financial Summary and Results of Operations

The review of the Corporation's financial position and operating results after its tenth year of operation should be read in conjunction with the financial statements on the following pages. The results for 2008 cover the period from April 1, 2007 to March 31, 2008, while the comparative numbers are for the period from April 1, 2006 to March 31, 2007.

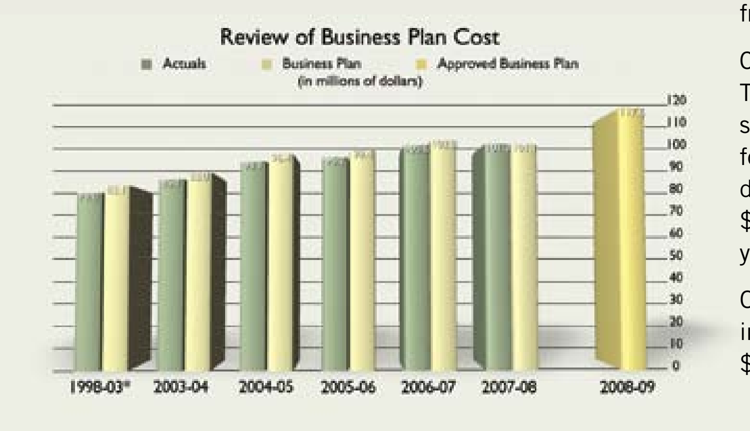
Overview

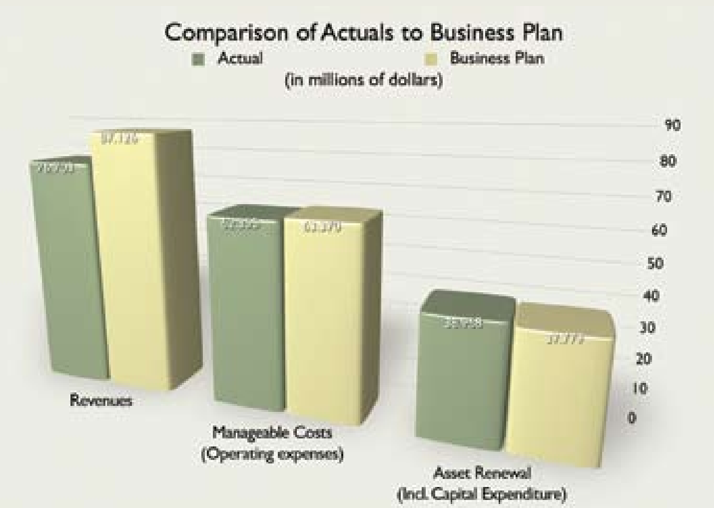
Financial Performance and Corporation Reserve

The Corporation is governed by a Management, Operation and Maintenance Agreement signed with the federal government in 1998 for a twenty-year period, with an initial term of ten years. This report covers the tenth year of this agreement. The financial success of the Corporation is measured by comparing the total cost of operating against the business plan established for the fiscal period. This measurement is accounted for in a notional reserve called the Corporation Reserve.

In the second five-years of the agreement, the Corporation added $11.3 million to the Corporation Reserve and, after using $5.8 million to fund a 1% toll reduction, finished with a net increase of $5.5 million. In 2008, the Corporation increased its asset renewal spending, while remaining within the $170 million approved in the five-year business plan, resulting in a reduction of the Corporation Reserve of $200 thousand.

In 2008, the Corporation's spending on manageable costs and asset renewal projects amounted to $101.3 million, which breaks down into $62.3 million for operating expenditures, $38.3 million for regular and major maintenance, and $700 thousand of capital expenditures. The business plan target was $101.1 million. Should the Corporation Reserve become negative, a penalty toll would be assessed on Commercial Tolls over the toll increase contemplated in the Agreement. The Corporation Reserve balance at the end of March 2008 was $19.6 million.





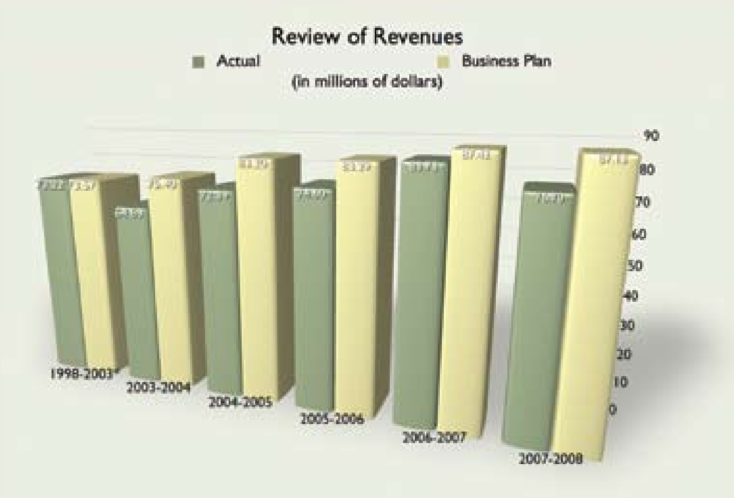
Financial Results RESULTS OF OPERATIONS

Revenues

Toll revenue decreased 7.7% in the fiscal year, from $80.3 million in 2007 to $74.1 million in 2008, after a 13% increase in 2007. Other navigation revenue rose 6%, while power generation revenue decreased substantially due to a breakdown of the turbines, and investment income derived from the working capital balances decreased marginally.

