Annual Report 2008

Blue Water Bridge Canada

Canada

Table of Contents

Letter from the President and Chief Executive Officer

We've been taking our vision of what our customers' experiences at the Blue Water Bridge could be like in the future and then laying a firm foundation now to make it a reality. Consulting with our customers and responding to their needs and preferences are core elements of our strategy to have the Blue Water Bridge recognized as an essential part of the international travel experience. In particular, our research is driving us to refine our capabilities and further improve our performance in customer service and government relations.

We used the hard-learned lessons from our summer 2007 experiences in the wake of the worst delays in U.S.-bound traffic since September 11, 2001, as the impetus to help improve crossing conditions for our customers and to build more robust relationships with our government partners at the federal, provincial/state and local levels. A new customer service position was created to improve the quality and quantity of interaction with our many customers. Our exchanges emphasized two-way communications, so we can better understand the nature of our customers' border-related activities, concerns and ideas. They have told us that we do much of our work well, also advising us about areas for improvement.

Through our customer exchanges, we have determined that we need to take a more active role in helping federal government departments on both sides of the border to balance border security interests with those supporting the free flow of legitimate trade. Following a realignment of responsibilities, senior managers now meet more frequently with Canadian and U.S. elected officials, regulatory agencies, our counterparts from the Michigan Department of Transportation (MDOT) and trade associations, to contribute to a better, shared understanding of cross-border issues *and* practical solutions.

Opportunities for improvement present themselves in various forms. For example, recommendations from several routine federal government audits are being diligently acted upon, to further strengthen our financial and business management practices. In capital improvements, construction will soon be underway on our new CBA complex, which will house Canada Border Services Agency and customs brokers, as well as our administration office. Expected to be completed in 2011, the facility has been designed to be certified under the Canada Green Building Council's *Leadership in Energy and Environmental Development (LEED)* green building rating system. Inside and out, the complex will incorporate a variety of modern materials and systems to make it energy and environmentally efficient.

Particularly with the current, multi-layered, and occasionally cumbersome, border security blanket in place, it is an ongoing challenge to maintain a border crossing that is preferred by our customers. Our new role as a practical and empathetic liaison between our customers and government trade and security administrators has offered all parties new insights into prevailing issues and potential solutions. But, so long as all parties demonstrate a shared commitment to sustain an efficient and secure cross-border system, we are optimistic that the international relationships connecting across the Blue Water Bridge will thrive well into the future.

Chuck Chrapko
President and Chief Executive Officer

Letter from the Chairman of the Board

I want to thank the Blue Water Bridge Canada Board of Directors for their interest and diligence during a very busy year. Similarly, the Board is very impressed with the leadership of CEO Chuck Chrapko during this year of transition and change. May I also thank all of the staff at BWBC for their positive contribution to making our mission and vision statements very personal and do-able. Last year, I pledged that there would be an improvement in corporate governance. I am pleased to relate that great strides have been made to that end. Strategic objectives were established with definite timelines. Senior staff members have been extremely dedicated in meeting all timelines.

Important capital projects such as the truck ramp and the automated NEXUS entry off St. Clair Street in Point Edward have been completed and are operational. Phase I of the Master Plan, the Customs, Brokers, Administration (CBA) Complex has purposely been delayed to allow the incorporation of changes that will facilitate substantial savings. The BWBC administration offices will now be incorporated in this important structure. Tenders for the building of the CBA Complex will be solicited in the very near future.

Traffic volumes, both car and truck, continue to be concerning. BWBC must be targeted and aggressive in attracting commercial trucking and personal vehicles to use our bridge. Our mission statement "To make your gateway experience safe, efficient and enjoyable" and vision statement "to be recognized by our customers as an essential part of their travel experience" were devised by the Board. These statements set the stage for our marketing endeavours. A senior staff person has been reassigned as Customer Service Manager to champion this important aspect of our business.

Our local communities are important partners of BWBC. We want them to think of the "Bridge" in the same way. An example of our reaching out is the change of philosophy regarding BWBC ownership of residential houses along St. Clair Street in Point Edward. In the future, these homes will be maintained in a way that will attract good tenants, provide taxes to the municipality, keep families in the village frequenting business and attending their school. There are other initiatives with the "Point" and this next year will see cooperative initiatives with the City of Sarnia, St. Clair Township and the County as a whole.

This next year will see important environmental stewardship initiatives. The BWBC environmental statement will be finalized. Environmental issues are being addressed that will facilitate LEEDs accreditation for the CBA Complex. Exciting experimentation with Electric plug in vehicles will be an objective as well next year.

The BWBC Corporation is fiscally self sufficient through toll collection and rentals. Revenues facilitate Bridge operations which includes local Canada Border Services Agency facilities as well as the ongoing $110 million plaza safety and efficiency development program. I am extremely concerned about the continued thickening of the border causing backups and would suggest that the crossing wait time target should not exceed 30 minutes on either side of the border. BWBC would like to see a process put in place to have Bridge officials report any variances to their respective governments at an effective level. This benchmark would be an objective that would drive a concentrated effort by the Canadian and U.S. Governments to put the resources and the leadership in the hands of persons given the oversight responsibility to "unthicken" our border crossing. I am pleased to be associated with BWBC, a dynamic organization, dedicated to the common good of those using "the Bridge".

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 had 29 years of progressive accounting/finance experience across manufacturing, petrochemical, financial, tollway and government industries.

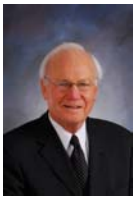
Ed Teft: ***Manager of Capital Projects,*** responsible for all construction and maintenance activities and has been with BWBA for 27 years in progressive positions.

Mary Teft: ***Human Resources and Office Manager,*** is our longest serving employee with 32 years experience exclusively with the Bridge.

Joe Lopetrone: ***Operations Manager,*** since 1996 and has over 37 years of management experience.

Cathy Gardiner: ***Customer Services Manager,*** and has been with the corporation for the past 19 years all within the same department.

Board of Directors



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

Barry Hogan
Vice Chairman
CEO, Gamble & Associates Insurance Ltd.
Chair, 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
Board Member, Fraternal Fellowship Association
Chair, Board of Managers, St. Giles Presbyterian Church

Corporate Governance

BWBC is guided by a Board of four members. The Board receives some health insurance benefits but does not receive other remuneration. The Minister of Transport, Infrastructure and Communities 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, BWBC is accountable to Parliament through the Minister of Transport, Infrastructure and Communities. The Board members are knowledgeable individuals from the local community who are sensitive to BWBC's business needs. They understand the *Financial Administration Act* (FAA) requirements for Corporate Plans and Annual Reports and they work earnestly with management to ensure that BWBC'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 Blue Water Bridge Canada. The Board engaged a chartered accounting firm to prepare an internal audit plan. The internal auditor will have reported directly to the Audit Committee with its findings and recommendations by October 2008. Governance issues and practices continue to evolve and the Board is anticipating that further changes will be made in accordance with the recommendations made. Ken James' term has been extended for 2 more years until November 2010. Barry Hogan's term has been extended for 1 more year until March 2009. Succession planning for the management team is reviewed annually.

Background, Legislative Authority and Compliance

Blue Water Bridge Canada (BWBC) 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.

BWBC qualifies as a "parent Crown corporation" under the *Financial Administration Act* and regulations. As such, BWBC is required to submit an annual corporate plan outlining its business activities and investments, set BWBC's objectives for the relevant period and the strategy to achieve such objectives. The *Financial Administration Act* (Canada) also requires that BWBC 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, Infrastructure and Communities. BWBC is obliged to prepare annual reports including audited financial statements for submission to Parliament via the Minister of Transport, Infrastructure and Communities.

The *Blue Water Bridge Authority Act*, and the *Customs Act*, section 6, require BWBC 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.

BWBC has taken active measures to ensure compliance with the *Official Languages Act* and continues to implement its obligations with the Treasury Board of Canada Secretariat to ensure compliance with the *Federal Identity Program*. As part of that compliance, The President of the Treasury Board and the Minister of Transport, Infrastructure and Communities agreed on an applied title for the organization – from Blue Water Bridge Authority to Blue Water Bridge Canada – effective September 2007. We have received confirmation from the Canada Public Service Agency that we have been successfully meeting our official languages obligations.

BWBC 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*, BWBC is limited to charging tolls which provide for current revenues in an amount sufficient to pay BWBC'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 BWBC 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.

