ANNUAL REPORT 2007

Building Relationships, Forging into the Future

Canada

BLUE WATER
BRIDGE AUTHORITY

FORGING INTO THE FUTURE

Every day, the Blue Water Bridge Authority strives to be attentive to our customers' and stakeholders' needs and to meet our corporate and governance responsibilities. We are perennially future-oriented and technologically advanced in all we do. We are prepared to maintain continuity of our operations throughout any emergency, disaster or crisis, regardless of the slim probability of such a critical event occurring.

"To ensure the safe and efficient passage of customers along with the provision of sufficient facilities for bridge plaza stakeholders" is our mission statement but our proactive approach to this business is proving to turn our plaza and facilities into the best, if not one of the very best cross-border operations across Canada and the United States.

We have a clear strategy and are clear on the future challenges ahead. Most importantly, we are clear on what we need to do to meet those challenges. Our employees fully understand and are completely committed to our strategic approach which is comprehensible, concise, actionable and measurable.

LETTER FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Arriving in December, 2006 with an extensive 20-year background of marketing and, having been a proprietor of a very successful "dot.com" business, I brought with me a number of preconceived notions about "working for government". Over the past year I have come to realize the unique business structure that is the Blue Water Bridge Authority (BWBA). Unlike almost all Crown corporations, we do not need, nor do we receive federal appropriations ***- we are 100% self-sufficient***. We are an enterprise that generates a profit to fully fund, over a period of years, the two bridge spans, the plaza and approaches as well as all the buildings thereon. Historically, prior to my arrival and reaching back to its inception in1964, there has been a very proactive, entrepreneurial management philosophy and action plan already in place. It is worth noting that while the American side of the bridge operations is contemplating a $400 million capital renovation project, BWBA contemplates only $119 million to be spent over the next five years and beyond to achieve similar outcomes such as the same flexible excess capacity and efficiency required to meet any challenge from government and commercial agency demand well into the future.

I intend to build on my predecessor's success by encouraging the development of formal strategic objectives that will be specific, measurable, achievable and relevant. A marketing emphasis will be driven towards improving our already positive public image and profile without relying on external consultants. We want to personally and professionally educate the public by getting our message out through increased managerial and Board communication and involvement with all municipal, provincial, state and federal government and non-government agencies, commercial and community groups – all of whom contribute to our success or we contribute to their success.

During this past year many managerial approaches in not only how we do business but also how we foster and nourish our employees' working environment have been re-thought and adjusted. Due to the significant reduction in traffic volumes, we re-visited our entire master capital plan. Millions of dollars have not only been saved during this formal process but we have been able to expedite the construction phases. For our entire workforce we have implemented many Mutual Respect program initiatives to encourage the expression of opinions and to provide each employee with the ability to take true ownership over their respective jobs and responsibilities.

During the past year BWBA has been inundated with auditors – External Auditors, Internal Auditors and Special Examiners, 4 separate audits in all. The respective audit reports have provided us with several excellent recommendations and from which we are in the process of implementing all of them.

There have been tremendous changes this past year at the senior executive and management levels: three of the four previous board members have been replaced ; my new appointment as president and CEO; the new government affairs primary focus of the vice-president position; the promotion of our accounting supervisor to chief financial officer and; the additional maintenance oversight assigned to the current projects manager. As a result of this, I am encouraged and deeply gratified to witness the implementation of a multitude of proactive and innovative ideas which will serve BWBA well into the future for all stakeholders and the general public at large.

Chuck Chrapko
President and Chief Executive Officer

LETTER FROM THE CHAIRMAN OF THE BOARD

This past year has been a year of transition, reflection, renewal, reevaluation, sadness and exhilaration. With the passing away of my predecessor Doug Keddy, in April, and the term expiry for two other directors of the Board, three new directors were appointed. Each of our four directors, myself included, bring varied backgrounds to the Board in the areas of business, legal, environmental issues and political experience. Senior management is also in a transition phase not only with its two new members but also with the repositioning of responsibilities for the Vice President and project manager. The Board will take advantage of this unique year of transition to rethink prior strategic plans and to inject fresh ideas and approaches at our gateway.

A primary focus of the Board this coming year will be to improve our overall corporate governance. We will be taking a more active role in not only directing senior management towards the strategic objectives necessary but also with the approaches to be taken for each of these objectives. The Board is committed to exert more oversight and follow-up not only over financial results and accounting issues but also with the implementation of internal, external and special examination audit recommendations.

Due to concerns with decreasing traffic volumes, the Board reviewed in detail with management, the Master Capital Plan. Upon reevaluation, we collectively came to the conclusion that these future capital projects are primarily needed to increase safety, security and to improve our environment. BWBA will be moving ahead in a planned manner to implement the master capital plan.

With the relative newness of the Board, there has and will continue to be an effort to educate its directors through corporate governance training. However, this education also needs to be supplemented with practical exposure to professional organizations and stakeholder committees directly involved with advancing the technology and services at our gateway. To that end, we have found attendance at conferences and meetings to have been invaluable in keeping our Board members informed and involved.

A dedicated effort has been initiated to increase our involvement with our local communities. This increased interaction can hopefully assist in their economic growth. Increased marketing of our gateway is of great interest to the Board. A more formalized and expanded plan will be evident in the immediate future.

The Board has become very concerned with the increased intensity of the U.S. Customs (CBP) inspections on both truck and car traffic. Even though our volumes have been significantly and consistently lower this year, we have major traffic backups that must not continue. CBP has tried to explain this anomaly by citing a lack of infrastructure, manpower and, yes, incredibly even volume. However, numerous newspaper articles relating the personal horror stories of travellers have brought pressure to bear on the CBP. In addition there have been complaints from chambers of commerce, manufacturing and trucking associations on both sides of the border.

The Board will do its part by continuing to stress the importance of a smooth and efficient flow of traffic for human and economic reasons.

Ken James

Ken James
Chairman of the Board of Directors

EXECUTIVE MANAGEMENT TEAM

Chuck Chrapko: ***President and Chief Executive Officer***, with a business background involving marketing and previous owner of a successful information technology company.

Stan Korosec: ***Vice President, Operations,*** overseeing the toll and currency exchange operations and responsible for government affairs; has extensive experience with security issues from his former career as a supervisor with the Ontario Provincial Police.

David Joy: ***Chief Financial Officer,*** had been the accounting supervisor 4 years prior to being promoted to CFO. He has 28 years of progressive accounting/finance experience across manufacturing, petrochemical, financial, tollway and government industries.

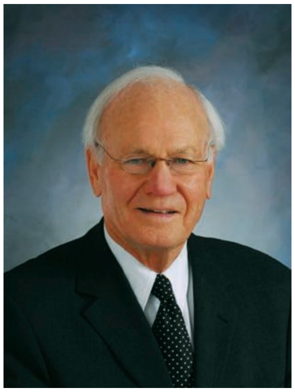
Ed Teft: ***Manager of Capital Projects,*** responsible for all construction and maintenance activities and has been with BWBA for 26 years in progressive positions.

Mary Teft: ***Human Resources and Office Manager,*** is our longest serving employee with 31 years experience exclusively with the Bridge.

Joe Lopetrone: ***Operations Manager,*** since 1996 and has over 36 years of management experience.

Cathy Gardiner: ***Currency Exchange Manager,*** has been with the corporation for the past 18 years all within the same department.

BOARD OF DIRECTORS



Ken James
Chairman of the Board
Former federal MP, 1984 to 1993
Former Councillor and Reeve of Township of Sarnia, 10 years

Barry Hogan
Vice Chairman
President, Gamble & Associates Insurance Ltd.
Board Member, Roman Catholic Diocese of London Finance Committee
Past President, Current Member, St. Joseph's Health Care Society, London

Rina Mukherjee
Director
Member, Sarnia Environmental Advisory Committee
Former Chair, Lambton Rural Childcare

Ann Gray
Director
Freelance Lambton County law clerk
Member, Ontario Association of Professional Searchers of Records
Member, Professional Paralegal Association of Ontario

BACKGROUND, LEGISLATIVE AUTHORITY AND COMPLIANCE

The Blue Water Bridge Authority (BWBA) was created by a 1964 Act of Parliament (*Blue Water Bridge Authority Act*) to own (under federal control), operate and maintain the Canadian half of the highway toll bridge over the St. Clair River between Point Edward, Ontario and Port Huron, Michigan.

In accordance with the provisions of a 1928 Special Act of Parliament authorizing construction and operation of the Blue Water Bridge, ownership of the Canadian portion reverted, at no cost or expense, to the Federal Government from the State of Michigan in 1962. The Michigan Department of Transportation (MDOT) owns, operates and maintains the U.S. half of the bridge.

BWBA qualifies as a "parent Crown corporation" under the *Financial Administration Act* (Canada) and regulations. As such, BWBA is required to submit an annual corporate plan outlining its business activities and investments, set BWBA's objectives for the relevant period and the strategy to achieve such objectives. The *Financial Administration Act* (Canada) also requires that BWBA prepare and file annual operating and capital budgets, each of which require the approval of the Treasury Board on the recommendation of the Minister of Transport. BWBA is obliged to prepare annual reports including audited financial statements for submission to Parliament via the Minister of Transport.

The *Blue Water Bridge Authority Act (Canada)*, and the *Customs Act*, section 6, require BWBA to provide, equip and maintain free of charge adequate buildings or other facilities for the proper interviewing, examination and detention of persons and goods by customs officers.

BWBA is currently taking active measures to ensure compliance with the *Official Languages Act* and is also planning to review its obligations with the Treasury Board of Canada Secretariat to ensure compliance with the *Federal Identity Program*.

BWBA has operational relationships with: Ontario provincial authorities and particularly with the Ministry of Transportation; the Ontario Provincial Police, and; local municipalities, in particular Point Edward, Ontario upon which the bridge's Canadian assets are sited.

Pursuant to the *Blue Water Bridge Authority Act*, BWBA is limited to charging tolls which provide for current revenues in an amount sufficient to pay BWBA's reasonable current costs; to establish prudent reserve funds; to provide or replenish sinking funds in respect of outstanding bonds; and to pay other expenses properly incurred by BWBA in its performance of duties under the Act. The *Canada Transportation Act* regulates the means of setting and publishing toll rates.

MAJOR TRADE ROUTES

The Bridge is a major commercial traffic access point to the south-central United States. The Bridge connects Highway 402 in Ontario to I-94 and I-69 in Michigan, which provides southerly access to the following metropolitan areas: Detroit, Michigan; Indianapolis, Indiana; Madison, Wisconsin; Minneapolis, Minnesota, and; St. Louis, Missouri, covering the Gulf Coast Corridor and extending down through Florida.

HIGHLIGHTS – 2007

Construction on the truck ramp has been completed and has been well received and appreciated by the trucking community. Trucks are now able to get up to speed and merge more smoothly with car traffic to further improve eastbound safety and traffic flow.

Capital projects related to additional security and safety have been completed such as the closed circuit television system upgrade for the highway and the variable message sign improvements for the bridge spans. Trucking companies and residential homeowners can now use their computers and handheld devices to view westbound traffic (to the United States) to assess the convenience and timing of their cross border trips.

The frequently experienced wait times ranging between 1 to 3 hours has increased the general public's perception of traffic congestion wherein many travellers automatically do not bother to consider crossing the border. As a result of the increased intensity of U.S. Customs (CBP) inspections there has been a significant westbound (to U.S.) decrease in car traffic (6.6%). Commercial traffic has been negatively impacted by the auto and other manufacturing industry slow downs (11.2%). Commercial traffic driving into Canada has seen much less of a decrease due to the facility capacity of the CBSA (Canada Border Services Agency) to process and conduct the secondary inspections versus that of Windsor's Ambassador Bridge.

The decision to significantly reduce external consulting expenses and deal with government affair issues in-house has resulted in a noticeable increase in cooperation between the two Blue Water Bridge administrations (U.S. and Canadian). Our leadership and involvement with the newly formed Public Border Operators Association and more personal involvement with the International Bridges, Tunnels and Turnpike Association, the various levels of chambers of commerce, trucking associations and other provincial, state and federal agencies will further improve our ability to influence federal policy decision makers to increase the efficiency and ease of the commercial and general public's ability to cross the border.

Total Two-Way Traffic Crossing (United States - Canada)

Traffic Report (September to August)		2007	2006	Change	Percent
Blue Water Bridge	Cars	1,738,243	1,860,097	(121,854)	(6.55%)
(Traffic going to U.S.)	Trucks	784,319	883,421	(99,102)	(11.22%)
	Buses & Misc.	3,786	3,676	110	2.99%
	TOTAL	2,526,348	2,747,194	(220,846)	(8.04%)
Blue Water Bridge	Cars	1,743,980	1,846,887	(102,907)	(5.57%)
(Traffic going to Canada)	Trucks	812,641	843,095	(30,454)	(3.61%)
	Buses & Misc.	4,927	4,730	197	4.16%
	TOTAL	2,561,548	2,694,712	(133,164)	(4.94%)
Blue Water Bridge	Cars	3,482,223	3,706,984	(224,761)	(6.06%)
(2-Way Traffic)	Trucks	1,596,960	1,726,516	(129,556)	(7.50%)
	Buses & Misc.	8,713	8,406	307	3.65%
	TOTAL	5,087,896	5,441,906	(354,010)	(6.51%)

PERFORMANCE AGAINST KEY STRATEGIC OBJECTIVES

As a Crown corporation, BWBA complies with the Financial Administration Act and is guided by the Treasury Board Secretariat guidelines in the preparation of its corporate plans and annual reports. Objectives identified in the 2006-2007 BWBA Corporate Plan and performance results are summarized below, followed by the key strategic objectives for the year 2008.

Managerial prudence, due diligence and comprehensive corporate governance are inherent in the Authority's strategic objectives. Employees' performance objectives are linked to corporate goals and business plans. Through its representation on various governmental and community boards and committees, BWBA ensures proper communication and action is taken with regards to all management and operation activities, so that the interests of the Government of Canada are adequately protected, especially in the areas of risk assessment, terrorism and environmental matters.

BWBA has been self-sufficient since its inception in 1964. We are not only self-sufficient on an operational basis but also on a capital basis wherein we will be able to fund an aggressive master capital plan with current cash and investment levels coupled with continued positive financial performance.

