

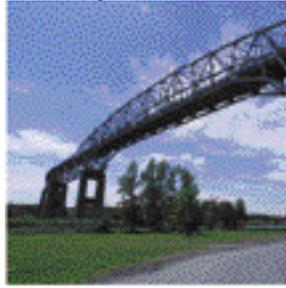
ANNUAL REPORT

The Thousand Island International bridge



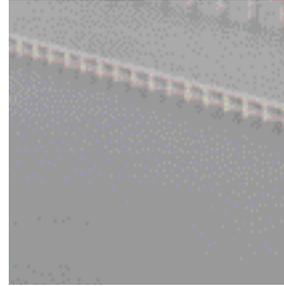
The Thousand Islands International Bridge stands as a shining symbol of the goodwill between the United States and Canada. This bridge system covers a distance of 13.7 kilometers and took sixteen months to complete, an amazing accomplishment by today's standards. Opened in 1938 by Prime Minister William Lyon Mackenzie King and President Franklin Delano Roosevelt, the bridge provides easy passage between the U.S. and Canadian sides of the Thousand Islands.

The Seaway International Bridge



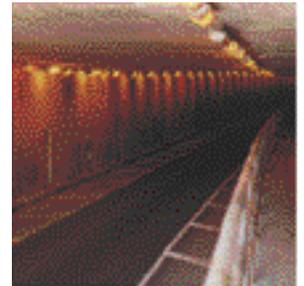
The Seaway International Bridge was constructed in accordance with the terms of an international agreement between Canada and the United States signed in 1957. This high level bridge opened to traffic in 1962. As the twelfth busiest crossing between Canada and the United States, this toll bridge between Cornwall, Ontario and Rooseveltown, New York was crossed by 2.2 million vehicles in 1998. With Canadian and U.S. firms taking advantage of NAFTA, truck traffic represents 6 to 11 percent of the bridge's hourly traffic volume. Typical summer weekday traffic volumes total 8,100 per day with a peak hour volume of 660 vehicles.

The Champlain Bridge Ice Control Structure



This structure was built to prevent ice floes in the St. Lawrence River from striking the man-made islands of Expo '67. The concept of building a monorail train or a light rail transit system on the Ice Control Structure which would connect the Island of Montreal and the South Shore is being studied.

The Melocheville Tunnel



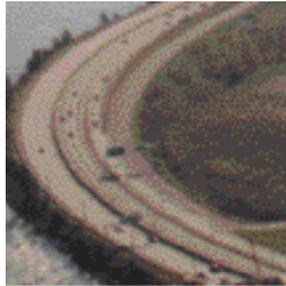
The Melocheville Tunnel was built during the construction of the Beauharnois Canal Section of the St. Lawrence Seaway in 1958. The tunnel is an extension of regional route 132. It was constructed close to the Beauharnois hydro-electric station and lies beneath the locks. Traffic volume is estimated at approximately 4 million vehicles per year.

Mercier Bridge



The Mercier Bridge was built in 1933 and opened to traffic on July 11, 1934. It was named in memory of one of Quebec's best known premiers, the Honourable Honoré Mercier. With the construction of the St. Lawrence Seaway, it was necessary to raise and extend the southern end of the bridge so that ships could pass beneath it. The raised portion was built with four lanes equipped with an interchange in preparation for Quebec's expansion of its part of the bridge. Traffic volume is presently estimated at 28 million vehicles per year.

The Bonaventure Autoroute



The Bonaventure Autoroute was constructed between 1965 and 1967 as one of the Government of Canada's contributions to Expo '67. Its purpose was to provide greater access to the Champlain Bridge. When the Bridge was first opened the only access to its north side was from Wellington Street. The autoroute was of particular importance due to the approaching world exhibition and the subsequent increase in traffic. It was officially opened on April 21, 1967, one week before the opening day of Expo '67.

The Champlain Bridge



Constructed between 1957 and 1962, the Champlain Bridge was originally a toll bridge. The National Harbours Board was given permission to build the bridge, employing the engineering firm of P.L. Pratley of Montreal in conjunction with the offices of P. Ewart and Lalonde and Valois. In the 28 years that the Champlain Bridge collected tolls, the fee of 25 cents per car was never raised. The Government of Canada abolished tolls on this bridge in 1990. Today it is the busiest bridge in Canada, with 48 million transits per year.

The Jacques Cartier Bridge



Constructed between 1926 and 1929, the bridge was officially opened by Prime Minister William Lyon Mackenzie King as a toll bridge on May 24, 1930. This bridge has undergone many changes during its 69-year existence. Originally, the Jacques Cartier Bridge was named "The Harbour Bridge" after the Montreal Harbour Commissioners, who launched the project. Four years after its opening, the name was changed to the Jacques Cartier Bridge. In 1962, the Government of Canada announced that there would no longer be tolls collected on the Jacques Cartier Bridge. With 41 million transits a year, it is the second busiest bridge in Canada.

Mission Statement



Adhering to sound business practices,
the Federal Bridge Corporation Limited provides
a safe and efficient service to the users of its
installations, thereby underlining the valuable
contribution made by the Government of Canada
to help Canadians meet their transportation needs.