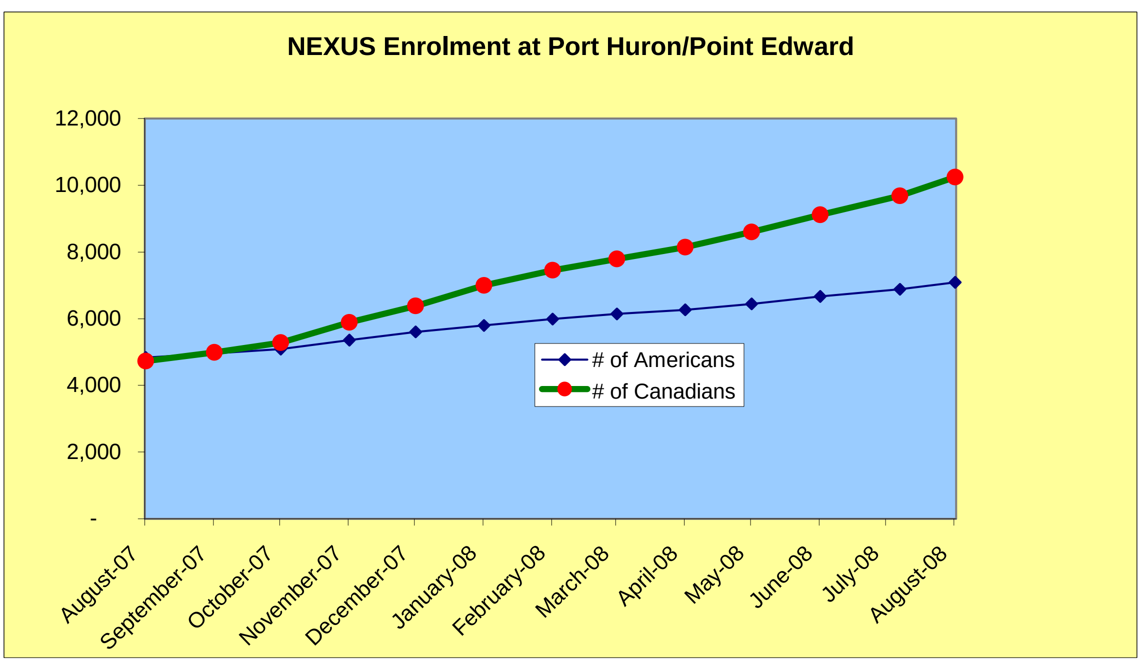
Highlights – 2008

Blue Water Bridge Canada's primary focus for fiscal 2008 has been to put general strategies and specific processes in place, as well as to support initiatives that significantly reduced the risk of experiencing the unacceptable traffic congestion that occurred during the previous summer of 2007.

The emphasis this past year has been to nurture existing relationships and develop new ones with those who may be in a position to not only assist our own local concerns but also to act as a team with other border crossings across the two nations to promote the smooth and efficient flow of our personal and commercial travelers without jeopardizing international security.

A new traffic flow program – the NEXUS bypass ramp/lane has been established to allow low risk travelers expedited access to the Bridge on the Canadian side. Eight closed circuit cameras, along the westbound approach to the plaza have been set up and are accessible to the general public through our website www.bwbc.gc.ca or through www.goborder.com. In this way, travelers have been able to determine when they will be able to cross the border with minimal delays. It has also helped to refute the prevalent public perception that there were lineups every day.

BWBC established a formal government relations strategy to educate and encourage federal customs agencies to be responsive to high traffic volume demand without necessarily sacrificing homeland security. With the installation of highway traffic cameras, indisputable traffic statistics have been compiled and communicated to agencies on both sides of the border.



Locally, together with Canada Border Services Agency (CBSA), the Casino, Chamber of Commerce, Tourism Sarnia-Lambton and the Duty Free Store, we made a strategic commitment to promote and market NEXUS. We initiated a media marketing blitz, predominantly through direct marketing and through the the radio, to encourage the residents of the local community, the surrounding County and even Port Huron, Michigan, to take advantage of the NEXUS program and enroll. The results have far exceeded the substantial financial commitment to get our message out. NEXUS enrollment at the Port Huron/Sarnia border has increased from 9,612 at August 2007 to 17,443 to August 2008. Canadian and American enrolment increased by 117% and 47% respectively.

Overall, this has contributed to a significant reduction in both the number of days we have had traffic congestion as well as a decrease in the average time it takes to pass through the border compared to the previous year. Our continued leadership and involvement with the Public Border Operators Association and with the International Bridges, Tunnels and Turnpike Association, the various levels of Chambers of Commerce, Trucking associations and other provincial state and federal agencies has enhanced 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. We are encouraged by these 2008 traffic results and expect further improvements in the years to come.

Westbound traffic volumes going into the U.S. have been less than 2007 throughout the year up until July and August when we started to experience an increase in cars and trucks. Canadian bound traffic has been significantly more than U.S. bound traffic partly due to the diversion of truck traffic from the construction occurring at the Ambassador Bridge in Windsor-Detroit.

2007-2008 OBJECTIVES, STRATEGIES AND TARGETS

Mission: ***"To make your gateway experience safe, efficient and enjoyable"***

Vision: ***"To be recognized by our customers as an essential part of their travel experience"***

Performance Against Fiscal 2007/2008 Strategic Objectives

Improving Health and Safety Regulatory Compliance			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
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**	**Completion of assessment with HRSDC Nov 2007 Deferred**
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**	**Certification attained Dec 2007** **Draft Ergonomic report received Mar 2008**
Implementation of the Hazard Program Regulation Plan	**To implement the documented plan as per section 19 of CLC 11**	**Documentation of actions taken**	**Plan submitted to HRSDC Mar 2007**

Pursuit of Business and Financial Efficiencies			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Upgrading of current software	**Accounting System Upgrade** **Toll System Upgrade**	**Completion by Sept 2007**	**Completed Feb 2008** **Deferred coordination with MDOT**
Implementation of new software	**Human Resources Administration** **Electronic Timesheet System** **Project Accounting Module**	**Completion by Dec 2007**	**Implemented** **Ongoing, expected Fall 2008** **Deferred to 2010**

Encouraging Employee Development & Enhancing a Positive Work Environment			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Development of a comprehensive and effective Mutual Respect in the Workplace (Harassment) Policy	100% complete by August 2007	Policy in place	Completed
Continuous Mandatory & Voluntary Training	100% complete per planned training schedule.	Attendance reports Documented listing of training conducted	Ongoing 2008 training schedule posted in all departments

Due Diligence and Security			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
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 Sept 2007 Protocol documentation by Oct 2007 Dec 2007 Aug 2008	Substantially completed Aug 2008 Data migration to be conducted Sept 2008 Expected completion Oct 2008 Smaller scope testing will be conducted Sept 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, Nov 2007 Minutes from Management Retreat, Feb 2008	Master Plan Update Program approved Mar 2008. Documented minutes on file. Program not to start until CBA Complex project is out for tender
Review and tendering of contracts	New Insurance Contract New Telephone Contract (Long Distance & Phone Lines)	June 2007 June 2007	Completed June 2007 Completed Dec 2007
Establish a formal MOU with MDOT for the maintenance and associated reporting	A signed memorandum of understanding	Dec 2007	Completed Dec 2007