Business / Financial

2006-2007 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Optimize financial results to fully fund capital projects & maintain facilities.	Achieve net income of $6.5 million.	Net Income of $4.0 million due to decrease in traffic volume, rental revenue and loss recognized on MTO portion of truck ramp.
To ensure that cash flows will support the obligations incurred in the bond financing master trust indenture.	Gross Debt Service Ratio = 11.82 Debt Service Coverage Ratio = 2.87 Standard & Poor's bond rating = AA-	GDSR = 13.27 DSCR = 2.50 S & P rating = AA-
To invest 100% of the cash available from operating activities to "Provide the finest international transportation facilities on the Great Lakes".	Cash available from Operating Activities = $11.5 million. Capital Expenditures = $15.0 million.	Cash available from Operating Activities = $9.1 million. Capital Expenditures = $6.3 million. Long-term forecast indicates that non-restricted investments will be 100% depleted by 2012.

PERFORMANCE AGAINST KEY STRATEGIC OBJECTIVES Continued

Due Diligence and Security

2006-2007 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
To develop and maintain a Business Continuity Plan.	BCP Manual	BCP manual has been drafted and the building infrastructure for the IT site has been completed. Equipment infrastructure and software/hardware recovery protocols still to be developed.
Compliance with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.	Attendance by Toll and Currency Exchange employees on some continuing professional development courses and seminars.	Training received re: Privacy Act, About Business Crime.

Construction

2006-2007 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
To continue to work on the Master Plan and to implement Phase 1; in particular, the truck ramp.	Truck Ramp should be 100% complete by December 31st, 2006.	Truck ramp 100% complete by June 2007; CBA Complex project in design phase Fall 2007 and construction phase Winter 2008 through to 2011.

Operations and Safety

2006-2007 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
To maintain the two bridge spans in a good to very good level of repair.	Recommendations from the 2006 bridge inspection report will be 100% implemented.	All recommendations from the 2006 report have been implemented.
To maintain an injury-free workplace.	To achieve 500,000 injury free hours.	This benchmark has been replaced with the initial development of processes to satisfy WSIB Workwell program requirements and then the subsequent adoption of the Federal Health and Safety Workplace compliance program to which we anticipate to be graded in 2008.

PERFORMANCE AGAINST KEY STRATEGIC OBJECTIVES Continued

Governance and Federal Regulations

2006-2007 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
To review the Authority's Governance options.	The directors and CEO have continued to work with the Minister, Transport Canada and Treasury Board to review the BWBA's long-term governance options.	No further review is being undertaken. We are satisfied with our current designation as a parent Crown corporation under the auspices of the Federal Administration Act.
Compliance with the Official Languages Act.	To have 3.5% of workforce bilingual, mirroring the francophone composition in the Sarnia-Lambton area.	Currently have 9.0% of workforce bilingual. (3 full-time and 4 temporary). Additional initiatives are underway to have our website, logos and office communications fully compliant.
To review and implement any changes required to ensure compliance with the Federal Identity Program.	Mailings, letterheads, and other corporate identifications to be compliant.	With the recent ministerial approval (October 2007) of our corporate name change, the website is currently under construction and will be completed in 2008. Other identifiable signs, letters and miscellaneous supplies etc. are also in the process of being converted.

Human Resources

2006-2007 OBJECTIVES	PERFORMANCE TARGETS	PERFORMANCE ASSESSMENT
Review and assessment of human resource needs.	Documented succession plan.	Completed and approved by the Board, November 2007.
	Assessment of human resource needs.	Elimination of 2 full-time supervisory positions; reduction of 1 full-time administrative support position.
		An independent salary administration, job description and classification assessment is currently underway (Fall 2007).

2007-2008 OBJECTIVES, STRATEGIES AND TARGETS

Corporate Business Objective (Interim Mission Statement)

To ensure the safe and efficient passage of traffic along with the provision of sufficient facilities for bridge plaza stakeholders.

Operational Values (Philosophy)

Continuous pursuit of operational efficiencies through proactive business and financial planning and due diligence incorporating the health, safety and education of employees and customers, environmental stewardship, archaeological commitment, communications, marketing and public consultation.

Strategic Objectives

Improving Health and Safety Regulatory Compliance

2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS
Completion of a Federal HRSD Labour Program Audit.	Audit completion and development of additional H&S objectives by August 2008.	Completion of paperwork; Performance of independent audit.
Improvement of Ergonomic Infrastructure.	Certification of one HR/Admin employee. Documentation of Ergonomic studies and corrective actions or plans in place to make improvements.	Certification Documentation
Implementation of the Hazard Program Regulation Plan.	To implement the documented plan as per section 19 of CLC 11.	Documentation of actions taken.

Pursuit of Business and Financial Efficiencies

2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS
Upgrading of current software.	Accounting System Upgrade Toll System Upgrade.	Completion by September 2007.
Implementation of new software.	Human Resources Administration Electronic Timesheet System Project Accounting Module.	Completion by December 2007.

2007-2008 OBJECTIVES, STRATEGIES AND TARGETS Continued

Encouraging Employee Development & Enhancing a Positive Work Environment

2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS
Development of a comprehensive and effective Mutual Respect in the Workplace (Harassment) Policy.	100% complete by August 2007.	Policy in place.
Continuous mandatory & voluntary training.	100% complete per planned training schedule.	Attendance reports documented listing of training conducted.

Improving Health and Safety Regulatory Compliance

2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS
Completion of Business Continuity Plan and Testing.	Construction of "hot" computer/server site. Replication of IT data and development of disaster protocols for software applications. Completion of Business Continuity Manual. Full "disaster" test of IT system.	Completion by September 2007. Protocol documentation by October 2007. December 2007 August 2008
Review of Master Plan.	Documented justification with Board and management approval for the continuation or alteration of the original Master Plan.	Minutes from Board Retreat, November 2007. Minutes from Management Retreat, February 2008.
Review and tendering of contracts.	New insurance contract new telephone contract (long distance & phone lines).	June 2007 June 2007
Establish a formal MOU with MDOT for the maintenance and associated reporting.	A signed memorandum of understanding.	December 2007

2007-2008 OBJECTIVES, STRATEGIES AND TARGETS Continued

Improving Corporate Governance

2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS
Development of a charter for the Board.	- Identification of its roles & responsibilities. - Identification of the roles & responsibilities of the Audit Committee.	Completion of a formal, documented charter.
To assume more responsibility for the stewardship of the Authority.	- Development of a new mission statement. - Development of strategic objectives to provide direction for the development of the corporate plan. - Formal identification & discussion of all major risks and their mitigation.	Corporate Plan Retreat for the Board. Documented by minutes. Formal, documented direction from the Board as to the declaration of the official Mission Statement, Strategic Objectives, Risks and Activities mitigating those risks.
Identify performance objectives for the CEO and evaluate performance.	Documented objectives and performance review by August 2008.	Documents filed and completed.
Implementation or Justification Review of Internal Audit Recommendations.	100% complete by August 2008.	Formal, documented assessment against findings and recommendations.
Implementation or Justification Review of Special Examination Recommendations.	100% complete by August 2008.	Formal, documented assessment against findings and recommendations.

Compliance with Federal Programs and Legislation

2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS
Compliance with Federal Identity Program.	Logos, signage, flags, stationery, electronic forms, email addresses, website.	Completion by December 2007.
Compliance with Official Languages Act.	Website to include alternate French section for all components.	Completion by December 2007.

2007-2008 OBJECTIVES, STRATEGIES AND TARGETS Continued

Enhancing Environmental Stewardship

2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS
Master Plan, new CBA (Customs) achieve LEED accreditation.	Decisions on CBA design which will likely be compliant with attaining LEED (Leadership in Energy & Environmental Design) certification; August 2008.	Documented identification of the intended infrastructure pieces to attain LEED certification.
To conduct a comprehensive evaluation of overall environmental risks.	Development of formal environmental evaluation document by August 2008.	Addressing the risks related to hazardous waste or fuel tank storage.
Internal Employee Education and Program Awareness.	- Revised & enhanced recycling program. - Formal training program. - Energy and water reduction and conservation.	- "Blue box" changes. - Distribution of environmental CDs to employees. - Tracking of unit usage from utilities' invoices.

Increase and Improve Customer Service, Marketing & Community Profile

2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS
To improve customer service.	- Provision of free wireless internet for truckers.	Installation
	- Personal contact, marketing visits to top 5 trucking firms.	Documented trips and formal "feedback" reports from trucking companies.
	- Provision of debit card machines at Currency Exchange.	Installation
	- Development of new Web Site, FIP & Official Languages compliant.	Completion
Raise public awareness of NEXUS and FAST.	Combined marketing campaign with the Duty Free Store; attendance & sponsorship of IBTTA and trucking conferences.	Attendance at conferences; 15,000 NEXUS enrollments.

MAJOR DEPARTMENTAL OBJECTIVES

Administration

a) Improving the corporate governance structure.
b) Reevaluation of prior major initiatives and directions (Master Capital Plan, Employee Productivity).
c) Enhancing corporate image and increasing traffic volume through aggressive marketing strategies internally and with major plaza stakeholders.
d) Strengthening corporate relationships with all related Canadian and U.S. government agencies.

Project Management

a) Implementation of Internal Audit & Special Examination Recommendations:
   - Contracts
   - Implementation of Project Accounting Module
b) Master Plan
   - Completion of Truck Ramp
   - Review of Master Plan
   - Final design, inclusion of LEED's & commencement of construction of the CBA building

Tolls

a) Improvement of Toll processes and reporting through the planned major software upgrade of Toll system.

Currency Exchange

a) Familiarization with and improvement of processes and reports from the recent implementation of the customized currency exchange software.
b) Increase volume of car traffic into the currency exchange operations through effective marketing/advertising promotions.

Maintenance

a) Development and roll out of environmentally friendly initiatives for employees to live and work by.
b) Continuation with proactive bridge maintenance program.

Human Resources/Office

a) Familiarization and 100% utilization of the potential provided by the SAGE/ABRA Human Resources software.
b) Establish relationship and protocols for dealing with the new union, PSAC.
c) Substantially improve performance on Health and Safety audits.

THE ISSUE OF TRAFFIC FLOW, CONGESTION AND SAFETY

In last year's Annual Report (2006) we stated the following: ***"While several improvements to reduce traffic congestion have been implemented and have resulted in the desired effect, there have nonetheless been long truck and car lineups during the summer months. This is primarily due to an increased sensitivity from U.S. customs resulting in more detailed and time consuming inspections of both cars and trucks on the American plaza."***

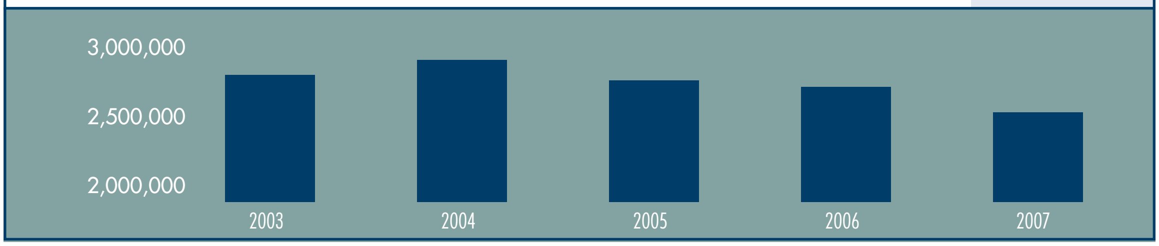
However, this summer, the traffic congestion for cars and trucks has been so bad that newspapers and truck publications have termed it as ***"A Summer from Hell"!*** Not only have port-a-johns been required to be placed along the Highway 402 approach to the bridge plaza but there was one nearly fatal major traffic fatality directly related to U.S. bound traffic queues. This is in spite of the reduction in accidents over the past couple of years due to the Ministry of Transportation and BWBA programs of reduced speed limits, better signage and an increased police presence to improve driver awareness.

We have been charting the bridge traffic daily since December 2006 and 40 to 60 per cent of the days have had traffic backups of 1 to 3 hours going into the United States. On occasion the waits have been as long as 4 hours. There have been trucks lined up on the Canadian side extending as long as 7 to 8 kilometres. Cars have been lined up as far back as 4 kilometres.

The increase in traffic lineups has occurred in spite of the overall 8.0% decrease in west-bound traffic volumes by 220,846 vehicles, (2,526,348 – 2007), (2,747,194 – 2006).

TRAFFIC VOLUMES - PAST 5 YEARS

	2003	2004	2005	2006	2007
Cars	1,877,387	1,907,019	1,857,347	1,860,097	1,738,243
Trucks	916,695	957,006	916,454	887,097	788,105
	2,794,082	**2,864,025**	**2,773,801**	**2,747,194**	**2,526,348**



BWBA continues to take a lead role in coordinating semi-annual advisory committee meetings which is attended by the Ontario Provincial Police, Ontario Trucking Association, local trucking companies, the Provincial Ministry of Transportation, Michigan Department of Transportation, courier companies, City of Sarnia, Point Edward Fire Department, U.S. Customs Border Protection, Customs Border Services Agency and the Board of Directors. These sessions are used to promote active and open communications, voice frustrations, bring forward proposed and new initiatives and, at times, implement the "quick fixes" necessary to smooth traffic flow, maintain security and increasing public safety.

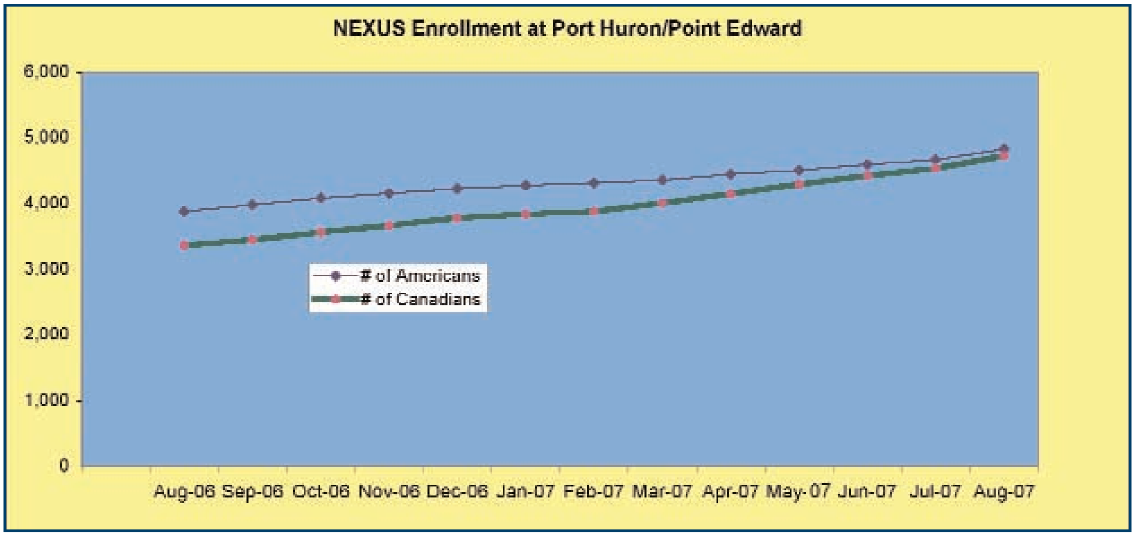
THE ISSUE OF TRAFFIC FLOW, CONGESTION AND SAFETY Continued

The progression of the master plan will further assist in the long-term reduction of overall congestion. The Ontario Ministry of Transportation has installed cameras for monitoring traffic flow and variable message signs along Highway 402 so that drivers can get an up-to-date status via MTO's website about backups and other traffic problems. This is part of the $115.5 million in improvements that 3 levels of government are funding to tackle traffic congestion approaching the bridge. The widening of the 402 highway is also under study in order to determine how to better streamline traffic as it approaches the BWBA plaza.

