[Financial Summary and Results of Operations]

The review of the Corporation's financial position and operating results after its ninth year of operation should be read in conjunction with the financial statements on the following pages. The results for 2007 cover the period from April 1, 2006 to March 31, 2007, while the comparative numbers are for the period from April 1, 2005 to March 31, 2006.

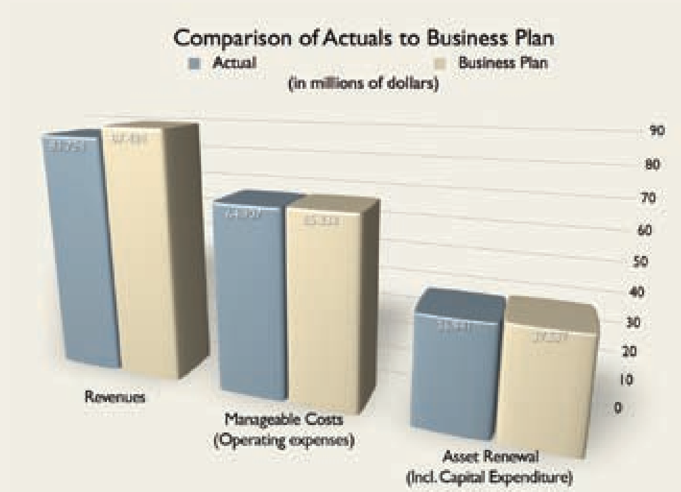
Overview

Financial Performance and Corporation Reserve

In 2007, the Corporation completed its ninth year of operation under the Management, Operation and Maintenance Agreement signed with the federal government in 1998. The financial success of the Corporation is measured by comparing the total cost of operating against the business plan established for the fiscal period.

The Corporation again performed better than anticipated in the business plan by successfully controlling its manageable costs. A close watch on budget management is SLSMC's key to cost control. Management teams in Maisonneuve, Niagara and Head Office review financial results monthly, and revised forecasts and variance analyses are prepared quarterly. This close scrutiny of costs permits management to make adjustments as soon as any significant variances are foreseen.

The Corporation's spending on manageable costs and asset renewal projects amounted to $100.6 million, which breaks down into $63.7 million for operating expenditures, $35.5 million for regular and major maintenance, and $1.4 million of capital expenditures. The business plan target was $102.6 million. The favourable variance of $2.0 million was added to the Corporation's Notional Reserve. As long as this benchmark remains positive, the Corporation does not need to increase Commercial Tolls over and above the percentage toll increase contemplated in the Agreement. The Notional Reserve balance at the end of March 2007 is $19.8 million.



Financial Results

Results of Operations

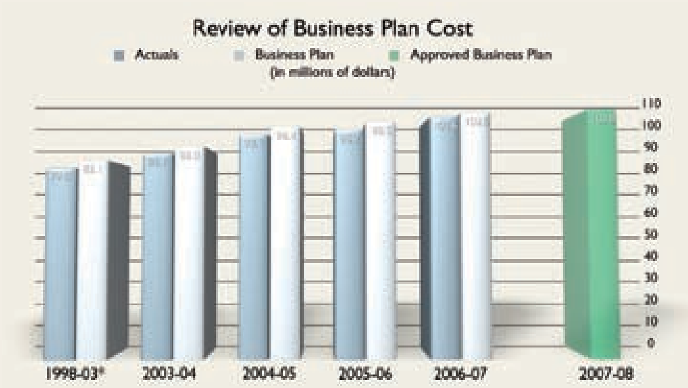
Revenues

Toll revenue rose by 13% in the fiscal year, from $71.0 million in 2006 to $80.3 million in 2007 with other navigation revenue and power generation revenue down slightly.