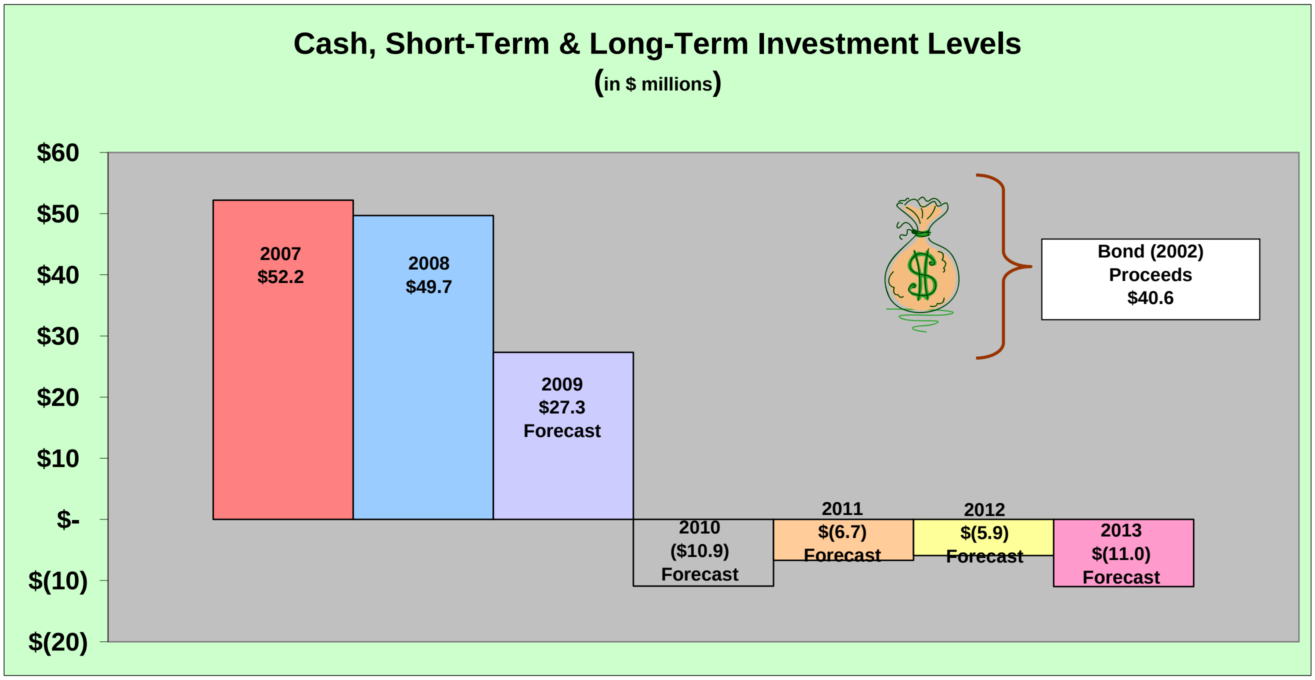
Improving Corporate Governance			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Development of a charter for the Board	**- identification of its roles & responsibilities** **- identification of the roles & responsibilities of the Audit Committee**	**Completion of a formal, documented charter**	**In progress** **Draft to be presented to Board Sept 2008**
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**	**Developed Dec 2007** **Developed Dec 2007** **Developed Dec 2007**
Identify performance objectives for the CEO and evaluate performance	**Documented objectives and performance review by August, 2008**	**Documents filed and completed**	**CEO performance agreement completed Aug 2008**
Implementation or Justification Review of Internal Audit Recommendations	**100% complete by August 2008**	**Formal, documented assessment against findings and recommendations**	**Ongoing; recommendations are acted on and reviewed with Board of Directors**
Implementation or Justification Review of Special Examination Recommendations	**100% complete by August 2008**	**Formal, documented assessment against findings and recommendations**	**Ongoing; recommendations are acted on and reviewed with Board of Directors**

Compliance with Federal Programs and Legislation			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Compliance with *Federal Identity Program*	**Logos, signage, flags, stationary, electronic forms, e-mail addresses, web site**	**Completion by Dec 2007**	**Vendor selected Apr 2008 to design & produce items; stationary ordered Aug 2008; web site completed**
Compliance with *Official Languages Act*	**Web Site to include alternate French section for all components**	**Completion by Dec 2007**	**Website bilingual Apr 2008 Letter received from Canada Public Service Agency stating BWBC successfully meeting its official languages obligations**

Enhancing Environmental Stewardship			
2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS	Status
Master Plan, new CBSA (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	CBA Complex building is designed to attain LEED accreditation. Silver is achievable with Gold a possibility as per LEED scorecard
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	In progress (information collected). Registration not completed
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 CD to employees - tracking of unit usage from utilities' invoices	CBA Complex recycle program completed; grey water cistern &energy conservation part of CBA solar hot water heating 2007 Completed May 2007 Ongoing

Increase and Improve Customer Service, Marketing & Community Profile			
2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS	Status
To Improve Customer Service	- Provision of free wireless internet for truckers - Personal contact, marketing visits to top 5 trucking firms - Provision of Debit Card machines at Currency Exchange - Development of new Web Site, FIP & Official Languages compliant	Installation Documented trips and formal "feedback" reports from trucking companies. Installation Completion	Cost prohibitive; not proceeding Attended Truckworld conference, made 50+ contacts; visits 100% complete 2 ATM's ordered Aug 2008; installation Sept 2008 Completed Spring 2008
Raise Public Awareness of NEXUS and FAST	Combined marketing campaign with Duty Free Store; attendance & sponsorship of IBTTA and Trucking conferences	Attendance 15,000 NEXUS Users	Ongoing & effective; NEXUS enrolments have more than doubled since Aug 2007 to 17,443.

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 BWBC 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 (2009-2013), in tandem with continued, expected positive cash generated from operations, the existing cash and investment balances will fully fund approximately $75 million of capital projects, yet depleting such funds by 2010. As a federal parent Crown corporation, we 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.

As we approach the negative cash and investment levels of 2010 and beyond, the Board can direct management to decrease expenses; delay construction on other projects, and; increase revenue through toll rate adjustments. We have the option of transferring or borrowing funds from our non-restricted major maintenance fund and replenishing at a later date. While we have planned for the possibility of a negative cash position with an aggressive construction schedule and conservative traffic flow projections, historically, construction schedules have been expanded and traffic volumes have come in higher than expected, resulting in better than expected cash flows.

Human Resources

On November 7, 2007 Blue Water Bridge Canada and the Public Service Alliance of Canada (PSAC) signed their first contract with PSAC as the new bargaining agent. Both parties were committed to a successful resolution.

BWBC has historically had good working relationships with the employees and representing union. Strategies are being put in place to maintain this harmonious relationship which includes the continuation of regular Union/Management meetings as well as Union input into the development and revision of policies and procedures.

Our Mutual Respect policy was revised in 2007. Workshops were conducted with all employees to develop and rollout the program. Monitoring and progress reporting will be overseen by the HR Manager who will periodically report to the management team.

Salary administration and job descriptions have been subjected to a formal review by an independent salary administration consultant. Job descriptions have been re-written and re-evaluated to ensure that job responsibilities correspond with equitable pay both internally and externally.

We take particular pride in our employees who continually go 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. These employees are recognized monthly through our Recognition Program. As well, BWBC continues to provide mandatory, voluntary and personal training including higher education to our employees.

	Actual		Plan				
	2007	2008	2009	2010	2011	2012	2013
Full-Time							
Administration	2	4	4	4	4	4	4
Accounting	3	3	4	4	4	4	4
Currency Exchange	6	5	5	4	4	4	4
Janitorial	4	5	6	8	8	8	8
Maintenance	9	8	9	9	9	9	9
Office	3	3	4	4	4	4	4
Project Management	5	5	5	5	5	5	5
Tolls	23	24	24	24	24	24	24
Total Full-Time	55	57	61	62	62	62	62
Part-Time							
Administration	-	-	-	-	-	-	-
Accounting	-	-	-	-	-	-	-
Currency Exchange	9	8	8	7	7	6	6
Janitorial	5	5	4	5	5	5	5
Maintenance	-	-	-	-	-	-	-
Project Management	-	-	-	-	-	-	-
Office	-	-	-	-	-	-	-
Tolls	9	7	7	7	7	7	7
Total Part-Time	23	20	19	19	19	18	18
Total Employees	**78**	**77**	**80**	**81**	**81**	**80**	**80**

FIVE YEAR REVIEW

Statement of Operations, Comprehensive Income and Equity

for the year ended August 31st	2008	2007 (Restated)	2006	2005	2004
(In Thousands)	$	$	$	$	$
Revenue					
Tolls and Services	17,100	17,872	18,297	18,450	19,067
Interest and Sundry Revenues	2,710	2,634	2,489	2,358	2,216
Facility Rentals	2,618	2,937	3,277	3,500	3,694
Currency Exchange Department	1,202	941	1,099	1,106	1,154
Total Revenue	23,630	24,384	25,162	25,414	26,131
Expenses					
Interest on long-term debt	6,306	6,464	6,612	6,751	6,882
Human Resources	5,515	5,763	5,658	5,051	4,824
Amortization	3,983	3,633	3,767	3,566	3,437
General and administrative	2,142	2,109	3,019	2,846	2,022
Maintenance & other expenses	1,458	1,620	1,586	1,602	2,344
(Gain) loss on disposal of property,plant and equipment	-	1,018	29	130	(3)
	19,404	20,607	20,671	19,946	19,506
Excess of revenues before non-recurring items	4,226	3,777	4,491	5,468	6,625
Excess of revenues over expenses and comprehensive income	**4,226**	**3,777**	**4,491**	**5,468**	**6,625**