BWBA has been very successful in actively promoting and increasing the membership into the NEXUS and FAST programs and has entered into marketing partnerships with some of our plaza stakeholders. At the beginning of the year there were 7,285 people approved for NEXUS cards, designating the Port Huron/Point Edward crossing as their requested crossing location. With an aggressive radio advertising and pamphlet distribution program named "GoBorder" (refer to following pages), there has been a 40% increase in Canadian enrollment versus 24% for Americans to bring the overall, combined increase to almost 32% or 9,612 by August 31st, 2007.

The recent 2007 initiative – with the cooperation of the Village of Point Edward – to provide NEXUS cardholders with exclusive access to the Blue Water Bridge crossing even at peak traffic congestion times is an important step to guarantee that NEXUS users will not have to wait in long queues to cross the bridge span as has happened in the past. This will further enhance our ability to market the NEXUS program to the public and will result in the probable likelihood of fewer traffic congestion occurrences in the future.

BWBA has also been very active working with federal, provincial and state authorities and with the chambers of commerce on both sides of the border to put further pressure on American authorities to be more mindful of commerce and public safety while at the same time maintaining adequate security at the borders.

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Blue Water Bridge Duty Free Shop
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www.bridgedutyfree.com
MDOT
Michigan Department of Transportation
1-810-984-3131
www.michigan.gov/mdot
OLG Casino
Point Edward Charity Casino
1-888-394-6244
www.olg.ca
Blue Water Country
Tourism Sarnia-Lambton
1-800-265-0316
www.tourismsarnialambton.com
ONTARIO
Ontario Tourism Marketing Partnership
GOBORDER.com
Encourages efficient travel
across the Blue Water Bridge
Exclusive Traveller Discount Program for Passport and NEXUS Card holders
NEXUS Card Advantages and application information
Canadian and American passport application information
Visit www.GoBorder.com
1-800-265-0316


CANADIAN PASSPORT
Passport or NEXUS Card is mandatory for land travel to the United States as early as January 1st, 2008.
Passport or NEXUS Card is mandatory for airplane travel to the United States as of January 23rd, 2007.
AMERICAN PASSPORT
Passport or NEXUS Card is mandatory for land travel to the United States as early as January 1st, 2008.
Passport or NEXUS Card is mandatory for airplane travel to the United States as of January 23rd, 2007.
CUSTOMS DOUANES IMMIGRATION
NEXUS
NEXUS CARD
the easy choice!
May be used instead of a passport for all land, air and water travel between Canada and USA. NEXUS is available to all travellers.
Entitles holder to use dedicated express lanes at land borders and airports. It's like a VIP Pass!
Free for children under 18 years of age.
Application costs are lower than for Canadian or U.S. passports.
NEXUS lanes can be used for duty free allowances.
No requirements for notarization on application.
GOBORDER.com
Visit www.GoBorder.com
Traveller Discount Program
Receive special offers and discounts from participating merchants by simply showing your passport or NEXUS Card!
By taking advantage of these offers you can more than offset the cost of a passport or NEXUS Card!
Visit www.GoBorder.com or call 1-800-265-0316 for further information.

THE MASTER CAPITAL PLAN

In keeping with its proactive management style, BWBA has in place a renewable long-term master capital plan for the Canadian Plaza. The plan is intended to guide development over a twenty-year period. The plan includes a staged implementation scheme responsive to forecasted growth and financial resources in order to ensure BWBA's ability to meet future traffic demand.

The purpose of the plan is to continually review operations, assess future needs, determine necessary improvements, and devise an integrated plan for the entire Canadian Plaza. As part of this planning process, BWBA has formed a Plaza Users Group, which includes members from the Aamjiwnaang First Nations Band, Custom Brokers, Citizenship and Immigration Canada, Canadian Food Inspection Agency, Canada Border Services Agency, Duty Free Shop, BWBA Currency Exchange, management staff, MDOT and other key stakeholders.

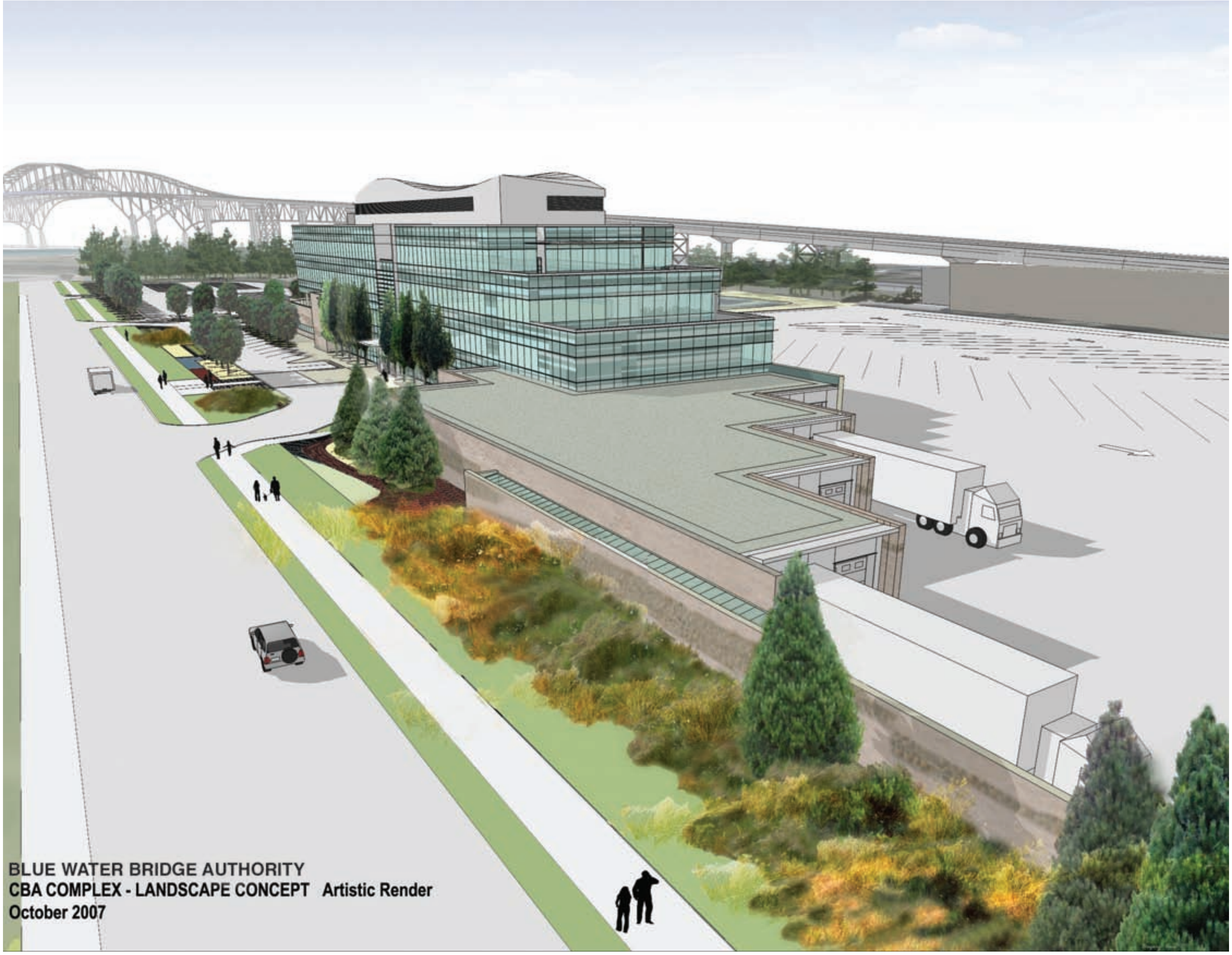
Due to the decline in volumes of traffic this year, Blue Water Bridge Authority conducted a formal, comprehensive review during fiscal 2007 with its architectural consultants (McCormick Rankin Corporation), engineering consultants (MIG Engineers), its Board of Directors and with senior management. The results of that review are as follows:

- Confirmation that the updated traffic projection study supports building the excess capacity required to handle future traffic volume increases;
- Confirmation that 85% of the justification for the Master Plan is specifically directed towards increasing safety and addressing security issues; only 15% is based on projected traffic growth;
- The decision to not build a separate administration office building in favour of adding a 4th floor to the Customs Border Agency building, thus savings approximately $5 million in construction costs;
- Ensuring that the planned construction staging in the Master Plan clearly demonstrates the ability to cease planned construction after certain phases to reassess BWBA financial status versus need to construct;
- Ensuring that the planned construction stages do not impede existing traffic flow.

Construction of the Truck Ramp was completed in June 2007. BWBA is now proceeding with Phase 1 of the Master Plan which will incorporate the following features:

- CBA 4-storey building and parking lot to house the Canada Border Services Agency (CBSA), the Canadian Food Inspection Agency (CFIA), Custom Brokers and BWBA administration offices;
- Truck Primary Inspection (CBSA) booths with attached roof canopy;
- Secondary inspection facilities for trucks;
- Extensive landscaping along plaza perimeter.

The overall future site strategy is one which will provide the bridge users with the easiest transition from paying a toll to cross the bridge; going through the primary inspection line (PIL) and perhaps to the secondary inspection area; stopping at the duty free shop or at the currency exchange building. The buildings, canopies, bridges, toll and PIL lines have been developed and located in such a manner as to allow phased construction, enabling the border crossing to operate around the clock and year-round without any interruption. The landscaping will provide an aesthetic buffer while at the same time increasing security and reducing or eliminating headlight glare from the truck traffic currently experienced by residents along the perimeter of the plaza.


BLUE WATER BRIDGE AUTHORITY
CBA COMPLEX - LANDSCAPE CONCEPT Artistic Render
October 2007

CAPITAL EXPENDITURES PLAN

(In Thousands)	Balance New Projects and Projects in Process $	2007 Forecast $	2008 Corp Plan $	2009 Corp Plan $	2010 Corp Plan $	2011 Corp Plan $	2012 Corp Plan $
Projects- Current							
Travel Information Centre Ojibwe Legends	19	**19**					
Truck Ramp BWBA Portion	3,896	**3,896**					
Truck Ramp MTO Portion	357	**357**	(2,000)				
Truck Ramp Village of Point Edward Portion	38	**38**					
Canadian Plaza Improvements CBA Complex	57,667	**3,165**	21,802	20,700	10,000	2,000	
Plaza Prelinminary Design	159	**159**					
Variable Message Signs Span 1	186	**186**					
Variable Message Signs Span 2	209	**209**					
Dedicated Toll lane & Hwy 402 Widening	1,838	**1,389**	449				
Storm Water Pond West	1,410		1,410				
Geographic Information System	506	**40**	149	125	100	92	
Project Department Expansion	463	**463**					
Projects - Future							
CBSA Building	36,123						3,500
St Clair Side of Plaza	4,100						
Equipment							
Autos, Trucks & Construction Equipment	820	**80**	250	210	180	50	50
Signage-Tourist Information Building	200		200				
Signage-Truck Ramp	220		220				
Toll System Upgrade	200		200				
Electrical Comm Infrastructure Span 2	1,360		1,360				
Accounting Equipment/Software	537	**537**					
Property Improvements							
Security-Perimeter / Decorative Fence	750		350	400			
Miscellaneous	7,500	**530**	500	500	500	500	500
	118,558	**11,068**	**24,890**	**21,935**	**10,780**	**2,642**	**4,050**

Please note that the aggregate sum of expenditures identified between 2007 and 2012 are less than the "Balance for New Projects and Projects in Process" due to planned expenditures planned for 2013 and beyond.

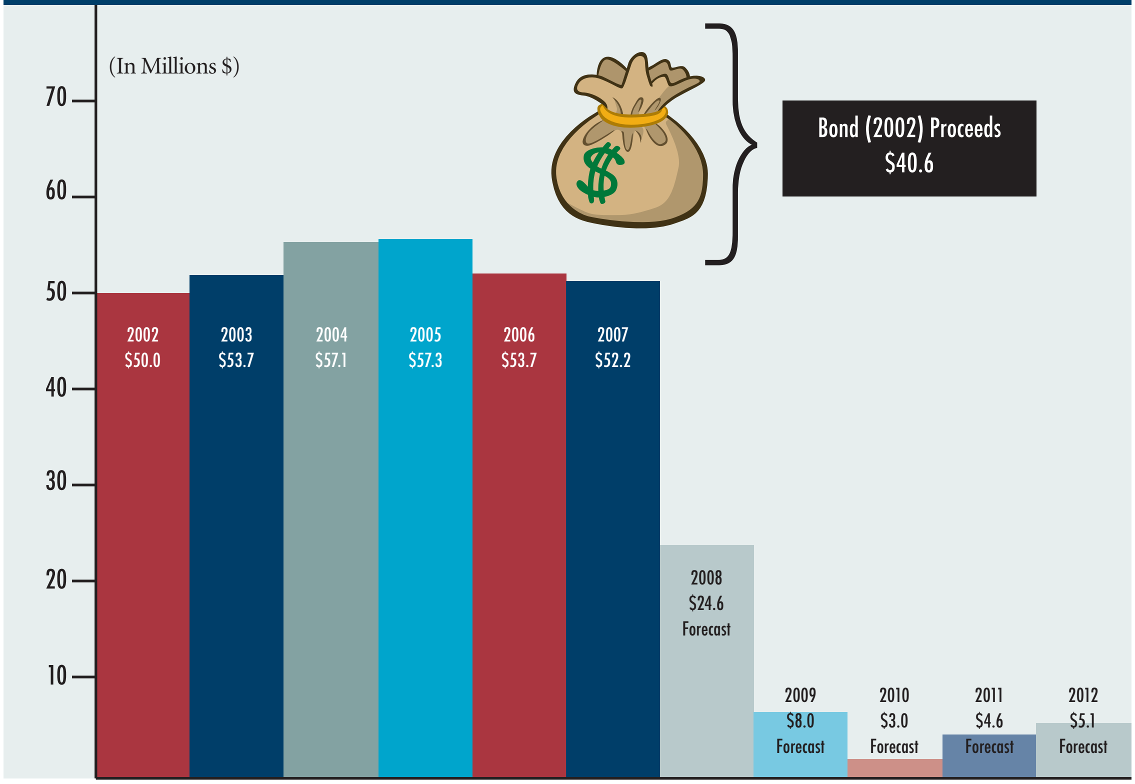
CASH & INVESTMENT AVAILABILITY FOR FULLY-FUNDING MASTER PLAN

Our 2002 bond issue raised funds to pay for the completion of the 2nd bridge span; the rehabilitation of the original span; the set up for the debt service reserve fund and the operating and maintenance reserve fund, and; provided the BWBA with $40.6 million of additional funds for implementing some of the capital projects identified in the master plan.

