES

Certain figures from 2005 have been reclassified to be consistent with the presentation adopted in the current year.

Corporate Offices

The Federal Bridge Corporation Limited

55, Metcalfe Street, Suite 1210
Ottawa, Ontario K1P 6L5
Telephone: (613) 993-6880
Fax: (613) 993-6945
www.federalbridge.ca
info@federalbridge.ca

The Seaway International Bridge Corporation, Ltd.

P.O. Box 836
Cornwall, Ontario K6H 5T7
Telephone: (613) 932-5113
Fax: (613) 932-9086
www.sibc.ca
hsaaltink@sibc.ca

The St. Mary's River Bridge Company

P.O. Box 580
Sault Ste. Marie, Ontario P6A 5N1
Telephone: (705) 759-5400
Fax: (705) 759-5405

The Jacques Cartier and Champlain Bridges Incorporated

1111, Saint-Charles Street West
West Tower, Suite 600
Longueuil, Québec J4K 5G7
Telephone: (450) 651-8771
Fax: (450) 677-6912
www.pjcci.ca

The Thousand Islands Bridge Authority

P.O. Box 10
Lansdowne, Ontario K0E 1L0
Telephone: (315) 482-2501
Fax: (315) 482-5925
www.tibridge.com