Balance Sheet

Assets

	2008	2007 (Restated)	2006	2005	2004
Current					
Cash	16,116	20,629	13,882	18,974	15,328
Short-term investments	17,778	22,844	13,245	13,829	9,714
Accounts receivable	1,678	1,224	1,738	1,414	616
Prepaid expenses	369	300	382	392	389
	35,941	44,997	29,247	34,609	26,047
Deferred Charges	-	576	606	635	664
Long-term investments	23,389	14,593	31,320	28,114	34,651
Property, plant and equipment	120,522	119,858	117,386	113,084	110,079
Restricted assets	8,682	8,362	8,019	7,676	7,237
	188,534	**188,386**	**186,578**	**184,118**	**178,678**

Liabilities and Equity

	2008	2007 (Restated)	2006	2005	2004
Current					
Accounts payable and accrued liabilities	2,278	2,890	2,519	3,706	1,946
Holdbacks payable	-	439	1,048	119	-
Deferred Revenue	1,483	1,694	1,476	1,411	1,426
Current portion of long-term debt	2,723	2,556	2,400	2,253	2,115
	6,484	7,579	7,443	7,489	5,487
Employee future benefits liability	3,419	2,987	2,537	2,122	1,899
Long-term debt	94,102	96,825	99,381	101,781	104,034
	104,005	107,391	109,361	111,392	111,420
Equity	84,529	80,995	77,217	72,726	67,258
	188,534	**188,386**	**186,578**	**184,118**	**178,678**

Corporate Plan Evaluation

For the Year Ending August 31 (In Thousands)	2008 Actual	2008 Plan	2008 Actual vs. 2008 Plan
Statement of Operations, Comprehensive Income and Equity	**$**	**$**	**$**
Revenue			
Tolls and Service Revenue	17,100	17,320	(220)
Other	6,530	5,824	706
	23,630	23,144	486
Expenses	19,404	20,449	1,045
Excess of revenues over expenses and comprehensive income	4,226	2,695	1,531
Balance Sheet			
Assets			
Current	35,941	17,931	18,010
Deferred Charges	-	547	(547)
Long-term investments	23,389	14,890	8,499
Property, Plant, Equipment	120,522	145,216	(24,694)
Restricted Assets	8,682	8,492	190
Total Assets	188,534	187,076	1,458
Liabilities and Equity			
Current	6,484	5,630	(854)
Long Term	97,521	97,540	19
Equity	84,529	83,906	(623)
Total Liabilities and Equity	188,534	187,076	(1,458)
Statement of Cash Flows			**Incr.**
Operating Activities			**(Decr.)**
Net Income	4,226	2,695	1,531
Non-Cash Items	4,300	4,986	(686)
Changes in Working Capital Items	(633)	16,965	(17,598)
	7,893	24,646	(16,753)
Investing Activities			
Net acquisition of Capital Assets	(4,647)	(24,890)	20,243
Increase in Reserve Funds	(5,203)	1,375	(6,578)
Financing Activities	(2,556)	(2,557)	1
	(12,406)	(26,072)	13,666
Cash and Cash Equivalents			
Increase (Decrease) in Cash	(4,513)	(1,426)	(3,087)
Balance at Beginning of Year	20,629	12,998	7,631
Balance at End of Year	16,116	11,572	4,544

CORPORATE PLAN DISCUSSION
(in '000's)
Comparison of 2008 Actual with 2008 Corporate Plan

Tolls and Service Revenue

Car volume was higher than expected by approximately 68 thousand vehicles ($183 fav) and truck volume was higher than budgeted by 12 thousand ($214 fav). The U.S. toll rate adjustment increased revenue by $368 thousand. This favourability was more than offset by the effect on the strengthening of the Canadian dollar against U.S. Tolls collected ($514 unfav) and on U.S. cash balances ($387 unfav). The change in mix of truck axles and Canadian-to-American car traffic had a further deteriorating affect on revenue ($79 unfav). 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 ($313 unfav) than expected due primarily to lower than expected sales at the Duty Free Store affecting BWBC's rent revenue ($313 unfav) offset by better than expected revenue from currency exchange operations ($325 fav). Interest income was higher ($628 fav) due to a combination of higher than expected rates of return on investment balances.

Expenses

Major Expenses:

General and Administrative

Expenses were $128 or 6.3% higher than corporate plan due to fees incurred by PST/GST consultant ($314 unfav) and PST recoverable against G&A accounts ($125 fav).

Human Resources

Salaries and wages were 6% lower than corporate plan due to the reduction of one management and staff positions coupled with the signing of a non-retroactive union contract later in the year than had happened in the past. There was also a PST recoverable against some of the benefits accounts ($139 fav).

Maintenance and Other

Property related expenses were lower by 14.3%. While some maintenance work was deferred to 2009, there were savings experienced across almost all individual maintenance accounts. There was also a PST recoverable against several of the maintenance accounts ($109 fav).

Amortization

Depreciation expenses were lower than budgeted by 12.0%.

Balance Sheet & Cash Flow Items:

Combined cash and investment levels increased due to the delays in commencing the CBA Complex capital project.

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, 2008 and 2007.

FINANCIAL RESULTS	2008	(Restated) 2007
	$	$
Revenues	**23,630**	24,384
Operating Expenses	**19,404**	20,607
Excess of Revenues over Expenses	**4,226**	3,777
Excess of Revenues over Expenses/Revenues	**18%**	15%

Operating Results

The operating income of $4,226 for the fiscal year ended August 31, 2008 increased by approximately 4.9% from the 2007 fiscal year operating income of $3,777.

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 $772 or 4.3% for the year compared with 2007 revenues. Car volumes decreased by 27,304 vehicles or 1.6% for the year and truck/bus volume decreased by 30,309 or 3.8%.

Tolls and services revenues from commercial vehicles represented approximately 73.1% of all tolls and services revenues in financial 2008, with revenue from passenger vehicles making up the balance. In the 2007 financial year commercial vehicles represented 74.1% of all tolls and services revenues.

ASSESSMENT OF RESULTS, Continued

Rental Revenues

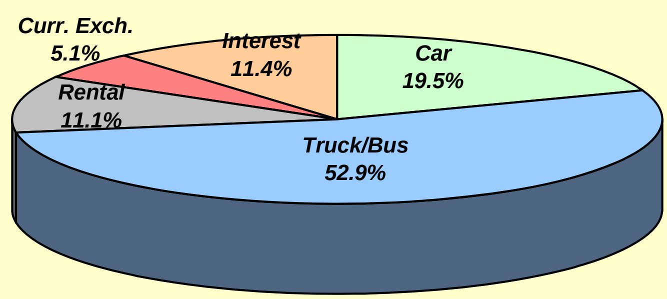
Rental property revenues accounted for approximately 11.1 per cent of all revenues in 2008 (12.0% in 2007).

Currency Exchange Operations

BWBC operates a currency exchange, with its primary customers being travelers coming from and going to the United States. Revenue from currency exchange operations approximated 5.1 per cent of total income in 2008 (3.9% in 2007).

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 2008 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.

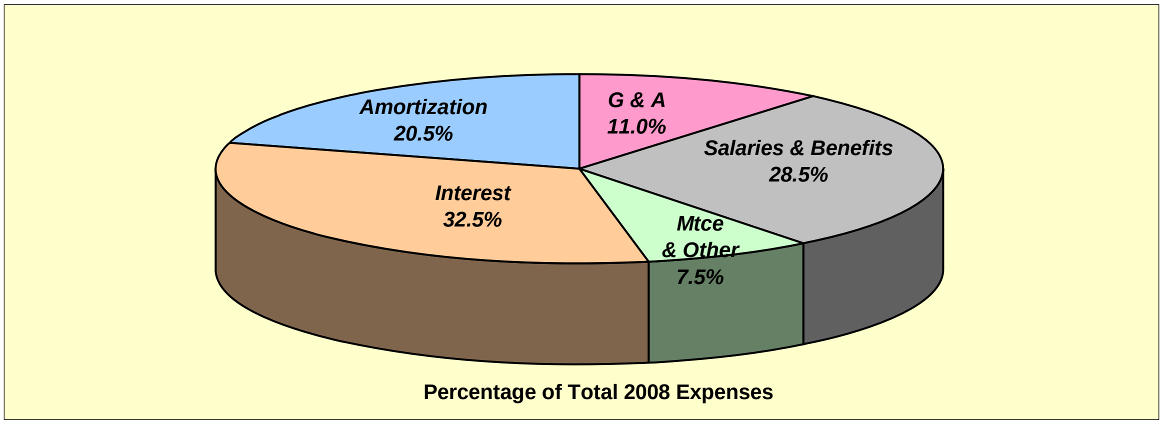
Human resources include salaries and wages paid to toll collectors, accounting, administrative, currency exchange, maintenance, janitorial and project management staff. Employee benefits include statutory benefits and employee pension and life insurance.