Although our current working capital position looks exceptionally healthy, our cash and investment balances will diminish rapidly as the capital projects are completed. Over the next 5 years (2008-2012), in tandem with continued, expected positive financial performances, the existing cash and investment balances will fully fund approximately $75 million of capital projects; fully depleting such funds by 2012.

As a federal parent Crown corporation, we do generate profits specifically for the purpose of maintaining the bridge spans, plaza and facilities and to fully fund other capital projects. As such, over the long-term, all cash generated and invested will be fully (100%) spent to fulfill our federal mandate.

Cash and Investment Levels



HUMAN RESOURCES

In tandem with the significant changes to senior management positions and to the composition of the Board of Directors, there has been a program of formal salary administration review and overhead rationalization/justification to control and reduce unnecessary overhead. While reduction by attrition is the preferred strategy and will produce significant salary and benefit savings in 2008, further productivity increases and efficiencies are being actively pursued through technological improvements via software module implementations (currency exchange system, human resources system and electronic timesheet systems).

Specifically, upon the retirement of the previous controller/treasurer and the resignation of the maintenance manager, the accounting supervisor position has been eliminated as has the maintenance lead hand position. The Office Department's receptionist position was also eliminated subsequent to the retirement of the incumbent.

Salary Administration and job descriptions are undergoing a formal review by an independent salary administration consultant. Job descriptions have been re-written and will be re-classified and re-pointed to ensure that the job responsibilities correspond with equitable pay.

It is projected that staffing will grow by only 3.5% in fiscal year 2008. It is anticipated that this growth will be in the toll operations area to help mitigate and reduce the traffic congestion experienced during the summer of 2007 and to ensure that the new NEXUS bypass and dedicated lane route will be unimpeded.

5-Year Employment Composition History

	2003	2004	2005	2006	**2007**
Full-Time					
Administration	2	2	2	2	**2**
Accounting	4	4	4	4	**3**
Currency Exchange	6	6	6	6	**6**
Janitorial	4	4	4	4	**4**
Maintenance	9	10	10	10	**9**
Office	4	4	4	4	**3**
Project Management		3	4	5	**5**
Tolls	21	21	22	23	**23**
Full-Time	50	54	56	58	**55**
Part-Time					
Administration	1				
Currency Exchange	9	9	9	9	**9**
Janitorial	3	3	4	5	**5**
Maintenance	1				
Project Management		1	1		
Tolls	7	8	8	8	**9**
Total Part-Time	21	21	22	22	**23**
Total	71	75	78	80	**78**

HUMAN RESOURCES Continued

Effective December 1st, 2006, the union contract with the Blue Water Bridge Employees Association expired. During the Spring 2007 a new union, the Public Service Employees' Association of Canada, was certified by our Toll, Currency Exchange, Maintenance and Janitorial employees. Upon completion of the contract negotiations, the union negotiators rejected management's final offer and brought it to the union employees for a vote. The union employees rejected the advice of PSAC and voted to accept management's final offer, the major offerings of which were:

- 3% wage increase for each of the next 3 years;
- Signing bonus in lieu of a pay increase for the previous year of $1,300 for full-time, and $900 for part-time employees;
- An increase in sick pay equivalent from 32 hours to 36 hours per year;
- Establishment of a two-tier wage system wherein unionized new hires, after November 7th, 2007, will be paid 25% less than existing, previously hired employees;
- New hires will pay 25% higher premiums for their benefit package.

It is extremely rare that union employees would act against their professional union's recommendation to reject a proposed contract. However, there is a general appreciation by the employees of their wage levels in comparison to the local economy and, in particular, those of their bridge counterparts on the American side. BWBA also pays for the employees' benefit package, representing a value of 44% of their salaries, equivalent to $1.8 million per year in benefits, for a total human resources (salaries included) cost of almost $5.8 million spread over 78 full-time/part-time and 20 seasonal employees. This is recognized as being well above average in our competitive labour market.

We take particular pride in the quality of the BWBA employee group which has continually gone beyond the scope of their jobs to provide an efficient and customer-friendly plaza, well appreciated by the many people who have crossed the bridge spans and by the many people who work on the plaza (ie. Customs, commercial brokers etc.) Blue Water Bridge Authority provides continuous high levels of mandatory, voluntary and personal training and higher education to our employees.

FIVE YEAR REVIEW

Statement of Operations

for the year ended August 31st	2007	2006	2005	2004	2003
(In Thousands)	$	$	$	$	$
Revenue					
Tolls and Services	17,872	18,297	18,450	19,067	18,540
Facility Rentals	2,937	3,277	3,500	3,694	3,868
Currency Exchange Department	941	1,099	1,106	1,154	1,027
Interest and Sundry Revenues	2,634	2,489	2,358	2,216	2,027
Total Revenue	24,384	25,162	25,414	26,131	25,462
Expenses					
General and administrative	2,109	3,019	2,846	2,022	1,546
Human Resources	5,763	5,658	5,051	4,824	4,176
Interest on long-term debt	6,464	6,612	6,751	6,882	7,004
Interest on line of credit					10
Maintenance & other expenses	1,620	1,586	1,602	2,344	2,049
Amortization	3,632	3,767	3,566	3,437	2,761
(Gain) loss on disposal of property, plant and equipment	766	29	130	(3)	153
	20,354	20,671	19,946	19,506	17,699
Excess of revenues before non-recurring items	4,030	4,491	5,468	6,625	7,763
Excess (short-fall) of revenues over expenses	4,030	4,491	5,468	6,625	7,763

Balance Sheet

	2007	2006	2005	2004	2003
ASSETS					
Current					
Cash	20,629	13,882	18,974	15,328	13,895
Short-term investments	20,351	12,245	12,687	8,999	12,966
Accrued Interest Receivable	2,493	1,000	1,142	715	425
Accounts receivable	1,224	1,738	1,414	616	514
Prepaid expenses	299	382	392	389	465
	44,996	29,247	34,609	26,047	28,265
Deferred Charges	576	606	635	664	693
Long-term investments	14,593	31,320	28,114	34,651	28,419
Property, plant and equipment	119,274	117,386	113,084	110,079	109,504
Restricted assets	8,362	8,019	7,676	7,237	6,759
	187,801	186,578	184,118	178,678	173,640
LIABILITIES AND RETAINED EARNINGS					
Current					
Accounts payable and accrued liabilities	2,053	2,519	3,706	1,946	1,638
Holdbacks payable	439	1,048	119	-	82
Deferred Revenue	1,694	1,476	1,411	1,426	1,471
Current portion of long-term debt	2,556	2,400	2,253	2,115	1,986
	6,742	7,443	7,489	5,487	5,177
Employee future benefits liability	2,987	2,537	2,122	1,899	1,681
Long-term debt	96,825	99,381	101,781	104,034	106,149
	106,554	109,361	111,392	111,420	113,007
Retained Earnings	81,247	77,217	72,726	67,258	60,633
	187,801	186,578	184,118	178,678	173,640

CORPORATE PLAN EVALUATION

For the Years Ending August 31	2008 Plan	**2007 Actual**	2007 Plan	2007 Actual vs. 2007 Plan
(In Thousands)	$	**$**	$	$
Statement of Operations				
Revenue				
Tolls and Service Revenue	17,320	**17,872**	21,113	(3,241)
Other	5,824	**6,512**	6,938	(426)
	23,144	**24,384**	28,051	(3,667)
Expenses	20,449	**20,354**	21,521	1,167
Excess of revenues over expenses	2,695	**4,030**	6,530	(2,500)
Balance Sheet				
Assets				
Current	17,931	**44,997**	32,362	12,635
Deferred Charges	547	**576**	576	-
Long-term investments	14,890	**14,593**	19,432	(4,839)
Property, Plant, Equipment	145,216	**119,274**	128,387	(9,113)
Restricted Assets	8,492	**8,361**	8,362	(1)
Total Assets	187,076	**187,801**	189,119	(1,318)
Liabilities and Retained Earnings				
Current	5,630	**6,742**	5,688	(1,054)
Long Term	97,540	**99,812**	99,000	(812)
Retained Earnings	83,906	**81,247**	84,431	3,184
Total Liabilities and Retained Earnings	187,076	**187,801**	189,119	1,318
Statement of Cash Flows				Incr.
Operating Activities				(Decr.)
Net Income	2,695	**4,030**	6,530	(2,500)
Non-Cash Items	4,986	**4,848**	4,887	(39)
Changes in Working Capital Items	16,965	**(687)**	(12,175)	11,488
	24,646	**8,191**	(758)	8,949
Investing Activities				
Net acquisition of Capital Assets	(24,890)	**(6,256)**	(14,952)	8,696
Increase in Reserve Funds	1,375	**7,212**	10,744	(3,532)
Financing Activities	(2,557)	**(2,400)**	(2,400)	-
	(26,072)	**(1,444)**	(6,608)	5,164
Cash and Cash Equivalents				
Increase (Decrease) in Cash	(1,426)	**6,747**	(7,366)	14,113
Balance at Beginning of Year	12,998	**13,882**	13,090	792
Balance at End of Year	11,572	**20,629**	5,724	14,905

Comparison of 2007 Actuals with 2007 Corporate Plan

Tolls and Service Revenue

Car volume was lower than expected by almost 223 thousand vehicles ($591 unfav) and truck volume was lower than budgeted by 151 thousand ($2,574 unfav). It was partially offset by the change in mix of Canadian-to-American traffic ($68 fav). While the corporate plan employed a mix of 75% Canadian to 25% American volume mix, the actual results for American car and truck traffic was 29% and 24%, respectively.

Other Revenue

Consumer spending and rental revenue at plaza facilities was lower ($389 unfav) than expected due to lower American traffic volumes. Interest income was higher ($221 fav) due to a combination of higher than expected rates of return on investment balances and a delay in completing the truck ramp project until late in the fiscal year.

Expenses

Major Expenses:

General and Administrative
Expenses were $690 or 24.7% lower than corporate plan primarily due to a significant reduction in consultant expenses ($692 fav).

Human Resources
Salaries and wages were 1.7% lower than corporate plan due to the expiration of the association contract. A new union, PSAC, took over from the association in March 2007. The new contract was signed in November 2007 without any applicable retroactive adjustment.

Maintenance and Other
Property related expenses were higher by 3.6%. Bridge inspections, residential demolitions and building repairs ($183 unfav) were partially offset from efficiencies implemented for utilities along with a milder winter ($146 fav).

Amortization
Depreciation expenses were lower than budgeted by 18.2% due to lower than anticipated capital spending by $8.7 million and a delay in opening the truck ramp until later in the fiscal year.

Loss on Disposal
The loss on disposal of assets was 91.5% more than budgeted due to the completion of the truck ramp contract and the final determination of costs to be reimbursed by the provincial Ministry of Transportation against the east portion of the truck ramp 2007.

Balance Sheet & Cash Flow Items:

Cash increased more than expected due to the additional redemption of investments in anticipation of the construction which had been expected to be completed.

Comparison of 2008 Corporate Plan with 2007 Actuals

Tolls and Service Revenue

Due to the strengthening of the Canadian dollar; a downturn in the automotive and manufacturing industries; the implementation of passport requirements in 2008, and; perceived and experienced traffic congestion by the general public, traffic volume forecast for 2008 is projected to decrease by approximately 137 thousand vehicles. Passenger vehicle volumes are expected to decrease by 5.5% and commercial vehicle volumes to decrease by 5.4%.

Other Revenue

Other revenues are expected to decrease by 2.5% due to travelers' preference to either not cross the border in the first place due to the perceived traffic congestion and more intensive U.S. Customs inspections; nor leave congested traffic lines to visit the duty free store and currency exchange buildings for fear of losing their place in line.

Expenses

Major Expenses:

General and Administrative
Expenses are expected to decrease 4.5% in 2007 primarily as a result of a decrease in the demand for consulting services.

Human Resources
While the new union contract will result in a 3% increase in wages effective November 2007, the full year effect of the administrative retirements and resignations in 2007 will be realized in 2008, resulting in an overall increase of only 2.3% over the previous year.

Maintenance and Other
Maintenance expenses are forecast to increase by 5.0% over year 2007 due to bridge maintenance requirements.

Interest Expense
Will decrease by 2.4% as a result of debt repayment during the previous fiscal year.

Amortization
Expense will increase by 24.0% due to the full-year depreciation against the new truck ramp and normal increases to the capital base for equipment, property improvements and miscellaneous capital purchases.

Loss on Disposal
A portion of the expected Ministry of Ontario reimbursement of $2.5 million to be received in 2008, did not cover the full cost of the construction of the East portion of the Truck Ramp creating a loss of $0.7 million.

Overall expenses are estimated to decrease by 0.4% from 2007 Actual.

Balance Sheet and Cash Flow Items:

The increase in construction, planned for 2008, will be funded from existing cash and investments and continued positive net income expectations.

FORWARD-LOOKING STATEMENTS

Consistent with existing regulatory direction, a forward-looking orientation encompasses a required management discussion and analysis to explain past events, decisions, circumstances and performance in the context of whether they are reasonably likely to be indicative of, and have a material impact on, future prospects. While the previous pages have identified management's vision, strategy and key strategic objectives, the following pages will describe anticipated future events, decisions, circumstances, opportunities and risks that management considers likely to materially impact future prospects.

The proceeding pages include forward-looking statements with respect to the BWBA's objectives and strategies to achieve those objectives and expected financial results within the realm and contemplation of various managed risk possibilities. By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate.