Letter to the Minister of Transport

June 30, 2000

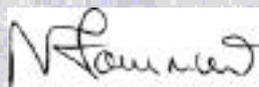
The Honourable David Collenette, PC, MP

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, 2000.

This Report also contains the financial statements of the Corporation for the fiscal year ending March 31, 2000, as audited by the Auditor General of Canada.

Yours truly,



Michel Fournier
President

President's Message



In preparing this message for the Federal Bridge Corporation Limited's 2000 Annual Report, I had the opportunity to reflect on our achievements of the past year. I was pleased to note that, despite the fact that the Corporation was only established in September 1998, we have already achieved a great deal.

As you will see in the report, we made significant strides in the pursuit of our mission. We are moving forward in the grouping of civil structures and assuming responsibility for the Champlain Bridge Ice Control Structure. To foster greater management effectiveness, overall costs have been reduced at a number of our facilities. In the interest of public safety and service to users, we have introduced a Variable Message Signs Program. In addition, we made important progress in preparation to undertake a major repair project on the Jacques Cartier Bridge.

At the same time, we are also building a strong team that will enable us to accomplish even more in the years ahead. Internal expertise in Engineering, Lease and License Administration, Business Development, Finance, Administration, Human Resources and Communications are working actively within the Corporation. The role of each sector is described in greater detail in this report.

When I consider our objectives for the coming year, it is clear that each of the sectors now in place within the Corporation will be responsible for tasks to help us reach our goals. We will continue to pro-actively explore and facilitate the potential transfer to the Corporation, of other transportation structures from across Canada.



We are exploring new potential sources of revenue to become more market driven through a commercial approach. This will allow us to manage the civil structures in a cost-effective manner. The Corporation is part of a joint Canada-US feasibility Study on the Thousand Islands and Seaway International bridges whose mandate will include the evaluation of the cost and impacts of refurbishing the existing elevated span, versus building a new low span bridge between the City of Cornwall and Cornwall Island. We are also studying methods to standardize depreciation policies on civil structures in our portfolio.

And finally, we intend to emphasize the outreach component of our mission. Everyone at the Corporation is proud of the role we play in providing a safe and efficient service to the millions of users of our installations. As we look to the year ahead, we will continue to focus on our two key priorities, ensuring the safety and efficiency of our structures, and securing the best return on investment for our shareholders, the people of Canada. That is a recipe for long-term success.

Michel Fournier

"...we are exploring new potential sources of revenue to become more market driven..."

"...ensuring the safety and efficiency of our structures, and securing the best return on investment for our shareholders..."

"...we made important progress in preparation to undertake a major repair project on the Jacques Cartier Bridge..."



BACKGROUND

Incorporated on September 2, 1998, the Federal Bridge Corporation Limited was originally given the mandate to replace the St. Lawrence Seaway Authority (SLSA) as the corporate body responsible for superintending certain non-navigational assets.

The civil structures transferred to us from SLSA are those of its former subsidiaries, The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) and The Seaway International Bridge Corporation Ltd. and include the Jacques-Cartier Bridge, the Champlain Bridge, The Seaway International Bridge and a section of the Bonaventure Autoroute. In addition to these civil structures, the Mercier Bridge (Southern Extension) and the Melocheville Tunnel were transferred from SLSA to JCCBI in 1998. In 1999, the Champlain Bridge Ice Control Structure was transferred from Fisheries and Oceans Canada to JCCBI.

The original transfer from the SLSA also included the rights, title and interest to a variety of real property holdings in Ontario and Quebec.

MANDATE

Guided by well-established business practices, the Corporation provides users with safe and effective infrastructures. The Corporation also highlights the Government of Canada's commitment to meet the transportation needs of Canadians.

In particular, the Corporation ensures that:

- Structures are safe, well maintained and that their useful life is maximized;
- Maintenance works are carried out with respect to the environment;
- Sources of revenues are maximized;
- Heritage structures are maintained and preserved.