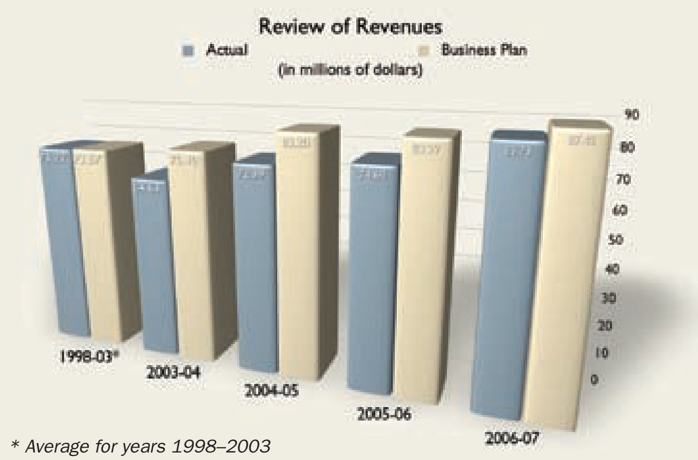
Meanwhile, investment income derived from the working capital balances maintained in our bank accounts increased marginally. On a quarterly basis, the Corporation either remits any excess cash to the Capital Fund Trust or, in case of a cash shortfall, obtains funds from the Capital Fund Trust in accordance with the Trust Agreement.

The amortization of deferred contributions related to capital assets amounted to $1.5 million in 2006/07, compared to $1.4 million the previous year. Capital asset acquisitions are funded by the Capital Fund Trust; the net contribution is credited 100% to a deferred balance sheet account, and amortized on the same basis as the assets for which the contribution was made.

Overall, the Corporation's total revenue rose by 12.04% in 2006/07, to $85.2 million, compared to the previous year's $76.0 million total.



* Average for years 1998–2003 (Includes six months of SLSA activity and 6 months of SLSMC activity)



* Average for years 1998–2003

[Financial Summary and Results of Operations]

Expenses

Operating expenses for 2006/07, related to the management and operation of the Seaway infrastructure, amounted to $63.7 million. This represents an increase of 5.4% from the previous year, and is below the business plan target of $65.2 million.

Salaries and wages paid to employees amounted to $37.5 million, an increase of 0.6% over last year's $37.3 million. Current and future employee benefits and pension costs amounted to $15.8 million compared to last year's figure of $14.5 million. Continued high health insurance and pension plan costs resulted in employee benefits reaching 42% of salaries and wages paid to employees. Additional pension plan contributions of $6.6 million were made in accordance with the Actuarial Valuation Report to fund the solvency deficit of the plan. The plan has a going-concern surplus, but the solvency deficit is being funded over a 5-year period. Actuarial Valuation Reports are done annually while the pension fund is in a deficit, either on a going-concern or a solvency basis. The combined salaries and wages paid to employees, plus employee benefits and pension costs, totaled $53.3 million, or 84% of total operating costs. The comparable figure for 2005/06 was $51.8 million or 86% of total operating costs.

The Corporation employed an equivalent of 572 full-time employees (FTEs) in 2006/07, down 3% from the previous year's level of 589.

All other operating costs amounted to $10.4 million for 2006/07, compared to $8.6 million the previous fiscal year. Insurance costs remain a major expense, at $2.7 million. The balance, excluding insurance expenses, amounted to $7.7 million this year, as opposed to $5.8 million in the previous year - an increase of $1.9 million. This increase is mainly due to special initiatives in transit research, recruitment campaign, market development and environmental promotion, amounting to $1.0 million.

Asset Renewal

The asset renewal expenditures, representing the cost of maintenance and major repairs of locks, canal bridges, buildings and other infrastructure assets excluding capital acquisitions, totaled $35.5 million for the current year, compared to $33.1 million for fiscal year 2005/06.

Amortization of Capital Assets

The amortization expense of $1.7 million for the year ending March 31, 2007 was similar to the previous year's amount. Refer to Note 4(c) for the accounting policy detail.

Liquidity and Funding - Cash Flow

Rules regarding the liquidity and funding of the Corporation are clearly set out in the Management, Operations and Maintenance Agreement and the Capital Trust Agreement with Transport Canada. The Corporation's excess of expenses over revenues are reimbursed by the Capital Fund Trust, while the Corporation's excess of revenues over expenses are returned to the Capital Fund Trust.