Blue Water Bridge Authority cautions readers not to place undue reliance on these statements, as a number of important factors could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the economic and financial conditions in Canada and the United States; fluctuations in interest rates and currency values; delays, postponements or acceleration of major construction due to unforeseen political or environmental circumstances; legislative and regulatory developments in Canada and in the United States; reliance on third parties to provide components of BWBA's business infrastructure; unexpected changes in commercial or personal traffic flow; technological developments; competition, both from new entrants and established competitors; acts of God, such as tornados; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; and BWBA's anticipation of and success in managing these implied risks.

We caution that the foregoing list of important factors is not exhaustive. When relying on forward-looking statements to assess and form opinions and make decisions with respect to BWBA and its operations, decision makers should carefully consider the foregoing factors, other uncertainties and potential events.

For the Years Ended August 31st	Act	Act	Corporate Plan				
	2006	**2007**	2008	2009	2010	2011	2012
	$	**$**	$	$	$	$	$
Statement of Operations							
Revenue							
Tolls and Service Revenue	18,297	**17,872**	17,320	19,748	20,092	20,758	21,236
Other	6,865	**6,512**	5,824	4,774	4,737	4,916	5,062
	25,162	**24,384**	23,144	24,522	24,829	25,674	26,298
Expenses	20,671	**20,354**	20,449	20,020	20,851	20,165	20,281
Net Income	4,491	**4,030**	2,695	4,502	3,978	5,509	6,017
Balance Sheet							
Assets							
Current	29,247	**44,997**	17,931	10,799	3,822	7,770	8,750
Deferred Charges	606	**576**	547	518	489	460	431
Long-term Investments	31,320	**14,593**	14,890	6,586	9,302	8,727	10,073
Property, Plant, Equipment	117,386	**119,274**	145,216	163,093	169,095	167,694	168,078
Restricted Assets	8,019	**8,361**	8,492	8,288	7,839	8,102	8,234
Total Assets	186,578	**187,801**	187,076	189,284	190,547	192,753	195,566
Liabilities and Retained Earnings							
Current	7,443	**6,742**	5,630	6,065	6,348	6,242	6,447
Long Term	101,918	**99,812**	97,540	94,811	91,813	88,615	85,206
Retained Earnings	77,217	**81,247**	83,906	88,408	92,386	97,896	103,913
Total Liabilities and Retained Earnings	186,578	**187,801**	187,076	189,284	190,547	192,753	195,566
Statement of Cash Flows							
Operating Activities							
Net Income	4,491	**4,030**	2,695	4,502	3,978	5,509	6,017
Non-Cash Items	4,212	**4,848**	4,986	4,258	4,897	4,164	3,790
Changes in Working Capital Items	77	**(687)**	16,965	3,804	2,073	(2,653)	(428)
	8,780	**8,191**	24,646	12,564	10,948	7,020	9,379
Investing Activities							
Net acquisition of Capital Assets	(8,070)	**(6,256)**	(24,890)	(21,935)	(10,780)	(2,642)	(4,050)
Increase in Long-Term Investments	(3,206)	**7,555**	1,505	8,304	(2,716)	575	(1,346)
Increase in Restricted Investments	(343)	**(343)**	(130)	204	449	(263)	(132)
Financing Activities	(2,253)	**(2,400)**	(2,557)	(2,723)	(2,900)	(3,089)	(3,290)
	(13,872)	**(1,444)**	(26,072)	(16,150)	(15,947)	(5,419)	(8,818)
Cash and Cash Equivalents							
Increase (Decrease) in Cash	(5,092)	**6,747**	(1,426)	(3,586)	(4,999)	1,601	561
Balance at Beginning of Year	18,974	**13,882**	12,998	11,572	7,986	2,987	4,588
Balance at End of Year	13,882	**20,629**	11,572	7,986	2,987	4,588	5,149

** Note: Beginning balances presented in the 2008 Corporate Plan section are based on forecasts and may differ from the 2007 actual ending balances.*

RISK MANAGEMENT

Business Risk

… is the potential for loss relating to BWBA's external environment or to its relations with stakeholders. BWBA has policies and procedures in place to manage and monitor the possibility of adverse effects as a result of business risk.

Over the past five years, three security assessments have been conducted at the bridge facilities. Well over $2 million has been spent on various physical enhancements to improve the safety and security of the bridges, and plaza area. Many more millions will be spent over the next 5 years and beyond to continue to add security equipment all the while improving existing security measures.

However, it is more likely that that there are risks related to normal bridge operations. When conducting normal bridge operations, BWBA must assume a certain risk relating to accidents and, ultimately, compensation resulting from lawsuits. This may lead to important disbursements for the Authority. Traffic accidents, minor chemical leaks from trucks, storm weather and other miscellaneous incidents would all cause traffic flow to be disrupted. The Authority is fortunate to have two bridge spans. If one is damaged or if there is a major traffic incident, vehicles can be diverted to the other bridge. This scenario has been successfully practiced during emergency response exercises. BWBA is a contributing member of the Early Response Team and many of its staff are routinely trained in emergency response and participate in simulation exercises to remain ever-alert and ready for any situation.

While the Bridge Authority does have a broad contingency plan for emergencies and disasters in place, management is in the process of developing a comprehensive Disaster Recovery Plan (Continuity Plan).

Market Risk

…is the likelihood of loss to BWBA as a result of movements in interest and foreign exchange rates and the risk that funds will not be available to meet corporate obligations. BWBA has an investment policy in place to limit its exposure to interest rate movements and to ensure sufficient liquidity is retained to meet capital requirements.

Investments generated from the remaining proceeds of the 2002 bond issue and, from the positive financial results from the past five years, are invested in short- and long-term Government of Canada provincial government bonds. BWBA has an investment policy in place to ensure that funds are invested in conservative financial instruments both in the short- and long-term maturities. As the existing long-term investments mature they will be converted to short-term investments as required to match the capital outlay requirements within the next 5 years. As the risk of these financial instruments are deemed to be very low, there is only the interest rate risk remaining when these investments mature and are rolled over into possibly lower interest bearing investments. Currently, the average rate of return on short-term investments is 3.92% and for long-term investments, 4.48%. This risk is minimal as recent economic forecasts are indicating higher interest rates in the future.

With the strengthening of the Canadian dollar during 2005 and 2006, coupled with the significant fluctuations throughout the year, enhanced hardware and software improvements within currency exchange operations, set to be in place by November 2006, will provide greater productivity and improved financial controls.

RISK MANAGEMENT

Solvency Risk

…is the risk of loss incurred if the BWBA fails to meet its financial commitments. We have credit risk management policies in place to manage and continuously monitor its bond exposure as well as its operational and capital commitments.

Blue Water Bridge Authority is responsible for the retirement of $110 million, 6.41% Revenue Bonds, due July 9th, 2027. Bond covenants are in place to ensure adequate liquidity over the duration of the bond issue. During this period of time, in the event temporary operating cash deficiencies occur, resulting from the timing of capital expenditure payments, a $20 million line of credit is in place. BWBA's borrowing may not exceed $125 million. As per the Minister of Finance's approval of the borrowing plan, this line of credit is not to be used to cover cash shortages resulting from operating losses.

Barring unforeseen catastrophic events, based on our previous 10-year performance history and coupled with the 5-year corporate plan, it is improbable that future financial results will deteriorate sufficiently to contravene existing bond covenants nor require the utilization of the line of credit. However, management employs financial modeling to proactively identify short- and long-term potential for cash deficiencies for up to 5 years into the future. In the event that future cash deficiencies are identified, BWBA has the authority through the Blue Water Bridge Authority Act (Canada) to fix and charge tolls based on a pre-set formula.

BWBA has maintained its "AA-/Stable" bond rating. The ratings are supported by BWBA's solid business and financial performance.

Event Risk

…is the risk of loss to the company of events beyond its control such as economic downturns, security alerts and emergencies and other unforeseen events.

The ratings are constrained by potential event risk such as general provincial economic weakness, medical and security alerts. Overall traffic could be more demand-sensitive to economic conditions during a prolonged downturn, which could curtail growth in cross-border trade and passenger vehicle crossings. Volume can also be affected by the public's perception of security and medical alerts; the custom agencies' (U.S. and Canadian) stringent application of conducting more time consuming inspections, and; the public's aversion to the resulting long lineups and traffic congestion.

It is BWBA's expectation that our prior and current financial position and results as well as our positive, future financial expectations coupled with historical traffic resiliency to rate increases will continue. We also believe that any future temporary variances to budget expectations can be managed from liquidity sources and/or by toll adjustments.

Competitive Risk

…is the risk that changes and improvements made by our competitors or by changes in government policy that might significantly affect traffic volumes.

The main risks to the BWBA's strong volume trends include:

- Improved transportation access and additional capacity at the Ambassador Bridge (either in bridge twinning or a separate span) to alleviate notable congestion at the busiest cross-border bridge crossing between Canada and the U.S.;
- A reversal of free trade policy between Canada and the U.S.;

- Prolonged economic weakness in the Canadian and American economies, and a strengthening Canadian currency, as a stronger Canadian dollar could reduce Canadian export demand in the U.S. and lower cross-border shopping and gaming in Canada.

The probability of any of these risks materializing, let alone all of them simultaneously, are reasonably remote.

Increases in the usage of alternate forms of transportation, such as rail or air, and the construction of expansion of nearby competing alternatives could have an adverse impact on BWBA traffic, toll revenue and debt service coverage levels. The risk of meaningful encroachment by competing transport mode alternatives is deemed to be low given the current superior BWBA ability of commercial truck operations to meet delivery and just-in-time inventory demands. Meaningful encroachment risk is also low because the incremental capacity at the Detroit-Windsor border crossing is unlikely to be realized before 2013, at the earliest.

The FAST program has been implemented at six U.S.-Canada border crossings with the goal of facilitating the free flow of goods between the two countries. Given the importance of bilateral trade flows to both countries, it would not be expected that the Canadian or the U.S. governments would implement policies that would adversely impact trade movements in a material way.

Organizational Risk

…is the risk of loss or cost to the company due to the organizational environment (people and skills, incentives, culture and values). BWBA has policies and procedures in place to manage and monitor its organizational environment.

We have secured a three-year contract with our union employees early in the 2008 fiscal year. Historically, BWBA has had a very good relationship with the previous association, now the union (PSAC). Salaries and benefits are reviewed and compared with industry and other border crossings on a regular basis. A comprehensive compensation plan for all employees ensuring parity based on responsibility has been officially documented and is regularly administered. Policies and procedures are regularly reviewed, updated and communicated with all employees. Developmental and professional training is encouraged and paid for by the Bridge Authority upon successful completion. All these efforts have resulted in a dedicated, skilled workforce trained to meet current and future operational requirements.

CORPORATE GOVERNANCE

Blue Water Bridge Authority is guided by a Board of four members. The Minister of Transport will recommend the nominee(s) to the Governor-in-Council for final approval and appointment, traditionally for a term of up to 3 years. As a parent Crown corporation, the Authority is accountable to Parliament through the Minister of Transport. The Board members are knowledgeable individuals from the local community who are sensitive to the Authority's business needs. They understand the FAA requirements for Corporate Plans and Annual Reports and they work earnestly with management to ensure that the Bridge Authority's financial obligations are met within the guidelines of our mandate.

The Board takes an active role in the stewardship of the overall future direction in addition to addressing internal and external issues currently affecting the Blue Water Bridge Authority. A formal governance report has been approved by the Board and submitted to the Minister of Transport.

The Board engaged a chartered accounting firm to prepare an internal audit plan. The internal auditor has reported directly to the Audit Committee with its findings and recommendations. Governance issues and practices continue to evolve and the Board is anticipating that further changes will be made in the near future to address special examination recommendations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (in thousands of dollars)

Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars and determined on the basis of Canadian generally accepted accounting principles.

Introduction

The following analysis reviews the operations for the financial years ended August 31, 2007 and 2006.

FINANCIAL RESULTS	2007	2006
	$	$
Revenues	24,384	25,162
Operating Expenses	20,354	20,671
Excess of Revenues over Expenses	4,030	4,491
Excess of Revenues over Expenses/Revenues	17%	18%

Operating Results

The operating income of $4,030 for the fiscal year ended August 31, 2007 decreased by approximately 10.3% from the 2006 fiscal year operating income of $4,491.

Revenues

Revenues are derived from four sources: tolls and services, rents, currency exchange operations and interest and sundry income.

Tolls and Services Revenues

Tolls and services revenues decreased by $425 or 2.3% for the year compared with 2006 revenues. Car volumes decreased by 121,854 vehicles or 6.6% for the year and truck/bus volume decreased by 98,992 or 11.2%.

Tolls and services revenues from commercial vehicles represented approximately 74.1% of all tolls and services revenues in financial 2007, with revenue from passenger vehicles making up the balance. In the 2006 financial year commercial vehicles represented 75.3% of all tolls and services revenues.

ASSESSMENT OF RESULTS, CONTINUED

Rental Revenues

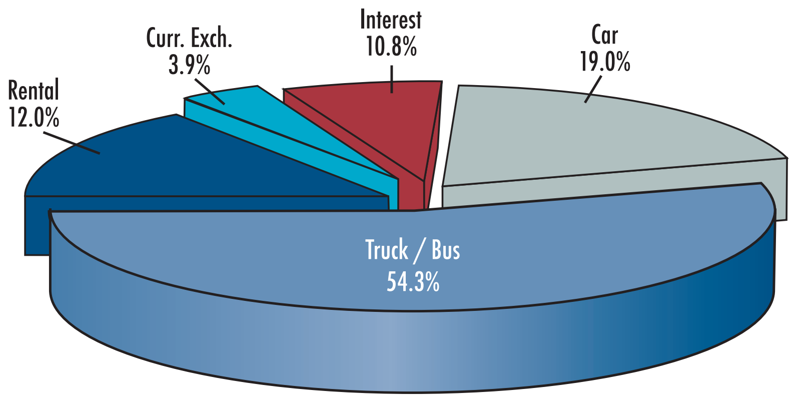
Rental property revenues accounted for approximately 12.0 per cent of all revenues in 2007 (13.0% in 2006).

Currency Exchange Operations

BWBA operates a currency exchange, with its primary customers being travellers coming from and going to the United States. Revenue from currency exchange operations approximated 3.9 per cent of total income in 2007 (4.4% in 2006).

Interest and Sundry Revenue

The balance of revenue is derived from investment of surplus cash and monies set aside in restricted funds and other investments.



Percentage of Total 2007 Revenue

Expenses

Operating expenditures are incurred in five main areas: general and administrative expense, human resources, maintenance and other, interest on long-term debt and amortization.

General and administrative expenses include consulting and other professional fees, public relations, office, municipal taxes and miscellaneous expenses. Amortization includes amortization on property, plant and equipment and on deferred bond financing charges.