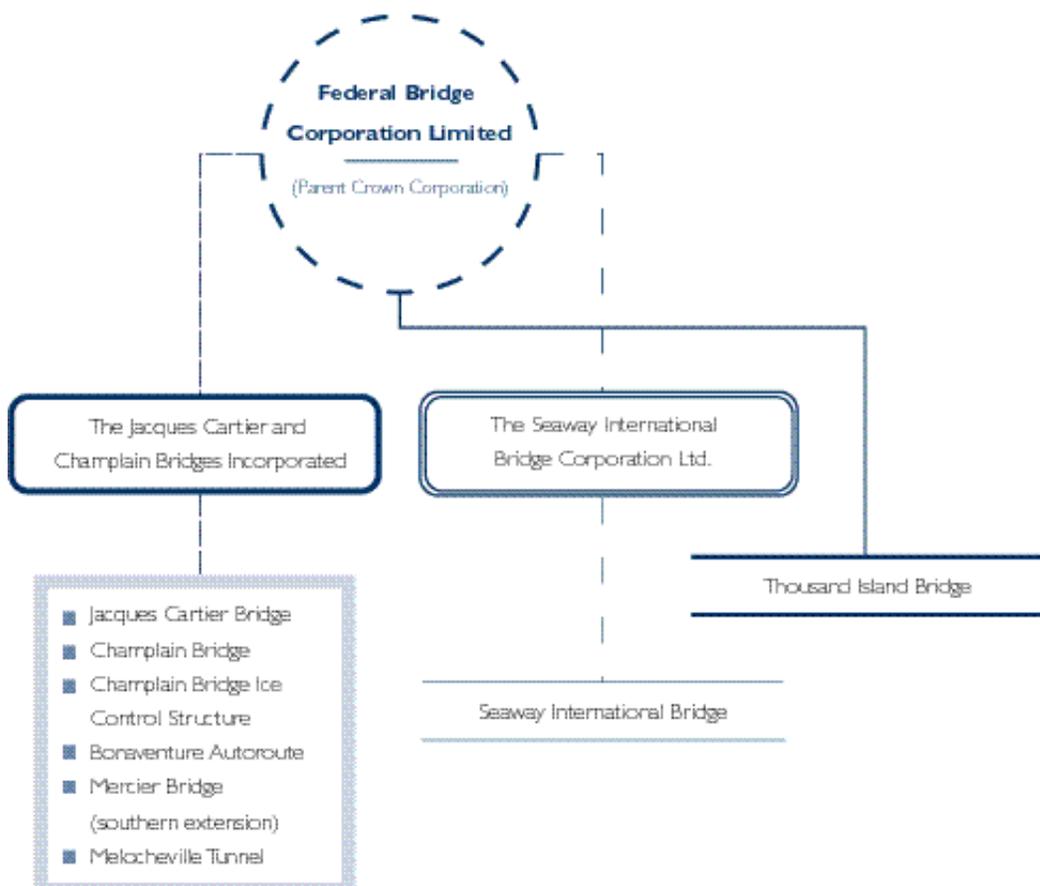


Jean-Charles Leclerc c
Director
Engineering and Construction
Jacques Cartier and Champlain Bridges Incorporated



ORGANIZATIONAL STRUCTURE

The Federal Bridge Corporation Limited controls two subsidiaries (Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge Corporation Ltd.) as well as the Canadian facilities of the Thousand Islands Bridge. The Corporation has the following organizational structure:





BOARD OF DIRECTORS

The Federal Bridge Corporation Limited has a three-member Board of Directors:



Michel Fournier
President and Chief
Executive Officer



Yvon Bourget
Director



Sheila Tremblay
Director

The Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge Corporation Ltd. have their own Boards of Directors.



Sylvie Lefevre
Counsel and Secretary of the Corporation
Jacques Cartier and Champlain Bridges Incorporated



OFFICERS OF THE CORPORATION

The Federal Bridge Corporation Limited's senior management is made up of:



Norman B. Willans
Legal Counsel and
Secretary to the Board



André Girard
Vice-President,
Communications



Michelle Holland
Vice-President,
Human Resources



Thye Lee
Structural
Engineer



Gérard Lalonde
Director,
Administrative Services,
and Treasurer

Laurent Lebrun
Supervisor-Accountant
Jacques Cartier and Champlain Bridges Incorporated





LOCATIONS

The head office of the Federal Bridge Corporation Limited is located in Ottawa, Ontario. Its two subsidiaries, the Jacques Cartier and Champlain Bridges Incorporated (JCCBI) and the Seaway International Bridge Corporation Ltd. (SIBC), have their respective offices in Longueuil (Quebec), and Cornwall (Ontario).

ONGOING PROJECTS

REPAIR WORK:

SAFETY IS OUR FIRST PRIORITY

While ongoing maintenance ensures that our structures are safe and accessible, the Corporation must periodically conduct or oversee major repairs to its bridges and other facilities.

The Federal Bridge Corporation Limited shall oversee the planned major rehabilitation work to replace the deck of the Jacques Cartier Bridge. In late 1999, Treasury Board reviewed

"...The corporation must periodically conduct or oversee major repairs to its bridges..."

Glen P. Carlin
Director General
Jacques Cartier and Champlain Bridges Incorporated

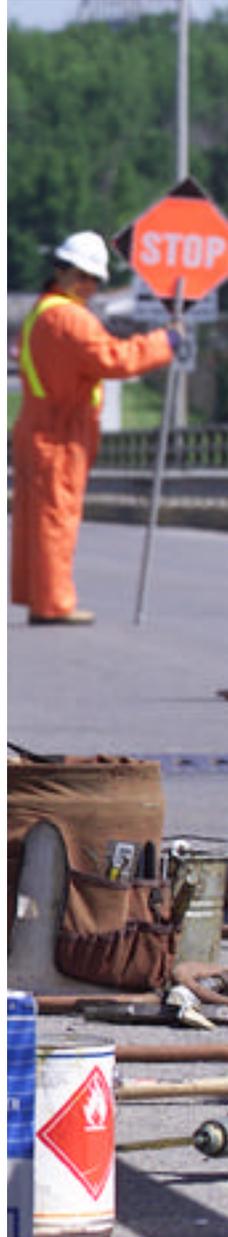
and approved an application to launch a request for proposals for a three-year turnkey project estimated at \$120 million, to replace the deck of the Jacques Cartier Bridge. Employing a design-build approach to rehabilitate an existing facility of this importance will be a first in Canada.