In 2006/07, the Corporation was in a negative cash flow position. The total revenue generated, less the amortization of deferred contributions related to capital assets ($83.7 million), was sufficient to pay for the Corporation's operating expenses of $63.7 million and left a balance of $20.0 million towards the asset renewal expenditures of $35.5 million during the year.

The 2006/07 contribution related to Asset Renewal funding from the Capital Fund Trust was $19.5 million, compared to $22.8 million the previous year. The contribution required for capital acquisitions in 2006/07 amounted to $1.4 million, compared to $1.7 million in 2005/06. (Notes 5 and 11 explain the amounts owed or paid by the Capital Fund Trust for the capital asset acquisitions and the contribution towards the Corporation's excess expenses over revenues.)

The Corporation maintains the minimum working capital and cash in the bank required to meet all of its financial obligations to its employees and trade creditors. The cash level at March 31, 2007 was $1.0 million, compared to the previous year's $4.1 million.

The supplies inventory amount on the Balance Sheet has decreased to $5.2 million in 2006/07 from $6.8 million in 2005/06 due to the utilization of hydraulic equipment purchased as a bulk purchase and charged to the asset renewal when the projects are completed.

Management's Responsibility for Financial Reporting

The accompanying financial statements of the St. Lawrence Seaway Management Corporation and all information in this Annual Report are the responsibility of management.

The financial statements have been prepared by management in accordance with generally accepted accounting principles consistent with the accounting policies set out in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting transactions. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the financial statements.

In fulfilling its responsibilities, management has developed and maintains systems of internal control designed to provide reasonable assurance that the Corporation's accounting records are a viable basis for the preparation of the financial statements. Policies and procedures are designed to ensure that transactions are appropriately authorized and assets are safeguarded from loss or unauthorized use.

The Board of Directors carries out its responsibility for review of the annual financial statements principally through the Audit Committee. The Board of Directors has appointed an Audit Committee consisting of three outside directors.

The Audit Committee meets during the year, with management, the internal and external auditors, to review any significant accounting, internal control and auditing matters to satisfy itself that management responsibilities are properly discharged and to review the financial statements before they are presented to the Board of Directors for approval.

The external and internal auditors have full and free access to the members of the Audit Committee with and without the presence of management.

The independent auditors Deloitte & Touche LLP, whose report follows, have audited the financial statements.

Richard Corfe
President and CEO
April 27, 2007

Serge Bergeron
Chief Financial Officer and
Director of Support Services

Deloitte.

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Auditors' Report

To the Members of
The St. Lawrence Seaway Management Corporation

We have audited the balance sheet of The St. Lawrence Seaway Management Corporation as at March 31, 2007 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

April 27, 2007

A member firm of
Deloitte Touche Tohmatsu

[Statement of Revenue and Expenses]

year ended March 31, 2007
($000's)

	2007	2006
Revenue		
Tolls	**$ 80,281**	$ 70,962
Other navigation revenue	**1,506**	1,550
License fees	**129**	125
Power revenue	**1,320**	1,647
Investment revenue	**488**	311
Gain on disposal of capital assets	**–**	38
Amortization of deferred contributions related to capital assets (Note 9)	**1,474**	1,411
	85,198	76,044
Expenses		
Operating	**63,679**	60,444
Asset renewal (Note 4c)	**35,531**	33,075
Power generation maintenance	**80**	258
Loss on disposal of capital assets	**121**	–
Amortization of capital assets	**1,653**	1,678
	101,064	95,455
Excess of expenses over revenue before special examination costs and contribution from Capital Fund Trust	**(15,866)**	(19,411)
Special examination costs	**(388)**	–
Contribution from Capital Fund Trust for operating expenses (Note 11)	**19,478**	22,757
EXCESS OF REVENUE OVER EXPENSES	**$ 3,224**	$ 3,346

[Statement of Changes in Net Assets]

year ended March 31, 2007
($000's)