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

ASSESSMENT OF RESULTS, Continued

For the year ended August 31, 2008, interest expense was derived solely from the bond debt of $99,381 existing as at September 1st, 2007. For the year ended August 31, 2007, interest was derived from bond debt of $101,781 existing as at September 1st, 2006.

Amortization is derived from depreciation on fixed assets.



Factors Affecting Operating Income

The profitability of BWBC 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 BWBC. While truck traffic tends to be steady, 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 BWBC, 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.

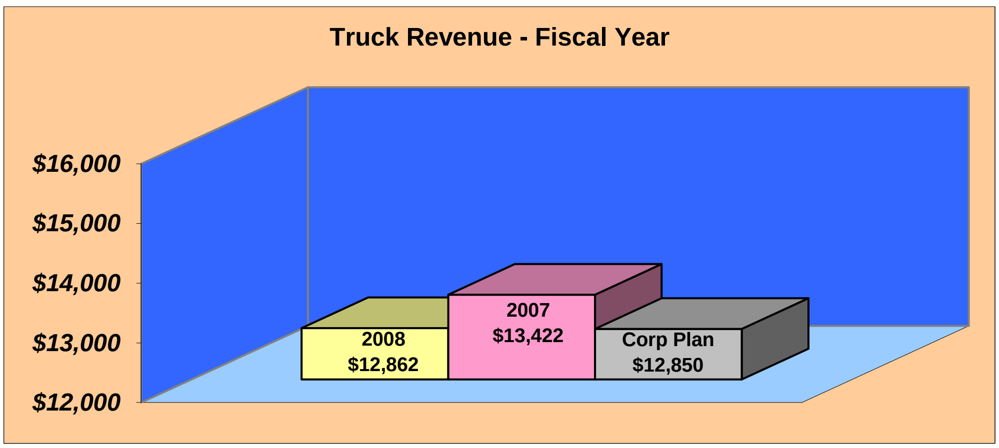
However, we have come to learn from 2007 that the public's experience and perceptions with the traffic congestion which occurred during the summer months (May through August) will have a significant negative effect, not only on toll revenues but also on currency exchange and duty free store revenues. 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 or buy products at the Duty Free Store.

ASSESSMENT OF RESULTS, Continued

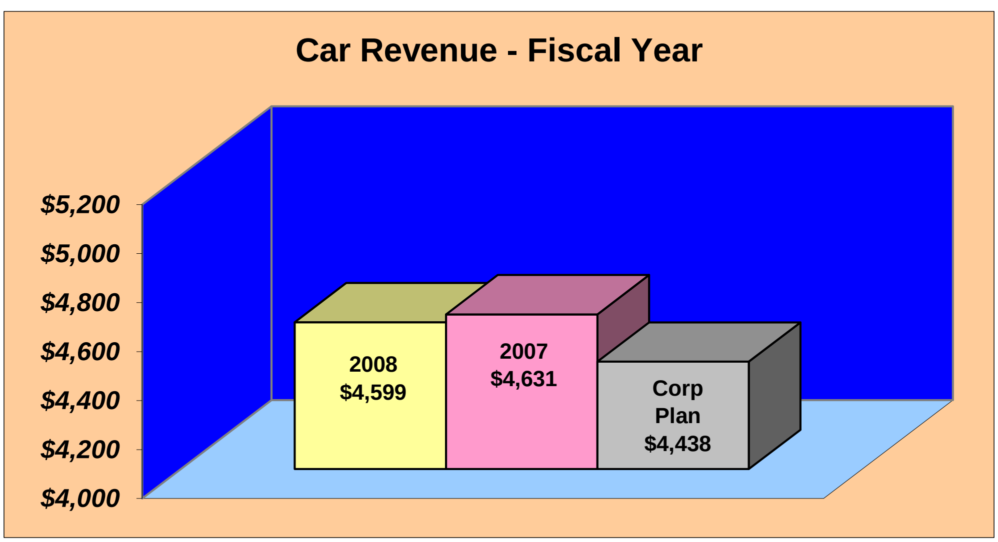
Period over Period Comparisons
Years ended August 31, 2008 and 2007

Revenues
Revenues from tolls and services decreased to $17,100 in fiscal 2008 from $17,872 in the preceding year.

A portion of the decrease came from decreased truck toll revenue, going from $13,422 in 2007 to $12,862 in 2008. This represents a decrease of 4.2 per cent and comes from a decreased volume of trucks by 3.8 per cent ($507 unfav); a dampening effect of a continued strengthening of the Canadian dollar against U.S. toll receipts ($378 unfav), partially offset by a toll adjustment implemented in November 2007 ($260 fav) and a change in mix of Canadian-to-American trucks and truck sizes (axles) ($64 fav).



Revenue from passenger car tolls decreased from $4,631 in 2007 to $4,599 in 2008. While the volume of cars decreased by 1.6 per cent ($73 unfav) and the Canadian dollar strengthened ($134 unfav), this was partially offset by the positive effects of the toll rate adjustment ($103 fav) and the change in proportion of Canadian-to-American westbound traffic ($71 fav).



ASSESSMENT OF RESULTS, Continued

Rental revenue decreased from $2,937 in fiscal 2007 to $2,618 in 2008, affected by the decrease in traffic volume and a continued public perception of traffic congestion at the border. This resulted in a continued decline in customer traffic through the Duty Free Store and plaza food concessions.

Expenses

Total expenses decreased from $20,607 in fiscal 2007 to $19,404 in 2008.

General and administrative expenses increased by only $33 primarily due to advertising and public relations ($94 unfav), consultants ($79 unfav), municipal taxes ($69 unfav), accounting and reporting fees ($60 unfav) and travel ($49 unfav) partially offset by a PST recoverable ($125 fav), insurance ($70 fav), legal fees ($51 fav), stationary ($32 fav) and training ($25 fav).

Human Resources decreased by $248 primarily due to a reduction of one management and staff position plus a PST recoverable of ($139 fav)

Maintenance and other expenses decreased by $162 in fiscal 2008. There was a PST recoverable ($109 fav) and some deferral of maintenance projects and an overall decline across almost all maintenance accounts.

Interest on long-term debt decreased from $6,464 in fiscal 2007 to $6,306 in 2008 as a result of the lower bond principal outstanding as at August 31st, 2008 of almost $97 million compared to $99 million at the end of fiscal year 2007.

Amortization expense increased by $351 due to a full year's depreciation of the truck ramp and the currency exchange software system.

Cash Flow

There was a net decrease in cash of $4,513 for the year 2008 as compared to a increase for 2007 of $6,747. While there were positive cash flows from operating activities of $8,914, capital expenditures amounted to $4,647, additional investments purchased was $4,882 along with paydown against the bond principle of $2,556, interest accrued on restricted assets $320 and foreign exchange loss on cash held of $387.

Capital Program

Capital additions in the 2008 fiscal year amounted to $4,647, of which the major contributors were the Canadian Plaza Improvement project ($2,433); the Storm Water Management project ($1,354); the construction of the NEXUS bypass lane which is ongoing into 2009 ($310), and; the hardware and facility infrastructure for Business Continuity purposes ($137).

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 Directors of Blue Water Bridge Canada. 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 Blue Water Bridge Canada 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 Blue Water Bridge Canada.

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 Blue Water Bridge Canada, 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 3, 2008

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, 2008 and the statements of operations, comprehensive income and equity and cash flows for the year then ended. These financial statements are the responsibility of the Blue Water Bridge 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 Blue Water Bridge Authority as at August 31, 2008 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, except for the changes in accounting policies for financial instruments as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Blue Water Bridge 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 *Blue Water Bridge Authority Act* and the by-laws of the Blue Water Bridge Authority.