Work is scheduled to start on the bridge in April 2001 and is to be completed by November 2002. Construction and engineering plans were initiated in 1998.

NEW TRANSFER OPPORTUNITIES: BENEFITING FROM FBCL'S EXPERTISE

In addition to the non-navigational structures already transferred from The St. Lawrence Seaway Authority, the Corporation's mandate is sufficiently broad to allow it to assume bridge or structure management functions elsewhere in Canada, should the Governor in Council deem it necessary.

Some federal structures are currently managed, operated and maintained pursuant to agreements between the Federal Government and other organizations.





For example, the Canadian span of the Thousand Islands Bridge is operated and maintained by the Thousand Islands Bridge Authority in the United States, under an agreement between the relevant American and Canadian authorities. The Seaway International Bridge, which connects Cornwall (Ontario) to Rooseveltown (New York), is managed by the Seaway International Bridge Corporation Ltd. under an agreement signed with the United States Saint Lawrence Seaway Development Corporation.

We will therefore negotiate arrangements with third parties so as to assume management of such agreements pertaining to other federal structures. Local business corporations might also be created to allow for a useful private/public alternative in specific locations, depending on an area's economic and cultural landscape.

"...Local business corporations might also be created to allow for a useful private/public alternative..."

The lease and license administrator retained by FBCL will not only administer property holdings by negotiating leasing terms, but will also catalogue the properties held by the Corporation, ascertain that the grants in lieu of taxes are fair and that significant revenue possibilities related to real estate are realized.

MAXIMIZING ASSETS: RATIONAL GROUPING OF STRUCTURES

During the past year, our subsidiary, The Jacques Cartier and Champlain Bridges Incorporated (JCCBI), secured the direct transfer of the Champlain Bridge Ice Control Structure.

In cooperation with Montreal's Agence métropolitaine de Transport, JCCBI commissioned a feasibility study for a public monorail transit system connecting Montreal to the South Shore via the Champlain Bridge Ice Control Structure.





In accordance with this study the use of the ice control structure for the benefit of public transportation would have a very important impact on local traffic. A monorail could move between 14,400 and 24,000 passengers per hour, resulting in the removal of a large number of commuters off other bridges.

This would also free the reserved bus lane on the Champlain Bridge, which would contribute to ease traffic congestion.

A COORDINATED APPROACH: ENHANCING MANAGEMENT EFFECTIVENESS

The Federal Bridge Corporation Limited pursued its efforts to reduce its overall costs at its subsidiaries. Some of the relevant studies underway in this important area include The Seaway International Bridge (proposal for a low bridge between the City of Cornwall and Cornwall Island) and the three-year design-build approach to replace the deck of the Jacques Cartier Bridge.

Employing a design-build approach to rehabilitate an existing facility of this importance will be a first in Canada.

Furthermore, FBCL has assumed control of certain administrative services, formerly provided by the St-Lawrence Seaway Management Corporation (SLSMC), under a one-year transfer agreement between SLSMC and Transport Canada.

FOR YOUR SAFETY AND CONVENIENCE: THE VARIABLE MESSAGE SIGNS PROGRAM

The Federal Bridge Corporation Limited is ensuring the safety of these federal civil structures while at the same time highlighting the Government of Canada's contribution to the maintenance and operation of these structures.

Accordingly, since June 1999, FBCL has been implementing a new variable message signs (VMS) program providing motorists with useful traffic and road safety information. The program is to proceed in phases over the next few years.



Johanne Hamel
Secretary - Receptionist
Jacques Cartier and Champlain Bridges Incorporated

"...a new variable message signs program providing motorists with useful traffic and road safety information..."



In the first phase, four VMS signs were installed at the Jacques Cartier and Champlain Bridges. The hundreds of thousands of motorists who use these spans every day have recognized the benefit of the initiative.

The second phase consisted of installing two additional VMS signs: one at the Bonaventure Autoroute near the Lachine Canal, and the other at the Highway 15 approach to the Champlain Bridge near Atwater Street. The VMS technology informs commercial drivers and individual motorists about significant road and traffic conditions on various structures, thereby presenting choices and helping to redistribute traffic volumes and reduce congestion.

Projections indicate that traffic on the Montreal South Shore bridges is expected to increase by 20% (95,000 vehicles) over the next 16 years, with daily crossings going from 485,000 to 580,000. Time being of the essence, the need to circumvent these bridges by converting Highway 30 into a ring road was publicly highlighted by the Federal Bridge Corporation Limited.

Regarding the VMS program, it is interesting to note that neither the users nor taxpayers will have to pay for this initiative, since it will be financed through revenues generated from advertising signs installed on federal lands by the private sector.

BUILDING A STRONG TEAM

In order to serve its clients, the public, more efficiently while providing maximum value to its shareholder, the Government of Canada, we have made some important additions to our team.

The Corporation has retained expertise in Engineering to oversee and coordinate the repair and maintenance of its civil structures; in Lease and License Administration to negotiate agreements with tenants; in Business Development to assist the President in the implementation of corporate projects and in Human Resources.

"...commissioned a feasibility study for a public monorail transit system connecting Montreal to the South Shore via the Champlain Bridge Ice Control Structure..."