	Invested in Capital Assets	Equity of Canada	Operating Results	Total **2007**	Total 2006
BALANCE, BEGINNING OF YEAR	**$ 1,616**	**$ 12,644**	**$ –**	**$ 14,260**	$ 10,914
EXCESS OF REVENUE OVER EXPENSES	**–**	**–**	**3,224**	**3,224**	3,346
Net acquisition of capital assets	**1,220**	**–**	**(1,220)**	**–**	–
Capital assets contributions, net of amortization	**64**	**–**	**(64)**	**–**	–
Employee future benefits variance	**–**	**3,583**	**(3,583)**	**–**	–
Net supplementary pension plan variance	**–**	**10**	**(10)**	**–**	–
Amortization of capital assets	**(1,653)**	**–**	**1,653**	**–**	–
BALANCE, END OF YEAR	**$ 1,247**	**$ 16,237**	**$ –**	**$ 17,484**	$ 14,260

[Balance Sheet]

As at March 31, 2007
($000's)

	2007	2006
CURRENT ASSETS		
Cash	**$ 1,011**	$ 4,079
Accounts receivable	**8,304**	5,821
Due from Capital Fund Trust (Note 5)	**27,296**	23,452
Due from Employee Termination Benefits Trust Fund (Note 7)	**35**	–
Supplies inventory	**5,217**	6,782
Prepaid expenses	**456**	472
	42,319	40,606
CAPITAL ASSETS (Note 6)	**8,798**	9,231
DUE FROM EMPLOYEE TERMINATION BENEFITS TRUST FUND (Note 7)	**14,377**	14,447
ACCRUED BENEFIT ASSET (Note 8)	**13,955**	8,098
	$ 79,449	$ 72,382
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 14,153**	$ 12,353
Employee Benefits Payable	**1,423**	1,410
Due to Employee Termination Benefits Trust Fund	**–**	108
Deferred revenues	**7**	10
	15,583	13,881
EMPLOYEE TERMINATION BENEFITS	**14,378**	14,447
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	**7,551**	7,615
ACCRUED BENEFIT LIABILITY (Note 8)	**24,453**	22,179
	46,382	44,241
	61,965	58,122
CONTINGENCIES (Note 13)		
NET ASSETS		
Invested in capital assets	**1,247**	1,616
Equity of Canada (Note 10)	**16,237**	12,644
	17,484	14,260
	$ 79,449	$ 72,382

FINANCIAL STATEMENTS APPROVED BY THE BOARD

Director

Director

[Statement of Cash Flows]

year ended March 31, 2007
($000's)

	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	**$ 3,224**	$ 3,346
Items not affecting cash		
Amortization of capital assets	**1,653**	1,678
Loss (gain) on disposal of capital assets	**121**	(38)
Amortization of deferred contributions related to capital assets	**(1,474)**	(1,411)
Employee future benefits variance	**(3,583)**	(3,770)
	(59)	(195)
Changes in non-cash operating working capital items	**765**	(6,056)
	706	(6,251)
FINANCING		
Contributions from the Capital Fund Trust towards acquisitions of capital assets	**1,411**	1,656
(Increase) decrease in due from Capital Fund Trust	**(3,844)**	3,559
	(2,433)	5,215
INVESTING		
Acquisitions of capital assets	**(1,411)**	(1,656)
Proceeds from disposal of capital assets	**70**	85
	(1,341)	(1,571)
NET CASH OUTFLOW	**(3,068)**	(2,607)
CASH, BEGINNING OF YEAR	**4,079**	6,686
CASH, END OF YEAR	**$ 1,011**	$ 4,079

[Notes to the Financial Statements]

year ended March 31, 2007
($000's)

1. Incorporation

The St. Lawrence Seaway Management Corporation (the Corporation) was constituted as a not-for-profit corporation under Part II of the Canada Corporations Act on July 9th 1998. Pursuant to an agreement with her Majesty, certain assets of The St. Lawrence Seaway Authority (SLSA), a Crown Corporation, were transferred effective October 1, 1998, to the Corporation. These assets relate to the operation of The St. Lawrence Seaway comprising a deep waterway between Montreal and Lake Erie (the Seaway). As a result of a further agreement with the Minister of Transport, the Corporation assumed responsibility for the management, operation and maintenance of the Seaway for a period of ten years (renewable for a further ten years).