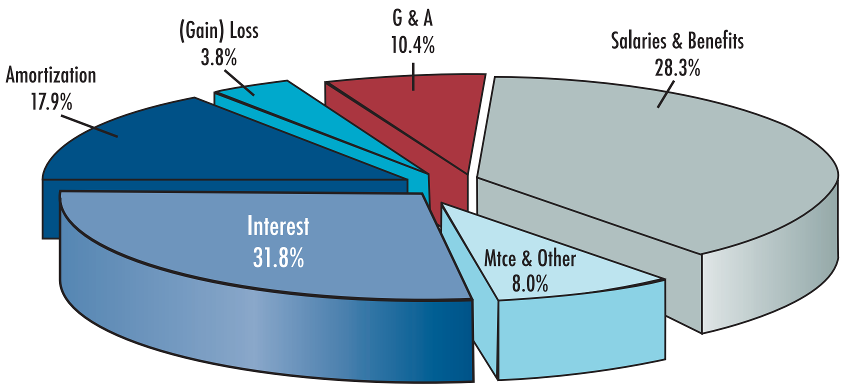
Human resources include salaries and wages paid to toll collectors, accounting, administrative, currency exchange, maintenance, janitorial and project management staff. Employee benefits include statutory benefits and employee pension and life insurance.

Maintenance and Other expenses include maintenance supplies and services, snow removal and landscaping.

ASSESSMENT OF RESULTS, CONTINUED

For the year ended August 31, 2007, interest expense was derived solely from the bond debt of $101,781 existing as at September 1st, 2006. For the year ended August 31, 2006, interest was derived from bond debt of $104,034 existing as at September 1st, 2005.

Amortization is derived from bond agency fees and from depreciation on fixed assets.



Percentage of Total 2007 Expenses

Factors Affecting Operating Income

The profitability of BWBA is affected by a number of factors, including seasonality, the strength of both the U.S. and Canadian economies, toll rate increases, the fluctuating foreign exchange rates and in more recent years, tourism in the Point Edward and Sarnia areas.

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 Blue Water Bridge being one of the major international crossings in North America, its revenues and thus its profitability improves with the increase in activity.

Seasonality is also a factor in the profitability of BWBA. While truck traffic tends to be steady, except for winter months, throughout the year, car traffic is at its heaviest during the months of May to October, which is traditionally the vacation period in North America.

When the activity at the Blue Water Bridge increases, there tends to be increases in the activities at both the duty-free shop and currency exchange. Increased activity at the duty-free shop results in additional rental income to BWBA, as the amount of rent is affected by the amount of sales. Similarly, increased activity at the currency exchange results in additional revenues, and with expenses relatively fixed, an increase in net income.

However, we have come to learn this year that the public's experience and perceptions with the traffic congestion which occurred during the summer months (May through August) has had a significant negative effect, not only on toll revenues but also on currency exchange and duty free store revenues. With traffic congestion, people and commercial trucks will either not bother to attempt to cross the bridge spans or not bother to pull out of the traffic lines to exchange their money nor buy products at the Duty Free Store.

ASSESSMENT OF RESULTS, CONTINUED

Period over Period Comparisons

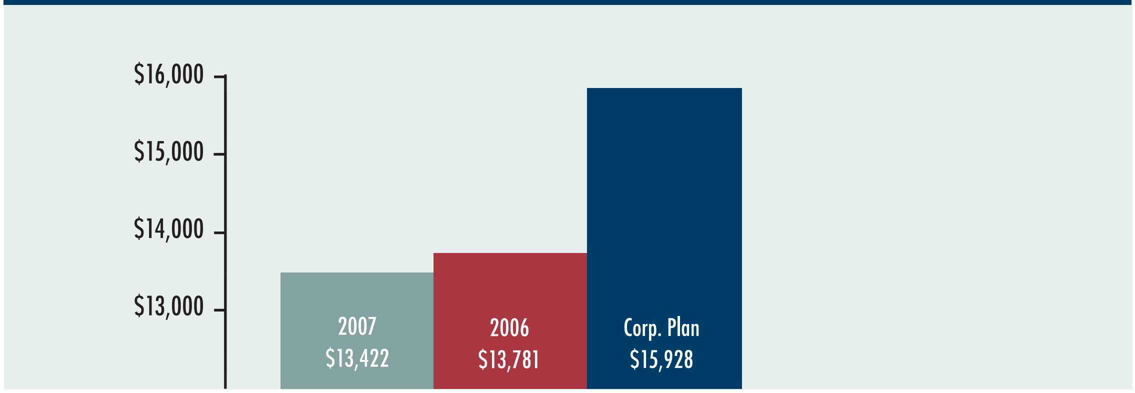
Years ended August 31, 2007 and 2006

Revenues

Revenues from tolls and services decreased to $17,872 in fiscal 2007 from $18,297 in the preceding year.

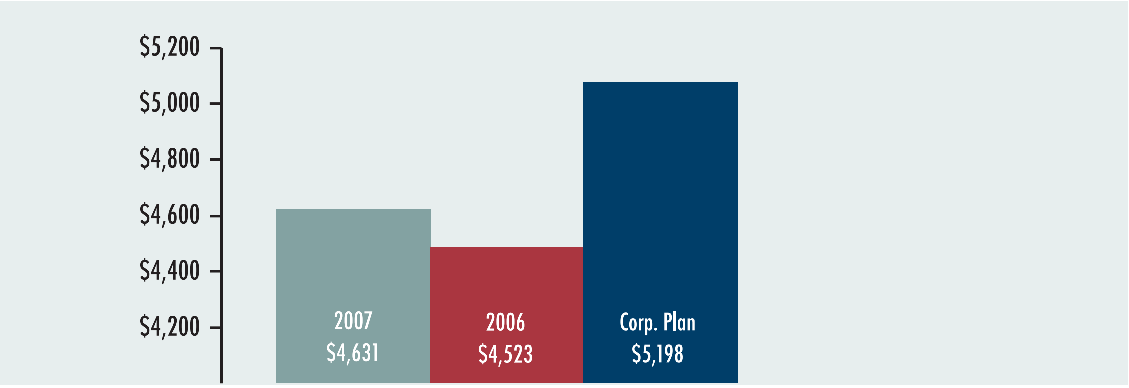
A portion of the decrease came from decreased truck toll revenue, going from $13,781 in 2006 to $13,422 in 2007. This represents a decrease of 2.6 per cent and comes from a decreased volume of trucks by 11.2 per cent ($1,546 unfav). There was a toll adjustment implemented in September 2006 ($1,142 fav) and a change in mix of Canadian-to-American trucks and truck sizes or axles ($118 fav) but this was partially offset by the dampening effect of a continued strengthening of the Canadian dollar against U.S. toll receipts ($73 unfav).

Truck Revenue - Fiscal Year



Revenue from passenger car tolls increased from $4,523 in 2006 to $4,631 in 2007. While the volume of cars decreased by 6.6 per cent ($296 unfav) and the Canadian dollar strengthened ($43 unfav), this was more than offset by the positive effects of the toll rate adjustment ($386 fav) and the change in proportion of Canadian-to-American westbound traffic ($61 fav).

Car Revenue - Fiscal Year



Rental revenue decreased from $3,277 in fiscal 2006 to $2,937 in 2007, affected by the decrease in traffic volume and a significant increase in traffic congestion caused by more intensive U.S. Customs inspections. This resulted in a significant decline in customer traffic through the Duty Free Store and plaza food concessions.

Expenses

Total expenses decreased from $20,672 in fiscal 2006 to $20,354 in 2007.

General and administrative expenses decreased by $910 primarily due to the significant reduction for the requirement of consultant services ($1,001 fav), partially offset by an increase in legal fees ($63 unfav).

Human Resources increased by $105 primarily due to an increase in group insurance premiums ($63 unfav), group pension expenses ($11 unfav) and Canada Pension ($11 unfav) and by the overall effect on other benefits of the annual salary increases. The addition of 2 full-time employees ($92 unfav), the annual salary increases ($39 unfav) and employee severance recognition ($35 unfav) in 2007 was almost offset by the prior year's retirement payout and retroactive salary adjustments ($154 fav).

Maintenance and other expenses increased by $34 in fiscal 2007. Other than prior year building roof repairs ($224 fav) which were offset by current year bridge span inspections and repairs ($173 unfav), only the Tourist Information Centre required additional maintenance in 2007 ($25 unfav).

Interest on long-term debt decreased from $6,612 in fiscal 2006 to $6,464 in 2007 as a result of the lower bond principal outstanding as at August 31st, 2007 of $99 million compared to $102 million at the end of fiscal year 2006.

Amortization expense decreased by $135 due to the effect of declining asset net book value balances and a delay in the opening of the truck ramp until June 20th, 2007.

Cash Flow

There was a net increase in cash of $6,747 for 2007 as compared to a decrease for 2006 of $5,092. While there were positive cash flows from operating activities of $9,093, a net decrease in investments and restricted assets of $7,212; funds were applied to the purchase of property, plant and equipment of $6,257 and reduction of the bond debt $2,400. Holdbacks payable decreased by $608 while all other receivables, payables, prepaid and accrued accounts generally offset each other.

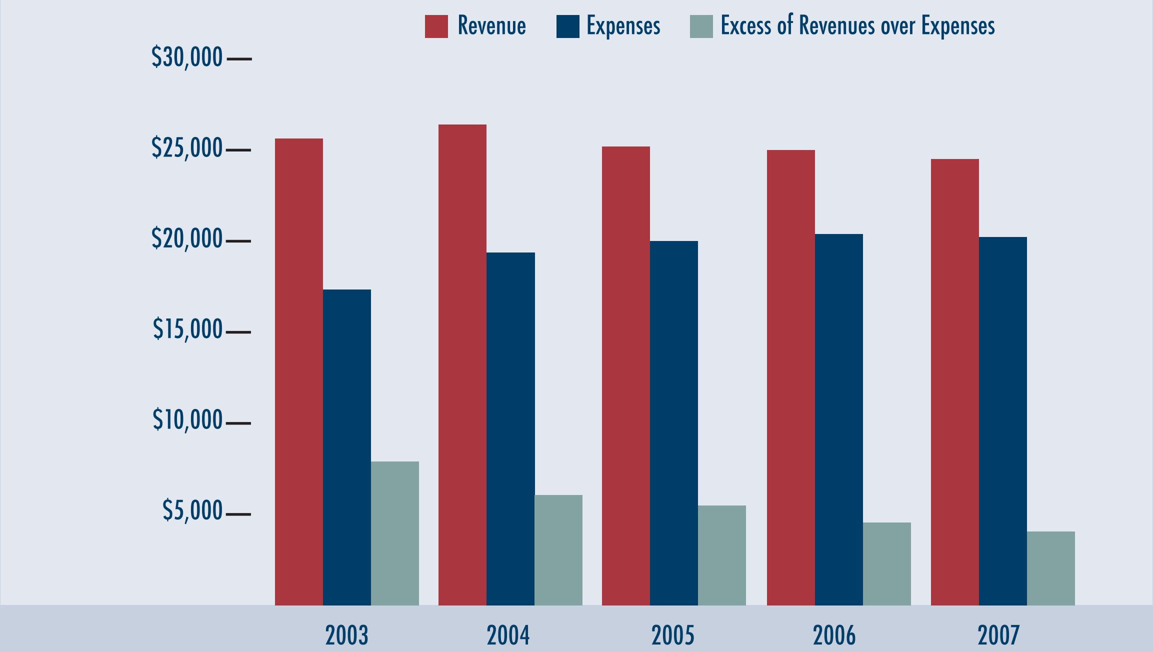
Capital Program

Capital additions in the 2007 fiscal year amounted to $6,257 of which the major contributor was the construction of the Truck Ramp ($2,945). Additional projects were: Customs/Brokers/Administration Complex project ($1,351); Project building expansion ($426); Currency Exchange Software System ($382); Variable Message Signs for the bridge spans ($300); Car and truck purchases ($210), and; Highway 402 widening project ($177).

5-YEAR FINANCIAL SUMMARY

	2003	2004	2005	2006	**2007**
Revenues	$25,462	$26,131	$25,414	$25,162	**$24,384**
Expenses	17,699	19,506	19,946	20,672	**20,354**
Excess of Revenues over Expenses	$7,763	$6,625	$5,468	$4,490	**$4,030**

Performance Trends 2003 - 2007



MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

The financial statements and all other information contained herein are the responsibility of management and have been reviewed and approved by the Commissioners of the Authority. These financial statements, which include amounts based on management's best estimates as determined through experience and judgment, have been properly prepared and are in accordance with Canadian generally accepted accounting principles.

Management of the Authority maintains books of account, records, financial and management control, and information systems, which are designed for the provision of reliable and accurate financial information on a timely basis. These controls provide reasonable assurance that assets are safeguarded, that resources are managed economically and efficiently in the attainment of corporate objectives, that operations are carried out effectively and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Blue Water Bridge Authority Act* and the by-laws of the Blue Water Bridge Authority.

The Auditor General of Canada conducts an independent audit of the annual financial statements and reports on the audit to the Minister of Transport, Infrastructure and Communities.

The Board of Directors' Audit Committee, which consists of four members, none of whom is an officer of the Authority, reviews and advises the Board on the financial statements and the Auditor General's report thereto. The Audit Committee meets with management and the Auditor General on a regular basis to discuss the financial reporting process as well as auditing, accounting and reporting issues.

Chuck Chrapko
President and CEO

David Joy, BA, CGA
Chief Financial Officer

Sarnia, Ontario
Canada

October 12, 2007

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

AUDITOR'S REPORT

To the Minister of Transport, Infrastructure and Communities

I have audited the balance sheet of the Blue Water Bridge Authority as at August 31, 2007 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 financial statements present fairly, in all material respects, the financial position of the Authority as at August 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *International Bridges and Tunnels Act*, the *Blue Water Bridge Authority Act* and the by-laws of the Authority.