Lyne Couture
Human Resources Assistant
Jacques Cartier and Champlain Bridges Incorporated





Pro-active communication initiatives will help us build and maintain public understanding of our commitment, trust and integrity. Flexible communication channels will allow stakeholders and the public to better gauge the nature of our initiatives and to facilitate information flow and exchange. The new global reality, in the context of our business relationship with the United States, has driven us to establish communication links that will help us become a world-class corporation. Finally, communications will play a key support role in focusing on and solving core business issues, while contributing to the evaluation and development of regional, national and international partnerships.

LITIGATION AT AKWESASNE

In the past year, representatives of the Mohawk community of Akwesasne instituted legal action against the Federal Bridge Corporation Limited and The Seaway International Bridge Corporation Ltd. for lands expropriated on Cornwall Island to construct the St-Lawrence Seaway and The

Seaway International Bridge. The lawsuit includes a claim for \$315,000,000, plus 40 years' interest, from the federal government. From FBCL and its subsidiary, the Seaway International Bridge Corporation Ltd., the Plaintiffs are claiming a total of \$50,000,000. The plaintiffs are also seeking ownership of the bridge and the return of all tolls collected since 1962.

No provision has been made by FBCL in its books in this regard, because Transport Canada has assumed responsibility for defending this legal dispute within the Seaway Commercialization Agreement, the action originally having been taken against the St. Lawrence Seaway Authority.

FBCL ordered a survey to identify the land needed for ongoing and future maintenance works as well as for required operational facilities. As a result, lands that it holds but no longer needs for its purposes have been identified. This survey was given to Transport Canada to enable the department to initiate the process of transferring surplus properties to the Reserve.

"...communication initiatives will help us build and maintain public understanding of our commitment, trust and integrity..."



Claire Denis
Administrative Clerk
Seaway International Bridge Corporation Ltd.



AKWESASNE OPPOSITION TO TOLL SYSTEM

The collection of tolls on The Seaway International Bridge creates difficulties for the Mohawk community of Akwesasne. The community is exempt on an individual basis but it is asking for an updated system reflecting modern-day realities.

During the past year, the Corporation and its subsidiary, SIBC, have held discussions with the leadership of the Mohawk Council of Akwesasne, in an effort to arrive at a mutually acceptable solution. While both corporations are attempting to address the concerns of the Mohawk community, they are constrained by fiscal realities. Given the government mandate to be financially self-sufficient, SIBC must meet all its operations and maintenance costs out of toll and other revenues such as leases and licenses. Even though this situation continues to be problematic, the Corporation and SIBC are continuing to work with Mohawk leaders to develop solutions.

FUTURE DIRECTIONS AND OBJECTIVES

In order to fulfil our mandate, we have set ourselves a number of imposing tasks for the months and years ahead. Some of these will ensure that structures are safe, properly maintained and that their useful life is maximized. Other goals will help increase revenues generated by the infrastructures and properties, while other initiatives will help improve management policies and practices.

The following is a sample of the measures the Corporation is taking to achieve its mission:

"...our business relationship with the United States has driven us to establish communication links that will help us become a world-class corporation..."

Roger Leduc
Operations Supervisor
Seaway International Bridge Corporation Ltd.





CANADA-US FEASIBILITY STUDY FOR THE THOUSAND ISLANDS AND SEAWAY INTERNATIONAL BRIDGES

A preliminary study has been initiated in collaboration with the Department of Transport of the State of New York, to determine the feasibility of reducing crossing delays at the Thousand Islands and Seaway International bridges. The study will look at the existing infrastructures and the operational capacity of the two crossings, and determine possible remedial measures and their possible implementation.

Earlier this year, the Minister of Transport, the Honourable David Collenette, confirmed that the elevated span of the Seaway International Bridge in Cornwall would not be needed for future use over the Canal. In this context, the Canada-US feasibility study could potentially evaluate the cost and impacts of refurbishing the existing elevated span, versus building a new low span bridge between the City of Cornwall and Cornwall Island.

Hendrik Saaltink
General Manager
Seaway International Bridge Corporation Ltd.

REPLACING THE THOUSAND ISLANDS BRIDGE CENTRAL CABLE CONNECTORS

In the fiscal year 2000-2001, the Federal Bridge Corporation Limited intends to implement a maintenance plan that consists of replacing the Thousand Islands Bridge central cable connectors. Related work is scheduled to begin in the summer of 2000. FBCL has also commissioned a study on possible roadway changes at the Thousand Islands Bridge. If this study concludes that improvements must be made, then work will be initiated.

DEVELOPING ADDITIONAL SOURCES OF INCOME: VALUE FOR USERS, TAXPAYERS

The Federal Bridge Corporation Limited has some projects underway aimed at developing additional sources of income. One such project involves the installation by the private sector of advertising signs at the approaches of the Jacques Cartier and Champlain Bridges and along the Bonaventure Autoroute.





The FBCL broke new ground by getting bids from advertising firms for the installation of 30 new commercial signage sites, which will generate revenues (indexed to the Consumer Price Index) of about \$60,000,000 over the next 15 years for the FBCL. These revenues will defray the costs of the electronic message signs and will cover all related administrative expenses, including the cost of other equipment such as traffic safety surveillance camera systems.