The transferred assets included all of the movable capital assets, intangibles and working capital of SLSA. Ownership of the real property, locks, bridges, buildings and other fixtures was transferred to the Government of Canada on wind-up of SLSA.

On wind-up of SLSA, a trust was created to fund the accumulated entitlement of the Seaway employees who were to be transferred to the Corporation, in respect of their vested termination benefits, known as The Employee Termination Benefits Trust.

Furthermore, on wind-up of SLSA, the surplus funds of the Corporation were transferred to a second trust created for the purpose of funding future deficits arising from the operation and maintenance of the Seaway. Transfers of funds to the Corporation to cover operating deficits and capital assets acquisitions as they occur will be accounted for as revenue in the statement of revenue and expenses.

The Corporation is the Trustee for both of these trusts.

The Corporation is exempt from income tax under section 149(1) (l) of the Income Tax Act.

2. Operating Agreement

The Corporation was mandated to manage, operate and maintain the Seaway in accordance with a Management, Operation and Maintenance Agreement, which requires the Corporation to negotiate five-year business plans throughout the term of the agreement with the Minister of Transport. The business plan includes anticipated revenues and operating costs and an “Asset Renewal Plan”. The Corporation is mandated to charge tolls and other revenues to finance the operation and maintenance of the Seaway, and to recover from the Government of Canada such additional funds, to eliminate operating deficits when required, in accordance with the terms of agreement.

The above agreement also provides for the formation of a “Capital Committee” comprising two representatives of the Corporation and two representatives of the Crown who will review annual plans for the capital, maintenance and asset replacement requirements of the assets under administration of the Corporation. The Committee reviews the Asset Renewal Plan each year and determines if it is appropriate or whether any changes are warranted.

3. Corporation's Reserve Account

The Corporation is mandated under the Management, Operation and Maintenance Agreement to establish a notional reserve account. The account is increased in respect of recoveries of operating costs incurred by the Corporation, through government contribution, insurance or indemnity, as well as favourable variances in operating costs and asset renewal costs between those incurred in any year and the projected costs according to the business plan. The notional reserve is reduced by unfavourable variances in actual operating costs and other adjustments. A negative balance would require the Corporation to increase Commercial Tolls over and above preset percentage toll increase contemplated in the Agreement. The Corporation's notional reserve has a positive balance of $19,842 in 2007 (2006 - $17,801).

[Notes to the Financial Statements]

year ended March 31, 2007
($000's)

4. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations using the deferral method of accounting. A summary of significant accounting policies follows:

a) Revenue

Toll revenue and other service charges are recognized as revenue when earned.

b) Supplies inventory

Supplies inventory comprises equipment and supplies used in the operation and maintenance of the Seaway. It includes spare parts which were transferred to the Corporation on October 1, 1998. Certain parts were transferred at nominal value. Supplies are recorded at average cost.

c) Capital assets

Capital assets of the Corporation consist of temporary structures, movable assets such as motor vehicles, small vessels employed in the operation of the Seaway and office furniture and equipment, including computers and related software. Such assets are capitalized if they have an initial cost of at least $3 (three thousand dollars).

Additions are recorded at cost. The cost of assets sold, retired or abandoned, and the related accumulated amortization are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Amortization is recorded using the straight-line method based on the estimated useful service lives of the assets.