Alain Boucher

Alain Boucher, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
October 12, 2007

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Balance Sheet

As at August 31		2007		2006
Assets				
Current				
Cash (Note 3)	$	20,628,915	$	13,882,380
Short-term investments (Note 5)		20,351,361		12,244,473
Accrued interest receivable (Note 5)		2,492,958		999,918
Accounts receivable		1,224,008		1,738,424
Prepaid expenses		299,540		381,797
		44,996,782		29,246,992
Deferred charges (Note 4)				
Bond agency fees		576,386		605,450
Long-term investments (Note 5)		14,592,881		31,320,089
Property, plant and equipment (Note 6)		119,273,680		117,386,375
Restricted assets (Note 8)				
Debt service reserve fund		5,548,522		5,321,739
Operating and maintenance contingency fund		2,813,236		2,697,251
		8,361,758		8,018,990
	$	187,801,487	$	186,577,896
Liabilities and Retained Earnings				
Current				
Accounts payable and accrued liabilities	$	2,053,009	$	2,518,889
Holdbacks payable		439,452		1,047,568
Deferred revenue (Note 10)		1,693,520		1,475,985
Current portion of long-term debt (Note 12)		2,556,171		2,399,874
		6,742,152		7,442,316
Employee future benefits liability				
Non-pension related liability (Note 11)		2,987,437		2,537,243
Long-term debt (Note 12)		96,824,849		99,381,020
		106,554,438		109,360,579
Retained Earnings		81,247,049		77,217,317
	$	187,801,487	$	186,577,896

Contingencies (Note 15) and Commitments (Note 16)
The accompanying notes form an integral part of the financial statements.

On behalf of the Board:

Commissioner

Commissioner

On behalf of Management:

Chief Financial Officer

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the year ended August 31

		2007		2006
Revenues				
Tolls and services	$	**17,872,065**	$	18,297,443
Facility rentals (Note 13)		**2,936,896**		3,276,890
Currency exchange department (Note 14)		**941,427**		1,098,919
Interest and sundry revenues		**2,633,608**		2,489,234
		24,383,996		25,162,486
Expenses				
General and administrative (Note 20)		**2,108,867**		3,018,953
Human resources (Note 20)		**5,763,235**		5,657,955
Interest on long - term debt		**6,464,149**		6,612,244
Maintenance and other expenses (Note 20)		**1,619,660**		1,585,620
Amortization-property, plant and equipment		**3,603,421**		3,738,281
Amortization-bond agency fees		**29,064**		29,064
Loss on disposal of property, plant and equipment		**765,868**		29,384
		20,354,264		20,671,501
Excess of revenues over expenses	$	**4,029,732**	$	4,490,985
Retained Earnings, beginning of year	$	**77,217,317**	$	72,726,332
Excess of revenues over expenses		**4,029,732**		4,490,985
Retained Earnings, end of year	$	**81,247,049**	$	77,217,317

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

STATEMENT OF CASH FLOWS

For the year ended August 31

	2007	2006
Cash Flows from operating activities		
Excess of revenues over expenses	$ 4,029,732	$ 4,490,985
Adjustments for items not affecting cash		
Amortization of property, plant and equipment	3,603,421	3,738,281
Amortization of bond agency fees	29,064	29,064
Employee future benefits liability (non-pension related)	450,194	415,196
Loss on disposal of property, plant and equipment	765,868	29,384
Foreign exchange loss	214,844	37,135
	9,093,123	8,740,045
Changes in non-cash working capital items		
Interest on short and long-term investments	(427,586)	(289,076)
Accounts receivable	514,416	(324,599)
Prepaid expenses	82,257	9,811
Accounts payable and accrued liabilities	(465,880)	(1,186,727)
Holdbacks payable	(608,116)	928,432
Deferred Revenue	217,535	64,909
	(687,374)	(797,250)
Net cash provided by operating activities	8,405,749	7,942,795
Cash Flows from investing activities		
Purchase of property, plant and equipment	(6,256,594)	(8,069,932)
Decrease (Increase) in investments	7,554,866	(2,331,490)
(Increase) in restricted assets	(342,768)	(342,767)
Net cash provided by (used in) investing activities	955,504	(10,744,189)
Cash Flows from financing activities		
Increase in long-term debt - bond principal - current portion	156,297	146,741
(Decrease) in long-term debt - bond principal	(2,556,171)	(2,399,874)
Net cash (used in) financing activities	(2,399,874)	(2,253,133)
Foreign exchange loss on cash held in foreign currency	(214,844)	(37,135)
Increase (Decrease) in cash during the year	6,746,535	(5,091,662)
Cash, beginning of year	13,882,380	18,974,042
Cash, end of year	$ 20,628,915	$ 13,882,380
Interest paid	$ 6,486,304	$ 6,633,044

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

1. Authority and Objective

The Blue Water Bridge Authority (the "Authority") was established by the *Blue Water Bridge Authority Act (Canada)* on May 21, 1964; as per Section 22, the Authority is not an agent of Her Majesty in right of Canada. On April 26, 2002 the Authority became a Crown corporation, and as such, is listed under Schedule III, Part I of the *Financial Administration Act* and is not subject to income tax under the provisions of the Income Tax Act.

The Blue Water Bridge complex includes the Canadian portion of two international toll bridges connecting Sarnia, Ontario, Canada with Port Huron, Michigan, USA. The westbound bridge was completed in October 1938 and the eastbound bridge in July, 1997. Under the direction and guidance of the Minister of Transport, Infrastructure and Communities, the mandate of the Blue Water Bridge Authority is to operate, maintain and repair the Canadian halves of the two bridges, approaches and structures.

The *Blue Water Bridge Authority Act* and the *Customs Act*, Section 6, require the Authority to provide, equip and maintain, free of charge, adequate buildings, accommodations or other facilities for the proper detention and examination of imported goods or for the proper search of persons by customs and immigration officers.

The Authority's interim mission statement is:

"To ensure the safe and efficient passage of traffic along with the provision of sufficient facilities for bridge plaza stakeholders."

2. Summary of Significant Accounting Policies

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

a) Foreign Currency Translation

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated through the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in the statement of operations in the current period.

b) Deferred Charges

The bond agency fees are amortized over the life of the bonds (25 years) on a straight-line basis.

c) Deferred Revenues

Deferred revenues are comprised of tolls paid in advance by passenger vehicle users and commercial trucking companies as well as rent received from the Ojibwe Legends Trading Company Ltd for the arts and craft store in the Tourist Information Centre building.

d) Employee Future Benefits Liability (Non-pension Related)

The Authority provides, other than pension benefits, post-retirement benefits including health care, dental care, employee assistance, and life insurance to eligible employees and their dependents upon meeting certain requirements. The obligation and the cost of these benefits are determined on an actuarial basis using the projected unit credit method prorated on service and management's best estimate assumptions. The discount rate used to determine the accrued benefit obligation is based on market rates for long-term high quality bonds. The Authority uses an August 31 measurement date.

The net cost consists of the actuarially determined benefits for the current year's service, imputed interest on projected obligations and the amortization of actuarial gains or losses over the expected average remaining service life. Actuarial gains or losses are amortized over the employee average remaining service life (14 years; 2006 – 13 years) only if the net actuarial gain or loss at the beginning of the year is in excess of 10% of the accrued benefit obligation at that date.

These benefits are not pre-funded, resulting in a deficit equal to the accrued liability benefit obligation.

e) Property, Plant and Equipment – Amortization

The net value of property, plant and equipment as presented on the Balance Sheet is cost less accumulated amortization. Replacements and major improvements which extend the useful lives of existing assets are capitalized.

Amortization rates based on the estimated useful life of an asset are as follows:

Bridge – first span	2%	Straight line for 50 years
Bridge – second span	1%	Straight line for 75 years
Truck Ramp	2%	Straight line for 50 years
Buildings	5%	Diminishing balance basis
Buildings & Booths identified for demolition:	-	Remaining life:
• VACIS Kiosk		2 years, straight line
• Pump House		2 years, straight line
• Building "A" Brokers		5 years, straight line
• Building "B" Admin/Brokers/Customs		5 years, straight line
• Booths-Truck Eastbound		5 years, straight line
• Generator Building		6 years, straight line
• Toll Building		7 years, straight line
• Building "E" Customs Secondary & Immigration		8 years, straight line
• Booths-Customs Eastbound		8 years, straight line
• Public Washrooms		11 years, straight line
• Currency Exchange Building		11 years, straight line
• Booths-Toll Westbound		11 years, straight line
Buildings – leased Duty Free	5%	Diminishing balance basis
Buildings – residential (including land)	-	No amortization
Equipment	10%	Diminishing balance basis
Equipment – computer	20%	Straight line for 5 years

Property improvements	10 – 20%	Diminishing balance basis
Vehicles and construction equipment	30%	Diminishing balance basis

Ten buildings and all booths are identified for demolition in accordance with the master capital plan. Depreciation has been accelerated to amortize the remaining net book value, respective of the planned date of demolition.

Buildings-Residential and the land on which they are situated are purchased for their land values. No amortization on buildings-residential is recorded. The total acquisition cost will be transferred to the land account when these buildings are demolished.

Construction in process is not amortized. When projects are substantially completed the costs are transferred to the appropriate asset account and amortization is initiated.

f) Revenue

Toll and services revenues are recognized and recorded at the time the tolls are collected when the vehicles pass through the toll lanes. Payments received in U.S. dollars are translated into Canadian dollars based on daily exchange rates.

Facility rentals revenues are recognized and recorded in the periods in which they are earned. These revenues include lease payments received from tenants such as commercial custom brokers, private coffee shops, and a duty free store.

Currency exchange department revenues are recorded and recognized at the time the currency exchange transaction is completed. Payments received in U.S. dollars are translated into Canadian dollars based on daily exchange rates.

Interest and sundry revenues are recognized and recorded in the period in which they are earned. The primary component of revenue in this category is bond interest.

g) Government Assistance

Government assistance is recorded as a reduction of the cost of the asset acquired when there is a reasonable assurance that the requirements for the approved grants are met.

h) 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 date of the financial statements, and the reported amounts of revenues and expenses during the year.

Employee-related liabilities and the useful life expectancy predictions for property, plant and equipment are the most significant items where estimates are used. Actual results could differ significantly from management's best estimates as additional information becomes available in the future.

i) Future accounting changes

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

Financial instruments – Recognition and measurement

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

Comprehensive income

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

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

3. Cash

The Authority's bank accounts are held at one Canadian chartered bank. Cash (including on hand) includes US $4,653,073 (2006 - US $760,544) which has been translated to $4,915,506 (2006 - $841,618).

4. Deferred Charges

The Authority issued $110 million in revenue bonds on July 9, 2002. The bonds are due in 2027. The agency fees amounted to $726,550 of which $29,064 (2006 - $29,064) is applicable to fiscal 2007 expense. The remaining balance of $576,386 will be amortized over the bond's life on a straight-line basis.

5. Investments

a) Short-term Investments

The portfolio is composed of Provincial bonds and Government of Canada Treasury bills maturing in the 2008 financial year.

As at August 31		2007		2006
Accrued Interest Receivable				
General Investments	$	2,213,450	$	999,918
Major Maintenance Fund		279,508		-
	$	2,492,958	$	999,918
General Investments (Book Value)				
Province of Nova Scotia	$	1,138,556	$	999,865
Province of New Brunswick		1,701,602		-
Province of Newfoundland		4,852,563		-
Province of Ontario		249,747		3,269,503
Ontario Hydro		384,934		-
Government of Canada		10,242,597		7,975,105
	$	18,569,999	$	12,244,473
Major Maintenance Fund (Book Value)				
Government of Canada	$	1,781,362		-
	$	1,781,362	$	-
	$	20,351,361		12,244,473
	$	22,844,319	$	13,244,391
Fair Value				
General Investments	$	20,755,883	$	13,229,231
Major Maintenance Fund		2,053,632		-
	$	22,809,515	$	13,229,231
Average Rate of Return - %		4.30		3.92

b) Long-term Investments

The portfolio is composed of Provincial bonds and Government of Canada Treasury bills

As at August 31		2007		2006
General Investments (Book Value)				
Province of British Columbia	$	5,704,429	$	5,468,562
Province of Newfoundland and Labrador		-		5,025,353
Province of Nova Scotia		-		1,256,931
Province of Manitoba		1,765,622		-
Province of Ontario		1,044,605		1,381,965
Government of Canada		2,245,286		13,444,367
		10,759,942		26,577,178
Major Maintenance Fund (Book Value)				
Province of Nova Scotia		883,508		841,147
Province of Ontario		2,008,179		1,921,723
Province of Quebec		941,252		-
Government of Canada		-		1,980,041
		3,832,939		4,742,911
	$	14,592,881	$	31,320,089
Fair Value				
General Investments	$	10,677,081	$	26,494,116
Major Maintenance Fund		3,775,955		4,754,633
	$	14,453,036	$	31,248,749
Average Rate of Return - %		4.77		4.48
Average Term to Maturity - Years		3.06		2.19

The fair value of the investments was determined using quoted market prices.

The Major Maintenance Fund (formerly the Bridge Painting Fund) was established voluntarily by the Authority in 2002 in order to provide funds for the major restoration cost of recoating and painting of the bridges. It's mandate has been expanded to provide a reserve for any major restorative bridge repair work as determined and approved by the Board of Directors. With respect to the eventual Bridge Painting project, current estimates indicate that the first project will begin in 2024 and the second in 2026-2031 at a total future cost of approximately $25 million. Current year deposits amounted to $900,563 (2006 - $900,332). The fund generated interest income in the amount of $250,337 (2006 - $204,350).

c) Investment Policy

The Authority invests in treasury bills, promissory notes, bills of exchange or other debt securities that are unconditionally guaranteed or accepted by the Government of Canada or by a Bank or by any province of Canada; Central Government Obligations of any other country which has a bond rating of AAA or AA or equivalent; interest bearing deposits or certificates of deposit or similar arrangements with, or discount debt obligations issued, accepted or guaranteed by any bank, trust company or other deposit taking institution in Canada, which is rated in one of the highest categories of debt by one of the Rating Agencies: Commercial Paper, R-1 high, Banker's Acceptance (minimum R-1 low or higher); indebtedness of any other issuer (including any corporation) with a remaining term to maturity not to exceed one year, the long-term debt of which is rated one of the three highest categories for long-term debt by one of the Rating Agencies.

6. Property, Plant and Equipment

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 7,315,975	$ -	$ 7,315,975	$ 7,315,975
Bridges & Truck Ramp	97,862,883	10,499,534	87,363,349	77,467,237
Buildings	18,430,314	7,443,660	10,986,654	11,785,401
Buildings-booths	3,123,217	2,283,333	839,884	956,442
Buildings-leased Duty Free	5,281,899	1,294,262	3,987,637	4,197,512
Buildings-residential (including land)	1,269,184	-	1,269,184	1,129,626
Equipment	5,146,521	2,456,832	2,689,689	2,155,669
Equipment-computer	804,174	380,673	423,501	248,401
Construction in process	2,069,221	-	2,069,221	9,420,915
Property improvements	6,424,435	4,603,385	1,821,050	2,234,067
Vehicles and construction equipment	2,043,640	1,536,104	507,536	475,130
	$ 149,771,463	**$ 30,497,783**	**$ 119,273,680**	$ 117,386,375

Cost and accumulated amortization of property, plant and equipment as at August 31, 2006 amounted to $144,448,742 and $27,062,367 respectively.