STANDARDIZING DEPRECIATION POLICIES

The Federal Bridge Corporation Limited will initiate a project to standardize depreciation policies on structures it controls in order to evaluate whether the depreciation of these structures and their components is consistent with their useful life.

PERFORMANCE INDICATORS: DELIVERING ON OUR COMMITMENTS

Over time, the Federal Bridge Corporation Limited intends to establish key performance indicators and monitor them to ensure that the organization is fulfilling its mission and meeting its objectives.

These indicators will measure the extent to which costs have been reduced, management policies and practices standardized, federal government visibility enhanced, expertise and resources rationalized, structures transferred and arrangements made with third parties for the management of facilities.

GROUND TRANSPORTATION IN THE GREATER MONTREAL REGION

A solution is to be found for the over-utilization of the bridges in the Greater Montreal Region.

A short to medium term study was commissioned to determine whether the two most heavily traveled bridges in Canada (Jacques Cartier Bridge – 41 million transits per year – and Champlain Bridge – 48 million transits per year) would be able to accommodate forecasted traffic volumes.



Anne Ménard-Crites
Manager
Pension and Benefits



FINANCIAL REVIEW

This analysis is supplemental to the Consolidated Financial Statements presented on the following pages and cover the operations of The Federal Bridge Corporation Limited, its subsidiary and its proportionate share (50%) of its interest in its joint venture.

OVERVIEW

The financial results are for the first complete year of operations ending on March 31, 2000. When compared, the reader must bear in mind that the financial statements for the previous year of operations were for a period of 6 months beginning on October 01, 1998 and ending on March 31, 1999.

REVENUES

The total revenue of \$6,759,608 for 1999-2000 is broken down into three main categories.

- 1) Revenues from operations of \$3,996,998 reflect a strong increase generated from the Canadian operation at The Thousand Islands Bridge.
- 2) Leases and Licenses contributed \$ 2,109,899 to total revenue. The lease for the Duty Free Store at the Thousand Islands Bridge is the major item of this group.
- 3) The investment income is of \$ 652,711.

EXPENSES

Operating expenses for 1999-2000, for activities related to system operations, maintenance and engineering have reached \$ 25,390,917. Administration expenses of \$ 4,564,106 were required to insure adequate support to the operations of the bridges.

The amortization expenses of \$ 2,740,273 is consistent with the policy of the previous year and is mostly on assets transferred from The St-Lawrence Seaway Authority as per the transfer of assets agreement.



The Corporation can recover some of its costs for the maintenance of the Canadian customs facilities at the Lansdowne Border Crossing at the Thousand Islands Bridge. In 1999-2000 the recoveries amounted to \$ 295,166.

Parliamentary Appropriations in the amount of \$ 25,167,928 were necessary to cover the operating expenses of the subsidiary, The Jacques-Cartier and Champlain Bridge Incorporated, during that period.

CONTRIBUTED CAPITAL

The transfer of the Champlain Bridge Estacade to the subsidiary, on December 02, 1999 added \$ 2,400,000 to the Contributed Capital. This represents the unamortized portion of the Estacade.

LIQUIDITY AND CAPITAL RESOURCES

The cash flow from operations for the year is of \$ 2,375,906 while cash outlays required to acquire capital assets amounted to \$ 2,877,265.

The net cash flow of the Corporation has remained fairly constant at its current level of \$ 9,758,426.



The accompanying consolidated financial statements of The Federal Bridge Corporation Limited and all information in this Annual Report are the responsibility of management.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include some estimates which are based on management's best judgment. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the consolidated financial statements.

To meet management's responsibility and to ensure the integrity and reliability of financial reporting, the Corporation maintains a system of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded, and that transactions and events are properly recorded.

The system of controls is supplemented by an audit, which consists of periodic reviews of different aspects of the Corporation's operations. The external auditor has full and free access to the directors, who oversee management's responsibility for maintaining adequate control systems and the quality of financial reporting.

The Auditor General of Canada is responsible for auditing the consolidated financial statements and for issuing his report thereon.

Michel Fournier

President and Chief Executive Officer

Ottawa, Canada

May 26, 2000



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of Transport

I have audited the consolidated balance sheet of The Federal Bridge Corporation Limited as at March 31, 2000 and the consolidated statements of operations and retained earnings (deficit), contributed capital 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 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, 2000 and the results of its operations and its cash flows for the year then ended in accordance with 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 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 bylaws of the Corporation.

Richard Flageole, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 26, 2000

The Federal Bridge Corporation Limited
 Consolidated Balance Sheet
 March 31, 2000



	<u>2000</u>	<u>1999</u>
	\$	\$
ASSETS		
Current		
Cash and term deposits	9,758,426	9,798,764
Accounts receivable	2,246,100	1,364,486
Accrued interest receivable	3,470	120,680
Due from Canada	3,990,252	3,660,005
	<u>15,998,248</u>	<u>14,943,935</u>
Long-term		
Investments	2,500,000	2,500,000
Advance to co-venturer (Note 3)	343,127	508,393
	<u>2,843,127</u>	<u>3,008,393</u>
Capital assets (Note 4)	37,336,799	34,828,458
	<u>56,178,174</u>	<u>52,780,786</u>
LIABILITIES		
Current		
Accounts payable	4,775,112	3,712,657
Deferred revenue	214,336	307,908
	<u>4,989,448</u>	<u>4,020,565</u>
Provision for employee termination benefits	812,372	578,377
Deferred capital funding (Note 5)	453,802	274,324
	<u>1,266,174</u>	<u>852,701</u>
	<u>6,255,622</u>	<u>4,873,266</u>
Commitments and contingencies (Notes 11 and 12)		
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized		
Unlimited number of shares, without par value		
Issued and fully paid		
1 share	1	1
Contributed capital	50,041,592	47,641,592
Retained earnings (deficit)	(119,041)	265,927
	<u>49,922,552</u>	<u>47,907,520</u>
	<u>56,178,174</u>	<u>52,780,786</u>

The notes are an integral part of the consolidated financial statements.