Régent Chouinard, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
October 3, 2008

Balance Sheet

As at August 31		2008		2007 (Restated - Note 2)
Assets				
Current				
Cash (Note 5)	$	**16,116,325**	$	20,628,915
Short-term investments (Note 6a)		**17,778,446**		22,844,319
Accounts receivable		**1,677,920**		1,224,008
Prepaid expenses		**368,949**		299,540
		35,941,640		44,996,782
Deferred charges				
Bond agency fees (Note 3a)		-		576,386
Long-term investments (Note 6b)		**23,388,767**		14,592,881
Property, plant and equipment (Note 7)		**120,521,544**		119,858,303
Restricted assets (Note 9)				
Debt service reserve fund		**5,755,860**		5,548,522
Operating and maintenance contingency fund		**2,926,188**		2,813,236
		8,682,048		8,361,758
	$	**188,533,999**	$	188,386,110
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**2,277,987**	$	2,889,952
Holdbacks payable		-		439,452
Deferred revenue (Note 11)		**1,482,561**		1,693,520
Current portion of long-term debt (Note 13)		**2,722,647**		2,556,171
		6,483,195		7,579,095
Employee future benefits liability (Note 12)		**3,419,236**		2,987,437
Long-term debt (Note 13)		**94,102,202**		96,824,849
		104,004,633		107,391,381
Equity				
Retained Earnings		**84,529,366**		80,994,729
	$	**188,533,999**	$	188,386,110

Contingencies (Note 16) and Commitments (Note 17)

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

Approved by the Board of Directors:

_______________ Director

_______________ Director

On behalf of Management:

_______________ Chief Financial Officer

Statement of Operations, Comprehensive Income and Equity

For the year ended August 31		2008		2007 (Restated - Note 2)
Revenues				
Tolls and services	$	**17,100,472**	$	17,872,065
Interest		**2,709,593**		2,633,608
Facility rentals (Note 14)		**2,617,937**		2,936,896
Currency exchange department (Note 15)		**1,202,185**		941,427
		23,630,187		24,383,996
Expenses				
Interest on long-term debt		**6,306,409**		6,464,149
Human resources (Note 20)		**5,514,802**		5,763,235
Amortization of property, plant and equipment		**3,983,393**		3,603,421
General and administrative (Note 20)		**2,141,610**		2,108,867
Maintenance and other expenses (Note 20)		**1,457,643**		1,619,660
Amortization of bond agency fees		**-**		29,064
Loss on disposal of property, plant and equipment		**-**		1,018,188
		19,403,857		20,606,584
Excess of revenues over expenses and comprehensive income	**$**	**4,226,330**	**$**	3,777,412

Retained Earnings, beginning of year	**$**	**80,994,729**	$	77,217,317
Transition adjustment - Financial instruments (note 3a)		**(691,693)**		-
Retained Earnings, beginning of year, as adjusted		**80,303,036**		77,217,317
Excess of revenues over expenses and comprehensive income		**4,226,330**		3,777,412
Retained Earnings, end of year	**$**	**84,529,366**	$	80,994,729

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

Statement of Cash Flows

For the year ended August 31		2008		2007 (Restated - Note 2)
Cash Flows from operating activities				
Excess of revenues over expenses and comprehensive income	**$**	**4,226,330**	$	3,777,412
Adjustments for items not affecting cash				
Amortization of property, plant and equipment		**3,983,393**		3,603,421
Amortization of bond agency fees		**-**		29,064
Employee future benefits liability		**431,799**		450,194
Loss on disposal of property, plant and equipment		**-**		1,018,187
Effective bond yield adjustment		**(115,308)**		-
Foreign exchange loss		**387,484**		214,844
		8,913,698		9,093,122
Changes in non-cash working capital items				
Interest on short and long-term investments		**1,152,480**		(427,586)
Accounts receivable		**(453,912)**		514,416
Prepaid expenses		**(69,408)**		82,257
Accounts payable and accrued liabilities		**(611,964)**		371,063
Holdbacks payable		**(439,452)**		(608,116)
Deferred revenue		**(210,959)**		217,535
		(633,215)		149,569
Net cash provided by operating activities		**8,280,483**		9,242,691
Cash Flows from investing activities				
Purchase of property, plant and equipment		**(4,646,634)**		(7,093,536)
Investments				
Matured investments		**21,298,932**		12,244,473
Investments purchased		**(26,181,425)**		(4,689,607)
Restricted assets				
Matured investments		**1,200,928**		-
Investments purchased		**(1,521,219)**		(342,768)
Net cash (used in) provided by investing activities		**(9,849,418)**		118,562
Cash Flows from financing activities				
Increase in long-term debt - bond principal - current portion		**166,476**		156,297
Decrease in long-term debt - bond principal		**(2,722,647)**		(2,556,171)
Net cash used in financing activities		**(2,556,171)**		(2,399,874)
Foreign exchange loss on cash held in foreign currency		**(387,484)**		(214,844)
(Decrease) increase in cash during the year		**(4,512,590)**		6,746,535
Cash, beginning of year		**20,628,915**		13,882,380
Cash, end of year	**$**	**16,116,325**	$	20,628,915
Interest paid	**$**	**6,330,007**	$	6,486,304

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

Notes to the Financial Statements

1. Authority and Objective

Blue Water Bridge Canada (BWBC), previously known as the Blue Water Bridge Authority, was established by the *Blue Water Bridge Authority Act* (Canada) on May 21, 1964; as per Section 22, BWBC is not an agent of Her Majesty in right of Canada. On April 26, 2002 BWBC 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.* In October 2007 the Minister of Transport, Infrastructure and Communities confirmed that the new title of Blue Water Bridge Canada was approved and registered by the *Federal Identity Program.*

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 Blue Water Bridge Canada is to operate, maintain and repair the Canadian halves of the two bridges, approaches and structures.

The *Blue Water Bridge Authority Act* and section 6 of the *Customs Act,* require Blue Water Bridge Canada 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.

2. Error Correction

BWBC recorded in 2008 construction costs of $836,943 incurred from May to June 2007 for completion of the truck ramp project. These unpaid costs should have been recorded in 2007; in the year the construction work was performed. BWBC has retroactively corrected this error and consequently, the Financial Statements for the year ended August 31, 2007 have been restated. This correction led to an increase of $584,623 of Property, plant and equipment, an increase of $836,943 of Accounts payable and accrued liabilities and an increase of $252,320 of Loss on disposal of property, plant and equipment. This error has no impact on the 2008 Financial Statements.

	2007 (Restated)	2007 (Before restatement)
Balance sheet		
Net book value – Property, plant and equipment	$ 119,858,303	$ 119,273,680
Accounts payable and accrued liabilities	2,889,952	2,053,009
Retained earnings	80,994,729	81,247,049
Statement of Operations, Comprehensive Income and Equity		
Loss on disposal of property, plant and equipment	1,018,188	765,868
Excess of revenues over expenses and comprehensive income	3,777,412	4,029,732

Notes to the Financial Statements

3. Changes in Accounting Policies

Effective September 1, 2007, BWBC adopted prospectively, the new CICA Handbook Sections, 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation, Section 1530 – Comprehensive Income, Section 3251 – Equity, Section 3865, Hedges and Section 1506 – Accounting changes. As required by the new standards, prior period results have not been restated.

a) Section 3855: Financial Instruments – Recognition and Measurement

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification. Held-to-maturity financial assets and loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Held for trading and available for sale financial assets are measured at fair value. Financial liabilities are categorized as held for trading or other financial liabilities. Unrealized gains and losses on those assets categorized as available for sale are temporarily recorded in other comprehensive income until the gains or losses are realized.

BWBC has elected to account for transaction costs related to the issuance of debt instruments as a charge to the statement of operations in the period which they arise.

BWBC has made the following classifications:

Short-term investments, long-term investments, debt service reserve fund and operating and maintenance contingency fund are comprised of debt securities which are classified as held to maturity. They are initially recorded at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

Accounts receivable, classified as loans and receivables, and accounts payable and accrued liabilities classified as other financial liabilities, are initially measured at fair value, which due to their short-term nature, approximates their amortized cost. Subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

Long-term debt is classified as other financial liabilities and is initially measured at amortized cost. Subsequent periodical revaluations are recorded using the effective interest rate method.

The change in accounting policy has been made in accordance with the transitional provisions of Section 3855. On September 1, 2007, BWBC's investments and interest receivable were revalued from a carrying value of $45,798,595 to an amortized cost value of $45,683,288. The difference of $115,307 was recorded as an adjustment to the opening balance of retained earnings. In addition, deferred charges in the amount of $576,386 were recorded in opening retained earnings as they relate to debt issuance transaction costs which are now expensed as incurred. The total impact of the change in accounting policy was a reduction to the opening retained earnings balance of $691,693.