7. Rehabilitation of the Bridge

The Blue Water Bridge is comprised of two spans. The original bridge (first span) was constructed in 1938 and underwent a major rehabilitation in 1999. The useful life of the rehabilitation is estimated to be 50 years, at which time the bridge could be demolished or rehabilitated. The second span was constructed in 1997 and has a useful life of 75 years, at that time it is estimated that a major rehabilitation could extend its useful life for 50 years. The Authority will eventually be obligated to demolish the Canadian half of both spans. Due to the uncertainty relating to the potential rehabilitation of both spans, the Authority cannot determine a reasonable estimate of the liability for the rehabilitation and therefore has not recognized any liability in the balance sheet as at August 31, 2007.

8. Restricted Assets

Debt Service Reserve Fund

In accordance with the Master Trust Indenture, on the closing date of the issuance of the bonds, the Authority established a Debt Service Reserve Fund in the amount of $4.5 million. Thereafter the reserve must be at least equal to: (i) fifty percent (50%) of the Debt Service Amount, if the Gross Debt Service Coverage Ratio is less than 2.00:1.00; (ii) twenty-five (25%) of the Debt Service Amount if the Gross Debt Service Coverage Ratio is 2.00:1:00 or greater, but less than 3.00:1.00. In the event the Gross Debt Service Coverage Ratio is 3.00:1.00 or greater, the Authority is not required to maintain a balance in the Reserve Fund.

Debt Service Amount means, on any date, the sum of the projected net interest amount and the projected total principal reduction amount for the twelve month period commencing on the first day of the month of such date.

Gross Debt Service Coverage Amount means, on any date, the sum of free cash flow for the twelve month period ending on the last day of the most recently completed month and the revenue account balance on the last day of the month divided by the sum of the net interest amount and the total principal reduction amount for the twelve month period ending on the last day of the most recently completed month.

Debt Service Reserve Fund

	2007	2006
Book Value		
Cash	$ 164	$ 164
Investments		
Province of British Columbia	2,656,458	2,548,169
Province of Manitoba	906,012	867,828
Province of Newfoundland and Labrador	1,654,028	1,587,086
Province of Ontario	331,860	318,492
	$ 5,548,522	$ 5,321,739
Fair Value		
Cash	$ 164	$ 164
Investments	5,489,138	5,346,546
	$ 5,489,302	$ 5,346,710
Average Rate of Return - %	4.72	4.72
Average Term to Maturity - Years	2.32	3.32

Operating and Maintenance Contingency Fund

In accordance with the Master Trust Indenture, on the closing date of the issuance of the bonds, the Authority established an Operating and Maintenance Contingency Reserve Fund in the amount of $2.0 million. Thereafter the reserve must be at least equal to twenty-five percent (25%) of the Operating and Maintenance expenses incurred by the Authority over the previous twelve (12) month period ending on the last day of the most recently completed month. Operating and Maintenance expenses do not include amortization or non-recurring items arising from the early retirement of Borrowings or Subordinated Debt, or the interest on any Borrowings.

	2007	2006
Book Value		
Cash	$ 198	$ 198
Investments		
Province of Newfoundland and Labrador	1,839,443	1,767,632
Province of Ontario	266,067	253,005
Province of Prince Edward Island	707,528	676,416
	$ 2,813,236	$ 2,697,251
Fair Value		
Cash	$ 198	$ 198
Investments	2,792,767	2,697,064
	$ 2,792,965	$ 2,697,262
Average Rate of Return - %	4.88	4.88
Average Term to Maturity - Years	2.96	3.96

The fair value of the investments was determined using quoted market prices.

9. Credit Facility

The Authority has a revolving credit facility with a Canadian chartered bank in the amount of $20 million. The facility is secured by a pari-passu (ranked equally as to asset entitlement) Pledge of Revenues as contained in the Master Trust Indenture and the Master Trust Second Supplemental Indenture to a Pledged Bond. Interest is payable monthly based on the Bank's Prime Lending Rate. The maximum amount that the Authority can borrow is $125 million. There is no outstanding balance as at August 31, 2007.

10. Deferred Revenue

Deferred revenue of $1,693,520 ($1,475,985 - 2006) represents the balance, at year end, for tolls paid in advance by passenger vehicles of $375,422 ($404,166 – 2006); commercial trucking companies of $1,256,558 ($1,071,819 – 2006), and; rent received in advance of $61,540 ($0 – 2006) from the Ojibwe Legends Trading Company Ltd. for the arts and craft store in the Tourist Information Centre building.

11. Employee Future Benefits Liability (Non-pension Related)

Other than the pension plan, the Authority provides post-retirement benefits to its eligible employees through health, dental, life insurance and an employee assistance program. Benefit costs related to current service are charged to income as services are rendered.

Notes to Financial Statements

The following table sets forth the status of the post-retirement non-pension related benefit plan:

For the year ended August 31	2007	2006
Change in accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 3,936,319	$ 3,601,044
Current service cost	194,438	184,301
Interest cost	225,886	206,663
Actuarial gain	(120,340)	-
Net cost for the year	299,984	390,964
Benefits paid	(47,472)	(55,689)
Accrued benefit obligation, end of year	$ 4,188,831	$ 3,936,319

The following table reconciles the unamortized net actuarial loss at the end of the year:

For the year ended August 31	2007	2006
Unamortized net actuarial loss		
Unamortized net actuarial loss, beginning of year	$ 1,399,076	$ 1,478,997
	1,399,076	1,478,997
Actuarial gain arising during the year	(120,340)	-
Amortization of actuarial loss for the year	(77,342)	(79,921)
Unamortized net actuarial loss, end of year	$ 1,201,394	$ 1,399,076

The following table reconciles the accrued benefit obligation of the benefit plan to the accrued benefit liability recorded in the financial statements:

For the year ended August 31	2007	2006
Accrued benefit obligation	$ 4,188,831	$ 3,936,319
Unamortized net actuarial loss	(1,201,394)	(1,399,076)
Accrued benefit liability	$ 2,987,437	$ 2,537,243

The last actuarial valuation was performed as at August 31, 2007. The Authority intends to have its next valuation performed as at August 31, 2008. The accrued benefit liability is reported on the Balance Sheet as: Non-pension related liability.

Notes to Financial Statements

The following table shows the elements of defined benefits cost recognized during the year:

For the year ended August 31	2007	2006
Elements of defined benefit costs recognized in the year		
Current service costs	$ 194,438	$ 184,301
Interest cost	225,886	206,663
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	420,324	390,964
Adjustments to recognize the long-term nature of employee future benefit costs		
Difference between actuarial loss recognized and actuarial loss on accrued benefit obligation	77,342	79,921
Subtotal	77,342	79,921
Defined benefit costs recognized	$ 497,666	$ 470,885

Assumptions

For the year ended August 31	2007	2006
Weighted average assumptions as at August 31:		
Discount Rate, accrued benefit obligation	5.50%	5.50%
Discount Rate, benefit cost	5.50%	5.50%
Estimated per capita claims costs escalation rates:		
General inflation	2.70%	2.70%
Dental and vision care	3.70%	3.70%
Employee assistance program	2.70%	2.70%

The assumed health care cost trend rate for the next 10 years is 8%, 6% thereafter (2006 – 8% for the next 12 years, 6% thereafter).

Sensitivity analysis

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One Percent	
	Increase	Decrease
Total of service and interest cost	$ 117,511	$ (88,281)
Accrued benefit obligation	934,818	(722,656)

12. Long-term Debt

On July 9, 2002 the Authority issued at a face value of $110 million, 6.41% Revenue Bonds, payable semi-annually, Series 2002-1, due July 9, 2027.

The proceeds were used to: repay all outstanding bank loans, pay loan breakage fees, agency, subscription, and legal fees and establish the required reserve funds. The balance is to be used for future capital spending and general working capital purposes.

Principal and interest payments for the next five years and thereafter are shown as follows:

	Year	Principal	Interest	Total
Current				
	2008	2,556,171	6,330,007	8,886,178
Long-term				
	2009	2,722,647	6,163,531	8,886,178
	2010	2,899,965	5,986,212	8,886,177
	2011	3,088,832	5,797,346	8,886,178
	2012	3,289,999	5,596,179	8,886,178
	Thereafter	84,823,406	48,469,256	133,292,662
		96,824,849	72,012,524	168,837,373
		$ 99,381,020	$ 78,342,531	$ 177,723,551

The Authority maintains a covenant with the Trustee and Bondholders that so long as there is any amount payable under the Master Trust Indenture, or any Bonds outstanding or any obligations under the indenture that:

a) The principal and interest will be duly paid on the due dates.

b) Insurance will be maintained in such types and amounts in accordance with sound business practices and standards in the industry.

c) The Authority shall maintain its corporate existence pursuant to the *BWBA Act* and maintain its existence as a parent Crown corporation under the *Financial Administration Act* subject to its right to reorganize, merge or amalgamate in accordance with the terms of Section 6.7 of the Master Trust Indenture.

d) Except for borrowings arising as a result of movements in the termination values of swap agreements and any purchase money obligations not exceeding in the aggregate at any time $2 million, the Authority shall not create, incur, assume or otherwise become liable for any additional indebtedness unless it is pursuant to a supplemental Indenture. As at August 31, 2007 the Authority has no active swap agreements.

e) The aggregate of all borrowings, subordinated debt and purchase money obligations does not exceed any limitations on the amount of borrowings outstanding imposed upon the Authority pursuant to the *BWBA Act*.

f) *Toll Rate Covenant* – The Authority will take all lawful measures to fix and establish toll rates and other charges so that:

The Gross Debt Service Ratio is equal to or greater than 1.25:1.00 with respect to each Fiscal Year and that the projected Debt Service Ratio is equal to or greater than 1.00:1:00 with respect to each Fiscal Year.

If the ratios do not meet the preceding guidelines the Authority shall take all steps permitted under the *BWBA Act* to increase toll rates as may be necessary to achieve such ratios in the next succeeding Fiscal Year.

As a result of the provisions of Section 13 of the *Blue Water Bridge Authority Act*, the Government of Canada is not liable for any borrowings by the Authority.

A discounted cash flow method, using a discount rate equal to the prevailing market rate of interest for bonds having similar terms and conditions, was used to determine the fair value of the bonds. The fair value as at August 31, 2007 is $109,638,740 (2006 - $116,768,813).

13. Facility Rentals

The Authority has entered into a long-term operating lease with The Blue Water Bridge Duty Free Shop Inc. The Authority provides the building, completed in 2002 and the Duty Free Shop Inc., operates the commercial facility. The lease has an initial term of 7 years ending on March 2, 2009, and has three consecutive renewal periods of 7 years each at the discretion of the Duty Free Shop Inc. The Authority receives a fixed rent per month and contingent revenues based on a percentage of sales. The Authority has also entered into a long-term operating lease with the Ojibwe Legends Trading Company Ltd. The lease has an initial term of 10 years ending on March 31, 2016, and has a five year extension term option.

14. Currency Exchange Department Operations

The Authority operates a currency exchange department on the plaza. The operation's primary activity is to convert Canadian and American dollars for travellers. Net income for the year amounted to $34,285 (2006 - $246,801).

15. Contingencies

In the normal course of its operations, the Authority becomes involved in various legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the Authority's financial statements. There are no outstanding legal actions against the Authority.

16. Commitments

The Authority has awarded a contract to design a Customs/Brokers/Administration Complex building. The project will result in multiple contracts to be tendered totalling $37,469,689. Of this amount, the Authority has engaged consulting firms for the periods covering fiscal 2007 and 2008 to provide architectural services for which work not yet completed amounts to $908,303; civil engineering services for which work not yet completed amounts to $202,932, and; program management services for which work not yet completed amounts to $536,409. The project is expected to be completed in the Spring of 2009. No contracts have yet been signed as at August 31st, 2007 for the remaining balance of this project.

17. Pension Plan

The Authority has contracted an outside life insurance firm to operate and administer an employee pension plan. Employees of the Authority may voluntarily join the pension plan, subject to eligibility requirements. The pension plan, which is a defined-contribution pension plan, is funded on a money-purchase basis with members contributing 6.5% of their annual earnings. In accordance with the plan, the Authority is required to contribute an amount equal to the member's required contribution. During the year, the Authority's pension contributions amounted to $219,414 (2006 - $203,763).

18. Financial Instruments

The Authority's financial instruments consist of cash, restricted assets, accounts receivable, short- and long-term investments, accounts payable and accrued liabilities, holdbacks payable, short- and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise disclosed in Notes 5, 8 and 12, management believes that the carrying values of the financial instruments approximate their fair value.

19. Comparative Figures

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

20. Expenses

For the year ended August 31		2007		2006
General and Administrative				
Audit and legal	$	108,337	$	73,997
Bond Rating Fees		41,008		40,174
Consultants		435,609		1,437,799
Insurance		448,522		486,380
Interest and bank charges		67,452		77,261
Meetings and memberships		77,821		53,872
Municipal Taxes		164,013		139,468
Office and miscellaneous		461,735		449,474
Public relations		115,644		80,008
Security		7,954		19,174
Telephone		75,311		69,801
Travel and entertainment		105,461		91,545
	$	2,108,867	$	3,018,953
Human Resources				
Salaries and wages				
Administrative and office	$	787,936	$	937,812
Currency Exchange Department		516,433		519,155
Janitorial		245,372		236,776
Maintenance		620,555		568,721
Project Management		345,156		280,526
Toll collectors		1,484,530		1,448,112
		3,999,982		3,991,102
Benefits				
Employee pension and life insurance		1,309,081		1,224,882
Employee health taxes		85,843		80,044
Employment insurance		68,873		74,673
Other		67,495		63,940
Uniforms and cleaning		46,412		46,259
Vacation pay		149,731		142,950
Workplace Safety and Insurance Board		35,818		34,105
		1,763,253		1,666,853
	$	5,763,235	$	5,657,955
Maintenance and Other Expenses				
Equipment repairs	$	33,959	$	48,062
Fuel and other vehicle costs		61,795		73,503
Heating, hydro and water		369,157		389,049
Janitorial supplies & waste disposal		84,595		71,380
Maintenance-supplies and services		821,741		769,851
Snow removal and landscaping		248,413		233,775
	$	1,619,660	$	1,585,620

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Blue Water Bridge Authority, 1 Bridge Street, Point Edward, Ontario, Canada N7V 4J5
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Canada


www.pitch-in.ca


COAST GUARD

BLUE WATER BRIDGE AUTHORITY

1 Bridge Street, Point Edward, Ontario N7V 4J5

Canada

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