Approved by the Board of Directors

President & Chief Executive Officer

Director



	2000	1999
	(12 months)	(6 months)
	\$	\$
Revenues		
Thousand Islands Bridge operating revenue (share) (Note 6)	2,252,169	905,738
Leases and licenses	2,109,899	727,772
Tolls	1,549,407	627,071
Interest	652,711	339,499
Other	195,422	112,621
	<u>6,759,608</u>	<u>2,712,701</u>
Expenses		
Maintenance	21,825,261	7,345,571
Operation	3,565,656	1,975,136
Administration	4,564,106	1,799,421
Amortization	2,740,273	1,259,627
Cost recovery (Note 7)	(295,166)	(267,745)
	<u>32,400,130</u>	<u>12,112,010</u>
Loss before government financing	(25,640,522)	(9,399,309)
Parliamentary appropriation for operating expenses	25,167,928	9,628,543
Amortization of deferred capital funding (Note 5)	87,626	36,693
Net income (loss)	<u>(384,968)</u>	<u>265,927</u>
Retained earnings, beginning of period	265,927	-
Retained earnings (deficit), end of period	<u>(119,041)</u>	<u>265,927</u>

The notes are an integral part of the consolidated financial statements.

The Federal Bridge Corporation Limited
 Consolidated Statement of Contributed Capital
 Year ended March 31, 2000



	2000 (12 months) \$	1999 (6 months) \$
Balance, beginning of period	47,641,592	-
Transfer of the assets of		
St. Lawrence Seaway Authority	-	36,982,982
The Jacques Cartier and Champlain Bridges Inc	-	10,658,610
Transport Canada (Note 8)	2,400,000	-
Balance, end of period	<u>50,041,592</u>	<u>47,641,592</u>

The notes are an integral part of the consolidated financial statements.

The Federal Bridge Corporation Limited
 Consolidated Statement of Cash Flows
 Year ended March 31, 2000



	<u>2000</u> <u>(12 months)</u> \$	<u>1999</u> <u>(6 months)</u> \$
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Net income (loss)	(384,968)	265,927
Non-cash items		
Amortization of capital assets	2,740,273	1,259,627
Amortization of deferred capital funding	(87,626)	(36,693)
Increase in provision for employee termination benefits	233,995	20,875
Changes in working capital items (Note 9)	(125,768)	1,076,268
Cash flows from operating activities	<u>2,375,906</u>	<u>2,586,004</u>
<i>CASH FLOWS FROM INVESTMENT ACTIVITIES</i>		
Increase in investments	-	4,500,000
Decrease (increase) in advance to co-venturer	165,266	(67,808)
Acquisition of capital assets	(2,877,265)	(144,060)
Disposal of capital assets	28,651	-
Cash flows from investment activities	<u>(2,683,348)</u>	<u>4,288,132</u>
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>		
Contribution in the form of cash and short-term deposits	-	2,846,565
Increase in deferred capital funding	267,104	78,062
Capital stock	-	1
Cash flows from financing activities	<u>267,104</u>	<u>2,924,628</u>
Net increase (decrease) for the period	(40,338)	9,798,764
Cash and deposits, beginning of period	9,798,764	-
Cash and deposits, end of period	<u>9,758,426</u>	<u>9,798,764</u>

The notes are an integral part of the consolidated financial statements.



1 - AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited, 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 the provisions of the *Income Tax Act*.

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

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 joint venture, The Seaway International Bridge Corporation Ltd., are self-financed by using their own operating income.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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, and its proportionate share (50%) of its interest in its joint venture, The Seaway International Bridge Corporation Ltd. The consolidated operations include the results of the subsidiary and those of the joint venture for the period from April 1, 1999 to March 31, 2000 (from October 1, 1998 to March 31, 1999 for the year ended March 31, 1999).

(b) Parliamentary appropriations

The parliamentary appropriations, which the subsidiary uses to offset the excess of its operating expenses over its operating revenues, is shown on the statement of operations and retained earnings (deficit). In this regard, the excess of operating expenses over operating revenues of the subsidiary do not include amortization, the change in the provision for employee termination benefits and the gain or loss on the disposal of capital assets.

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

Any portion of the parliamentary appropriations that the subsidiary is entitled to but which are not received by year-end is shown as an amount due from Canada.



2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Capital assets and amortization

Capital 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.

Capital 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.