Section 3855 also requires that all derivatives, including derivatives that can be embedded in contract terms, be presented on the balance sheet at fair value, unless they meet the exemption criteria noted in the CICA Handbook. BWBC examined its contracts outstanding as at August 31, 2008. BWBC did not hold any derivative or embedded derivative as at August 31, 2008.

Notes to the Financial Statements

3. Changes in Accounting Policies continued…

b) Section 1530: Comprehensive Income and Section 3251: Equity

Section 1530 requires the presentation of Comprehensive income, which consists of net income and other comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles (GAAP), are recognized in comprehensive income, but excluded from net income.

After having determined that it had no other comprehensive income item to report in its financial statements, BWBC has decided to comply with the new requirement in modifying the title of its Statement of Operations and Retained Earnings which is now the Statement of Operations, Comprehensive Income and Equity and in modifying the line Excess of revenue over expenses for the year to become Excess of revenues over expenses and comprehensive income. Adoption of Section 1530 and the related changes in Section 3251 impacted presentation but had no impact on amounts.

c) Section 3861: Financial instruments – Disclosure and Presentation

Section 3861 replaces former Section 3860 and requires more extensive disclosures about the nature of financial instruments that an entity uses, the extent to which it uses them, its objectives in using them, the associated risks and policies implemented by management to monitor these risks. It also includes new requirements on the disclosure of accounting policies on financial instruments and their fair values. Adoption of Section 3861 has impacted presentation but had no impact on amounts.

d) Section 1506: Accounting Changes

Section 1506 requires that an entity disclose in its financial statements the fact that it has not applied primary source of GAAP published in the CICA Handbook that is not yet in effect and provide known or reasonably estimable information relevant to assessing the possible impact that application of the new primary source of GAAP will have on the entity's financial statements in the period of initial application. In this regard, BWBC must disclose the following future accounting changes:

Future accounting changes

New Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. New Sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" replace Section 3861 and revise and enhance the disclosure requirements for financial instruments and carry forward unchanged the presentation requirements. These new sections attached greater importance to the disclosure of the nature and scope of financial instruments risks and how the entity manages these risks. These new requirements are effective for fiscal periods commencing on or after October 2, 2007, i.e. September 1, 2008 for BWBC. BWBC is currently assessing these new standards and, at this time, does not anticipate that they will have a significant impact on its financial statements.

Notes to the Financial Statements

3. Changes in Accounting Policies continued…

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for publicly accountable enterprises are expected to converge with International Financial Reporting Standards (IFRS) by the end of 2011 for December year-ends.

BWBC is currently evaluating the impact of the adoption of IFRS on its financial statements. Complete adoption by BWBC is required by August 31, 2012.

4. 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) Investments

Investments are held-to-maturity. The carrying amount for both short-term and long-term investments is amortized cost calculated using the effective interest rate method.

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

BWBC provides 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. BWBC 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

Notes to the Financial Statements

4. Summary of Significant Accounting Policies continued…

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.

BWBC also provides pension benefits to its employees. BWBC's contributions reflect the full benefit cost of the employer and they are charged to operations during the year in which the services are rendered.

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	1.5%	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. Amortization 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.

Notes to the Financial Statements

4. Summary of Significant Accounting Policies continued…

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 is recognized and recorded in the period in which it is earned. The primary component of revenue in this category is bond interest.

g) Provincial and Municipal Government Assistance

Provincial and municipal 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.

5. Cash

BWBC’s bank accounts are held at one Canadian chartered bank. Cash (including on hand) includes US $1,574,131 (2007 - US $4,653,073) which has been translated to $1,672,672 (2007 - $4,915,506).

Notes to the Financial Statements

6. Investments

BWBC 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.

a) Short-term Investments

The portfolio is composed of Government and corporate bonds maturing in the 2009 financial year.

As at August 31	**2008**	2007
General Investments (Carrying amount)		
Cash	**$ 834**	$ 780
Government	**8,853,786**	18,184,285
Financial Institutions	**8,903,768**	384,934
	17,758,388	18,569,999
Major Maintenance Fund (Carrying amount)		
Cash	**20,058**	691
Government	**-**	1,780,671
	20,058	1,781,362
	$ 17,778,446	$ 20,351,361
Fair Value		
General Investments	**$ 17,767,439**	$ 20,755,883
Major Maintenance Fund	**20,058**	2,053,632
	$ 17,787,497	$ 22,809,515
Average Rate of Return - %	**4.48**	4.30
Average Term to Maturity - days	**138.7**	178.9

Notes to the Financial Statements

6. Investments continued…

b) Long-term Investments

The portfolio is composed of Government and corporate bonds.

As at August 31	2008	2007
General Investments (Carrying amount)		
Government	$ -	$ 10,759,942
Financial Institutions	**16,244,056**	-
	16,244,056	10,759,942
Major Maintenance Fund (Carrying amount)		
Government	**3,972,340**	3,832,939
Financial Institutions	**3,172,371**	-
	7,144,711	3,832,939
	$ 23,388,767	$ 14,592,881
Fair Value		
General Investments	**$ 16,084,367**	$ 10,677,081
Major Maintenance Fund	**7,212,378**	3,775,955
	$ 23,296,745	$ 14,453,036
Average Rate of Return - %	**4.78**	4.77
Average Term to Maturity - Years	**2.25**	3.06

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 BWBC in 2002 in order to provide funds for the major restoration cost of recoating and painting of the bridges. The Fund's purpose 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 estimated future cost of approximately $28 million. Current year deposits amounted to $989,553 (2007 - $900,563). The fund generated interest income in the amount of $305,468 (2007 - $250,337).

Notes to the Financial Statements

7. Property, Plant and Equipment

	2008			2007
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 7,315,975**	**$ -**	**$ 7,315,975**	$ 7,315,975
Bridges & Truck Ramp	**98,538,146**	**11,876,407**	**86,661,739**	87,947,972
Buildings	**18,534,586**	**8,541,779**	**9,992,807**	10,986,654
Buildings-booths	**3,123,218**	**2,397,799**	**725,419**	839,884
Buildings-leased Duty Free	**5,281,899**	**1,493,644**	**3,788,255**	3,987,637
Buildings-residential (including land)	**1,269,183**	**-**	**1,269,183**	1,269,184
Equipment	**5,234,030**	**2,919,427**	**2,314,603**	2,689,689
Equipment-computer	**1,008,318**	**510,925**	**497,393**	423,501
Construction in process	**4,517,863**	**-**	**4,517,863**	2,069,221
Property improvements	**8,146,931**	**5,058,020**	**3,088,911**	1,821,050
Vehicles and construction equipment	**2,032,572**	**1,683,176**	**349,396**	507,536
	$ 155,002,721	**$ 34,481,177**	**$ 120,521,544**	$ 119,858,303

Cost and accumulated amortization of property, plant and equipment as at August 31, 2007 amounted to $150,356,086 and $30,497,783 respectively.

8. 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. BWBC will eventually be obligated to demolish the Canadian half of both spans. Due to the uncertainty relating to the potential rehabilitation of both spans, BWBC 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, 2008.

The replacement cost for both Canadian halves of the bridge spans is estimated by an independent engineering firm to total $149.8 million.

9. Restricted Assets

Debt Service Reserve Fund

In accordance with the Master Trust Indenture, on the closing date of the issuance of the bonds, BWBC 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.

Notes to the Financial Statements

9. Restricted Assets continued…

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.

As at August 31, 2008, the Gross Debt Service Coverage Ratio is 13.05 (2007 – 13.27). The Debt Service Amount is $6,159,594 (2007- $6,238,179) and the Gross Debt Service Coverage Amount is $80,404,853 (2007 – $82,767,225).

Debt Service Reserve Fund

	2008	2007
Carrying amount		
Cash	**$ 159**	$ 164
Investments		
Government	**5,755,701**	5,548,358
	$ 5,755,860	$ 5,548,522
Fair Value		
Cash	**$ 159**	$ 164
Investments	**5,817,511**	5,489,138
	$ 5,817,670	$ 5,489,302
Average Rate of Return - %	**4.72**	4.72
Average Term to Maturity - Years	**1.32**	2.32

Operating and Maintenance Contingency Fund

In accordance with the Master Trust Indenture, on the closing date of the issuance of the bonds, BWBC 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 BWBC 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.