The Corporation treats all major maintenance and refurbishment costs, as well as any additions to existing capital assets of the Seaway which were transferred to the Government of Canada on the wind-up of SLSA, (defined as "existing managed assets"), as asset renewal expenses.

d) Contributions related to capital assets

The deferral method of accounting for contributions related to capital assets is followed. Contributions are deferred and amortized as revenue in the year in which the related amortization for such assets is expensed.

e) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

f) Employee termination benefits

Employees of the Corporation are entitled to specified benefits as provided for under labour contracts and conditions of employment. These benefits include accumulated sick leave and furlough leave which are payable upon termination of employment. Usually, the benefits correspond to the greater of a week's salary (two weeks for the first year of service) for each year of service, up to a maximum of 28 weeks or 75% of the balance of the employee's accumulated sick leave days. Employees are allowed 15 days of sick leave per year. The liability for benefits is recorded in the accounts as the benefits accrue to the employees.

g) Pension plan

The Corporation has established its own defined benefit pension plan and employees were allowed the option of transferring their entitlement to the new plan or remaining with the Public Service Superannuation Plan. New employees, effective April 1, 1999, become members of the Corporation's pension plan.

h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The estimated useful life of the capital assets and the assumptions of expected economic trends for the post employment benefits are the most significant items where estimates are used.

[Notes to the Financial Statements]

year ended March 31, 2007
($000's)

5. Due from Capital Fund Trust

The Corporation has an amount receivable from the Capital Fund Trust to cover specific Seaway support obligations such as the Corporation's deficits, net capital acquisitions and other short-term cash requirements in accordance with the Trust Agreement. No terms of repayment exist for this receivable.

Changes in the balance due from the Capital Fund Trust at March 31, were as follows:

	2007	2006
Net balance, beginning of year	**$ 23,452**	$ 27,011
Net set off of opening accounts receivable and accounts payable	**(45)**	28
Cash paid to (by) the Capital Fund Trust	**7,412**	(4,480)
Payment of previous year's deficit	**(24,412)**	(23,520)
Contribution receivable for capital acquisitions	**1,411**	1,656
Contribution receivable for operating expenses	**19,478**	22,757
Net balance, end of year	$ 27,296	$ 23,452

6. Capital Assets

	Annual Amortization Rate	**2007** Cost	**2007** Accumulated Amortization	**2007** Net Book Value	2006 Net Book Value
Information technology systems	20%	**$ 12,817**	**$ 11,348**	**$ 1,469**	$ 1,404
Vehicles	10-20%	**5,788**	**3,674**	**2,114**	1,801
Floating equipment	2-20%	**4,059**	**3,538**	**521**	617
Machinery and office equipment	2-20%	**4,012**	**2,338**	**1,674**	1,604
Infrastructure equipment	2-20%	**6,851**	**3,836**	**3,015**	3,192
Assets under construction	-	**5**	**-**	**5**	613
		$ 33,532	**$ 24,734**	**$ 8,798**	$ 9,231

7. Due from Employee Termination Benefits Trust Fund

This amount represents the funds set aside for the accrued employee termination benefits liability of the Corporation which is represented by the net assets in the Employee Termination Benefits Trust Fund.

[Notes to the Financial Statements]

year ended March 31, 2007
($000's)

8. Post Employment Benefits

The Corporation has defined benefit pension plans for employees and also provides post employment benefits, other than pension, including supplemental health and life insurance for retired employees. Information about the defined benefit plans and post employment benefits are as follows:

	2007		
	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation			
Balance, beginning of year	**$ 166,072**	**$ 872**	**$ 44,557**
Current service cost (employer)	**7,328**	**44**	**1,375**
Interest cost	**8,603**	**46**	**2,270**
Member contributions	**1,686**	**–**	**–**
Benefits paid	**(3,796)**	**(25)**	**(1,811)**
Actuarial (gain) loss	**(13,124)**	**41**	**(1,615)**
Balance, end of year	**$ 166,769**	**$ 978**	**$ 44,776**
Plan assets			
Fair value, beginning of year	**$ 154,671**	**$ 1,118**	**$ 15,020**
Return on plan assets	**10,612**	**39**	**–**
Corporation contribution	**11,638**	**71**	**1,920**
Investment experience gain	**11,375**	**50**	**–**
Member contributions	**1,686**	**–**	**–**
Benefits paid	**(3,796)**	**(25)**	**(1,811)**
Fair value, end of year	**$ 186,186**	**$ 1,253**	**$ 15,129**
Funded status – plan surplus (deficit)	**$ 19,417**	**$ 275**	**$ (29,647)**
Unamortized past service cost	**808**	**–**	**–**
Unamortized net actuarial (gain) loss	**(6,798)**	**253**	**5,194**
Accrued benefit asset (liability) recognized	**$ 13,427**	**$ 528**	**$ (24,453)**