Amortization is recorded using the straight-line method based on the estimated useful service lives of the assets and the following rates:

Bridges	2% - 5%
Remedial work	5% - 10%
Deferred major repairs	10%
Vehicles and equipment	10% - 20%
Buildings	2% - 10%

(d) Deferred revenue

Deferred revenue is comprised of leases, licenses and the sale of toll tickets, for which services have not been rendered, are deferred and accounted for as services are provided.

(e) Employee termination benefits

The cost of these benefits is expensed in the period during which the services granting entitlement to the benefits are rendered by employees.

(f) Pension plan

All employees of the subsidiary and the joint venture are covered by the Public Service Superannuation Plan administered by the Government of Canada. The contributions of these entities to the plan are limited to an amount equal to the employees' contributions. The entities are not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

The Federal Bridge Corporation Limited employees are covered by a defined contribution private pension plan and the cost of this plan is shared equally by the employees and the Corporation.

Pension plan contributions are recorded in the period in which they are incurred.



3 - ADVANCE TO CO-VENTURER

This account represents the excess of the contribution required by The Federal Bridge Corporation Limited in its joint venture.

The advance bears interest at the average one-year Treasury bill rate and has no repayment terms. As at March 31, 2000, its carrying amount approximated its fair value.

4 - CAPITAL ASSETS

	2000		1999	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	3,769,987	-	3,769,987	3,769,987
Bridges	136,355,667	107,044,824	29,310,843	29,067,451
Vehicles and equipment	4,714,506	1,720,966	2,993,540	953,838
Buildings	2,537,625	1,652,674	884,951	556,823
Deferred major repairs	943,207	593,442	349,765	451,249
Remedial works	48,917	21,204	27,713	29,110
	<u>148,369,909</u>	<u>111,033,110</u>	<u>37,336,799</u>	<u>34,828,458</u>

The cost of the section of the Bonaventure Autoroute and the initial cost of the Jacques Cartier Bridge are fully amortized.

5 - DEFERRED CAPITAL FUNDING

	2000	1999
	\$	\$
Balance, beginning of period	274,324	232,955
Parliamentary appropriations to finance the acquisition of amortizable capital assets	267,104	78,062
Amortization	(87,626)	(36,693)
Balance, end of period	<u>453,802</u>	<u>274,324</u>

6 - THOUSAND ISLANDS BRIDGE'S OPERATING INCOME (SHARE)

This share represents 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.



7 - COST RECOVERY

This recovery represents the repayment by Public Works and Government Services Canada of costs incurred as maintenance expenses for the Canadian Customs station of the Thousand Islands Bridge in accordance with a contractual agreement.

8 - CONTRIBUTED CAPITAL AND ACQUISITION OF ASSETS

Transport Canada transferred the Champlain Bridge Ice Control Structure of the Champlain Bridge to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, on December 2, 1999. The related amount of \$2,400,000 was recorded under contributed capital.

The net carrying amount of the capital asset transferred is as follows:

	\$
Cost	18,000,000
Accumulated depreciation	15,600,000
Net carrying amount	<u>2,400,000</u>

9 - INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

	2000 (12 months)	1999 (6 months)
	\$	\$
Accounts receivable	(881,614)	363,594
Accrued interest receivable	117,210	(62,111)
Due from Canada	(330,247)	1,640,472
Accounts payable	1,062,455	(961,019)
Deferred revenue	(93,572)	95,332
	<u>(125,768)</u>	<u>1,076,268</u>

10 - 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.



11 - COMMITMENTS

The Corporation has entered into agreements, principally supply, professional services and lease agreements, which call for payments of \$5,668,706 until 2007. Minimum payments for the next five years are \$2,488,667 in 2001, \$1,078,422 in 2002, \$902,621 in 2003, \$370,964 in 2004, \$371,527 in 2005 and \$456,505 for subsequent years. The Corporation is also committed to pay annually a minimum amount of \$2.9 million pursuant to an agreement for police services which expires on June 30, 2002.

12 - CONTINGENCIES

- (a) Claims have been filed or lawsuits instituted against the Corporation, some of which are claiming significant monetary damages which could result in major expenses. These matters are subject to considerable uncertainty and the outcome of each case cannot be predicted. An allowance for each expense has been established based on management's best estimate. It is possible that the Corporation may have to settle some of these claims for amounts that exceed the allowances currently established.
- (b) It may be necessary to decontaminate some of the Corporation's properties. To date, the Corporation has been unable to determine the related costs as it has not assessed the extent of contamination on all of its properties. The costs for environmental assessments and decontamination work are accounted for in the year during which the work is performed.

13 - MAJOR REHABILITATION WORK

As part of its mission, the Corporation is required to undertake major rehabilitation work on the deck of the Jacques Cartier Bridge. The Corporation has obtained approval from the Treasury Board to solicit bids for a three-year design-construction project to replace the deck of the Jacques Cartier Bridge. Construction work on the bridge is expected to start in April 2001 and end in November 2002. The entire project cost, including direct and indirect costs, is estimated at \$120 million dollars.

14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, term deposits, accounts receivable, amount due from Canada and accounts payable approximates their fair value given their short-term maturity. There is no concentration of accounts receivable and accordingly, the credit risk is low.

15 - COMPARATIVE FIGURES

Certain of the 1999 comparative figures have been reclassified to conform with the current year's presentation.