Notes to the Financial Statements

9. Restricted Assets continued…

Operating and Maintenance Contingency Fund

		2008		2007
Carrying amount				
Cash	**$**	**13,961**	$	198
Investments				
Government		**1,464,329**		2,813,038
Financial Institutions		**1,447,899**		-
	$	**2,926,189**	$	2,813,236
Fair Value				
Cash	**$**	**13,961**	$	198
Investments		**2,957,534**		2,792,767
	$	**2,971,495**	$	2,792,965
Average Rate of Return - %		**5.09**		4.88
Average Term to Maturity - Years		**1.96**		2.96

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

10. Credit Facility

As part of the Supplemental Indenture of the 2002 bond issue, BWBC maintains a security charge with a Canadian chartered bank in the amount of $20 million of which BWBC has a revolving credit facility with the same Canadian chartered bank in the amount of $15 million. The security charge is generally higher than the loan amount due to administrative and legal costs which would subsequently be incurred by the Bank and reimbursed by BWBC if this facility was exercised. 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 BWBC can borrow is $125 million. There is no outstanding balance as at August 31, 2008.

11. Deferred Revenue

Deferred revenue of $1,482,561 ($1,693,520 - 2007) represents the balance, at year end, for tolls paid in advance by passenger vehicles of $384,478 ($375,422 - 2007); commercial trucking companies of $1,075,166 ($1,256,558 - 2007), and; rent received in advance of $22,917 ($61,540 - 2007).

Notes to the Financial Statements

12. Employee Future Benefits

a) Pension benefit

BWBC has contracted an outside life insurance firm to operate and administer an employee pension plan. Employees of BWBC 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, BWBC is required to contribute an amount equal to the member's required contribution. During the year, BWBC's pension contributions amounted to $212,001 (2007 - $219,414).

b) Other benefits

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.

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

For the year ended August 31	**2008**	2007
Change in accrued benefit obligation		
Accrued benefit obligation, beginning of year	**$ 4,188,831**	$ 3,936,319
Current service cost	**200,321**	194,438
Interest cost	**239,642**	225,886
Actuarial gain	**(589,787)**	(120,340)
Net cost for the year	**(149,824)**	299,984
Benefits paid	**(64,058)**	(47,472)
Accrued benefit obligation, end of year	**$ 3,974,949**	$ 4,188,831

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

For the year ended August 31	**2008**	2007
Unamortized net actuarial loss		
Unamortized net actuarial loss, beginning of year	**$ 1,201,394**	$ 1,399,076
Actuarial gain arising during the year	**(589,787)**	(120,340)
Amortization of actuarial loss for the year	**(55,894)**	(77,342)
Unamortized net actuarial loss, end of year	**$ 555,713**	$ 1,201,394

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

Notes to the Financial Statements

12. Employee Future Benefits continued…

For the year ended August 31	2008	2007
Accrued benefit obligation	$ **3,974,949**	$ 4,188,831
Unamortized net actuarial loss	**(555,713)**	(1,201,394)
Accrued benefit liability	$ **3,419,236**	$ 2,987,437

The last actuarial valuation was performed as at August 31, 2008. BWBC intends to have its next valuation performed as at August 31, 2009. The accrued benefit liability is reported on the Balance Sheet as: Employee future benefits liability.

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

For the year ended August 31	2008	2007
Elements of defined benefit costs recognized in the year		
Current service costs	$ **200,321**	$ 194,438
Interest cost	**239,642**	225,886
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	**439,963**	420,324
Adjustments to recognize the long-term nature of employee future benefit costs		
Difference between actuarial loss recognized and actuarial loss on accrued benefit obligation	**55,894**	77,342
Defined benefit costs recognized	$ **495,857**	497,666

Assumptions

For the year ended August 31	2008	2007
Weighted average assumptions as at August 31:		
Discount Rate, accrued benefit obligation	**6.00%**	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 (2007 – 8% for the next 11 years, 6% thereafter).

Notes to the Financial Statements

12. Employee Future Benefits continued…

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	**$ 120,044**	$ **(90,454)**
Accrued benefit obligation	**886,163**	**(687,116)**

13. Long-term Debt

On July 9, 2002 BWBC 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				
	2009	$ 2,722,647	$ 6,163,531	$ 8,886,178
Long-term				
	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
	2013	3,504,267	5,381,910	8,886,177
	Thereafter	81,319,139	43,087,346	124,406,485
		94,102,202	65,848,993	159,951,195
		$ 96,824,849	$ 72,012,524	$ 168,837,373

BWBC 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.

Notes to the Financial Statements

13. Long-term Debt continued…

c) BWBC 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, BWBC 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 BWBC 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 BWBC pursuant to the *BWBA Act.*

f) Toll Rate Covenant – BWBC 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 BWBC 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 BWBC.

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, 2008 is $110,185,819 (2007 - $109,638,740).

14. Facility Rentals

BWBC has entered into a long-term operating lease with The Blue Water Bridge Duty Free Shop Inc. BWBC 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. BWBC receives a fixed rent per month and contingent revenues based on a percentage of sales. BWBC 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.

Notes to the Financial Statements

15. Currency Exchange Department

BWBC operates a currency exchange department on the plaza. The department's primary activity is to convert Canadian and American dollars for travelers. Net income for the year amounted to $320,690 (2007 - $34,285).

16. Contingencies

In the normal course of its operations, BWBC 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 BWBC's financial statements. There are no outstanding legal actions against BWBC.

17. Commitments

BWBC has awarded several contracts in order to complete the design and tender package of the Customs/Brokers/Agricultural (CBA) Complex building which amount to $4,460,021. As of August 31, 2008, $1,005,611 has been spent. The construction portion of the project is anticipated to total approximately $54 million. The project is expected to be completed in the fall of 2010. No contracts have yet been signed as at August 31, 2008 for the remaining balance of this project.

18. Financial Instruments

BWBC's financial instruments consist of cash, restricted assets, accounts receivable, short-term and long-term investments, accounts payable and accrued liabilities, holdbacks payable, short-term and long-term debt. Unless otherwise noted, it is management's opinion that BWBC is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Interest rate risk is deemed not to be significant as the long-term debt has been issued with a fixed interest rate. Currency risk is minimized as foreign currency is limited to the operational requirements of the Currency Exchange Department. Credit risk is not significant because as noted in note 5 BWBC invests only in secure investments.

19. Comparative Figures

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

Notes to the Financial Statements

20. Expenses

For the year ended August 31		2008		2007
Human Resources				
Salaries and wages				
Toll collectors	$	**1,558,819**	$	1,484,530
Administrative and office		**730,712**		787,936
Maintenance		**530,888**		620,555
Currency Exchange Department		**422,986**		516,433
Project Management		**379,154**		345,156
Janitorial		**279,123**		245,372
		3,901,682		3,999,982
Benefits				
Employee pension and life insurance	$	**1,164,368**	$	1,309,081
Vacation pay		**149,128**		149,731
Employee health taxes		**82,048**		85,843
Employment insurance		**66,422**		68,873
Workplace Safety and Insurance Board		**49,012**		35,818
Uniforms and cleaning		**33,383**		46,412
Other		**68,760**		67,495
		1,613,121		1,763,253
	$	**5,514,803**	$	5,763,235
General and Administrative				
Consultants	$	**514,200**	$	435,609
Public relations and advertising		**290,008**		196,490
Insurance		**244,137**		448,522
Municipal Taxes		**232,886**		164,013
Travel and entertainment		**154,101**		105,461
Computer services and supplies		**139,593**		126,533
Accounting, Audit and Legal		**117,915**		108,337
Bank charges		**72,041**		67,452
Stationary		**57,245**		89,696
Meetings		**54,131**		53,316
Telephone		**51,380**		75,311
Service agreements		**49,180**		55,755
Conferences, seminars and training		**43,562**		56,483
Bond fees		**41,208**		41,008
Office and miscellaneous		**80,023**		84,881
	$	**2,141,610**	$	2,108,867
Maintenance and Other Expenses				
Utilities	$	**392,757**	$	369,157
Bridges		**260,089**		311,068
Landscaping and snow removal		**199,341**		248,413
Paving		**174,555**		-
Buildings		**155,636**		221,153
Janitorial		**141,525**		147,447
Fuel and vehicle costs		**55,129**		61,795
Shop supplies		**43,012**		118,322
Other		**35,599**		142,305
	$	**1,457,643**	$	1,619,660

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