[Notes to the Financial Statements]

year ended March 31, 2007
($000's)

8. Post Employment Benefits (Continued)

	2006		
	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation			
Balance, beginning of year	$ 130,883	$ 704	$ 38,900
Current service cost (employer)	5,669	36	1,166
Interest cost	8,004	44	2,320
Member contributions	1,715	–	–
Benefits paid	(2,335)	(22)	(1,724)
Actuarial loss	22,136	110	3,895
Balance, end of year	$ 166,072	$ 872	$ 44,557
Plan assets			
Fair value, beginning of year	$ 126,496	$ 888	$ 14,530
Return on plan assets	8,755	33	–
Corporation contribution	10,226	209	2,214
Investment experience gain	9,814	10	–
Member contributions	1,715	–	–
Benefits paid	(2,335)	(22)	(1,724)
Fair value, end of year	$ 154,671	$ 1,118	$ 15,020
Funded status – plan surplus (deficit)	$ (11,401)	$ 246	$ (29,537)
Unamortized past service cost	1,078	–	–
Unamortized net actuarial loss	17,883	292	7,358
Accrued benefit asset (liability) recognized	$ 7,560	$ 538	$ (22,179)

Significant assumptions

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

(Weighted average assumptions as of January 1, 2006)

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Discount rate	5.10%	5.10%	5.10%
Expected rate of return on plan assets	6.75%	3.38%	0.00%
Rate of compensation increase	4.00%	4.00%	4.00%

Notes to the Financial Statements

year ended March 31, 2007
($000's)

8. Post Employment Benefits (Continued)

(Weighted average assumptions as of January 1, 2005)	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Discount rate	5.10%	5.10%	5.10%
Expected rate of return on plan assets	6.75%	3.38%	0.00%
Rate of compensation increase	4.00%	4.00%	4.00%

For measurement purposes, a 9.11% health care cost trend rate was assumed for 2007 (2006 - 9.87%), decreasing gradually to 4.62% in 2016 and remaining at that level thereafter.

The expected rate of return on other benefits plan is 0% because the terms whereby the Employee Termination Benefits Trust Fund was established provide that all the income earned by the Trust Fund is to be transferred to the Capital Fund Trust.

9. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent contributions from the Government of Canada for the acquisition of capital assets as per the Management, Operation and Maintenance Agreement and are amortized at the same rate as the capital assets they represent.

The deferred contributions balance for the year are composed of the following:

	2007	2006
Balance, beginning of year	**$ 7,615**	$ 7,370
Plus: Current year contributions for the acquisition of capital assets	**1,410**	1,656
Less: Amortization of assets acquired with deferred contributions	**(1,474)**	(1,411)
Balance, end of year	**$ 7,551**	$ 7,615

10. Equity of Canada

	2007	2006
Secured contribution of Canada	**$ 36,000**	$ 36,000
Contribution to the Capital Fund Trust	**(24,000)**	(24,000)
Surplus	**4,237**	644
	$ 16,237	$ 12,644

Upon transfer of certain assets of SLSA to the Corporation on October 1, 1998, the Corporation signed a general security agreement with the Government of Canada covering all the assets of the Corporation, evidenced by a limited recourse term promissory note with a face value of $36,000. The note is payable without interest on the earlier of (a) March 31, 2018, and (b) the termination for any reason whatsoever, of the Management, Operation and Maintenance Agreement. Recourse by the Government of Canada is limited to a) the collateral as defined in the general security agreement; and b) the Hypothecated Property (as defined in the Deed of Movable Hypothec between the Corporation and SLSA); and set off against the Purchase Price (as defined in the Option Agreement between the Corporation and Her Majesty).

[Notes to the Financial Statements]

year ended March 31, 2007
($000's)

11. Contributions from the Capital Fund Trust

The Corporation is entitled to contributions from the Capital Fund Trust to fund the operating deficit and for capital asset acquisitions in accordance with the Operations and Management Agreement. The contribution towards operations is equal to the excess of expenses over revenue, increased by transaction costs related to the commercialization of the Seaway adjusted for the non–cash items for amortization, the undepreciated cost of capital assets disposed of, and the post retirement benefits variation.

		2007	2006
Excess of expenses over revenue before adjustments		**$ 15,866**	$ 19,411
Plus:	Gain on disposal of assets	**–**	38
	Amortization of deferred contributions related to capital assets	**1,474**	1,411
	Post retirement benefits	**3,594**	3,660
	Special examination costs	**388**	–
Less:	Proceeds from disposal of capital assets	**(70)**	(85)
	Loss on disposal of capital assets	**(121)**	–
	Amortization of capital assets	**(1,653)**	(1,678)
Contribution from Capital Fund Trust for operating expenses		**$ 19,478**	$ 22,757
Contribution from Capital Fund Trust towards acquisitions of capital assets		**$ 1,411**	$ 1,656

12. Commitments

As at March 31, 2007, contractual commitments for capital and other expenditures amounted to $2,399 (2006 - $2,962).

13. Contingencies

The Corporation, in the normal course of business, experiences claims for a variety of reasons. Claims outstanding at March 31, 2007 totalling $750 (2006 - $25,523) have not been provided for in the accounts. Management is of the opinion that these actions will not result in any material losses to the Corporation. Claims relating to operation and maintenance of the Seaway incurred by SLSA prior to October 1, 1998 became the obligation of Transport Canada.

[Notes to the Financial Statements]

year ended March 31, 2007

14. Directors' and Officers' Remuneration

The remuneration earned by the directors and officers, in actual dollars, was as follows:

a) Directors' remuneration comprises a fixed fee and a per diem based on attendance at meetings of the Board and its committees.

Name	Appointment Date	Committee and position		Remuneration in 2006/2007
Guy C. Véronneau (*)	August 2006	Board	Chair	
	February 2005	Ad Hoc Tolls	Member	
	August 2006	Human Resources	Member	
	August 2006	Governance	Member	**$ 30,900**
Peter G. Cathcart	October 2004	Board	Director	
	August 2006	Governance	Chair	**23,200**
W. Nick Fox	January 2002	Board	Director	
	August 2004	Asset Renewal	Chair	
	February 2005	Ad Hoc Tolls	Member	
	August 2006	Human Resources	Member	**25,000**
Richard Gaudreau	February 2005	Board	Director	
	February 2005	Governance	Member	
	February 2005	Audit	Member	**25,400**
Paul A. Gourdeau	August 2006	Board	Member	
	August 2006	Asset Renewal	Member	
	August 2006	Ad Hoc Tolls	Member	**15,600**
William Keays	November 2004	Board	Director	
	February 2005	Audit	Chair	
	August 2006	Asset Renewal	Member	**26,200**
Ian MacGregor	November 2006	Board	Member	
	November 2006	Audit	Member	
	November 2006	Ad Hoc Tolls	Member	**7,400**
David F. Mothersill	January 2006	Board	Director	
	January 2006	Ad Hoc Tolls	Member	
	August 2006	Human Resources	Chair	**25,630**
Georges H. Robichon (**)	July 1998	Board	Director	
	November 1998	Governance	Chair	
	February 2005	Ad Hoc Tolls	Member	**9,900**
J. Douglas Smith (***)	August 2004	Board	Chair	
	August 2004	Governance	Member	
	February 2005	Ad Hoc Tolls	Member	
	December 2005	Human Resources	Chair	**21,550**
				$ 210,780

(*) Board Member since August 2004
(**) Term completed August 2006
(***) Term completed November 2006

b) Remuneration paid for the five (5) officers, as employees of the Corporation, was $947,391.