Capital asset acquisitions are funded by the Capital Fund Trust, the net contribution is credited to a deferred balance sheet account, and amortized on the same basis as the assets for which the contribution was made. The amortization of deferred contributions relating to capital assets amounted to $1.4 million in 2008 compared to $1.5 million the previous year.

Overall, the Corporation's total revenue decreased by 8.3% in 2008, to $78.1 million, compared to the previous year's $85.2 million total.



Expenses

Operating expenses for 2008 relating to the management and operation of the Seaway infrastructure amounted to $62.4 million. This represents a decrease of 2.1% from the previous year, and is below the business plan target of $63.4 million by 1.6%.

The combined salaries, wages and benefits totaled $53.3 million, or 86% of total operating costs. The comparable figure for 2007 was $53.3 million or 84% of total operating costs. Salaries and wages paid to employees amounted to $39.1 million, an increase of 4.1% over last year's $37.5 million. Current and future employee benefits and pension costs amounted to $14.2 million in comparison to last year's figure of $15.8 million. Continued high health insurance costs were somewhat offset by lower pension plan costs resulting in employee benefits decreasing to 36% of salaries and wages paid to employees from 42% last year.

The Corporation employed an equivalent of 573 full-time employees (FTEs) in 2008, up 0.2% from the previous year's level of 572.

All other operating costs amounted to $9.1 million for 2008, compared to $10.4 million the previous fiscal year, with insurance premiums remaining the major expense at $2.4 million. Excluding insurance premiums, other operating costs decreased by $1 million to $6.7 million due mainly to a recovery of Ontario sales tax for the past four years following a favourable ruling.

Asset Renewal

Asset renewal expenditures, representing the cost of maintenance and major repairs of locks, canals, bridges, buildings and other infrastructure assets excluding capital acquisitions, totaled $38.3 million for the current year, compared to $35.5 million in 2007. This resulted in the Corporation completing necessary work and optimizing the approved five-year envelope.

Amortization of Capital Assets

The amortization expense of $1.6 million for the year ending March 31, 2008 was down slightly from the previous year's amount. Refer to Note 4(d) 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 cash surplus or shortfall is paid to or reimbursed by the Capital Fund Trust.

In 2008, the Corporation was in a negative cash flow position. The total revenue generated, less the amortization of deferred contributions related to capital assets ($76.7 million), was sufficient to pay for the Corporation's operating expenses of $62.4 million and left a balance of $14.3 million towards the asset renewal expenditures of $39 million during the year including capital acquisitions of $700 thousand. Refer to notes 5 and 11 of the following financial statements for explanation on the amounts owed or paid from the Capital Fund Trust for 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, 2008 was $1.3 million, compared to the previous year's $1.0 million.

The supplies inventory amount on the Balance Sheet has decreased to $4.7 million in 2007/08 from $5.2 million in 2006/07 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 Canadian 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 25, 2008

Richard Gaudreau
Federal Government Representative
April 25, 2008

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Canada

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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, 2008 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, 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 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 25, 2008

A member firm of
Deloitte Touche Tohmatsu

Statement of Revenue and Expenses

year ended March 31, 2008
($000's)

	2008	2007
Revenue		
Tolls	**$ 74,120**	$ 80,281
Other navigation revenue	**1,601**	1,506
Licence fees	**131**	129
Power revenue	**497**	1,320
Investment revenue	**349**	488
Gain on disposal of capital assets	**5**	-
Amortization of deferred contributions related to capital assets (Note 9)	**1,394**	1,474
	78,097	85,198
Expenses		
Operating	**62,355**	63,679
Asset renewal	**38,287**	35,531
Power generation maintenance	**668**	80
Loss on disposal of capital assets	**-**	121
Amortization of capital assets	**1,566**	1,653
	102,876	101,064
Excess of expenses over revenue before special examination costs and contribution from Capital Fund Trust	**(24,779)**	(15,866)
Special examination costs	**-**	(388)
Contribution from Capital Fund Trust for operating expenses (Note 11)	**19,524**	19,478
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$ (5,255)**	$ 3,224

Statement of Changes in Net Assets

year ended March 31, 2008
($000's)

	Invested in Capital Assets	Equity of Canada	Operating Results	Total **2008**	Total 2007
BALANCE, BEGINNING OF YEAR	**$ 1,247**	**$ 16,237**	**$ -**	**$ 17,484**	$ 14,260
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**-**	**-**	**(5,255)**	**(5,255)**	3 ,224
Net acquisition of capital assets	**661**	**-**	**(661)**	**-**	-
Capital assets contributions, net of amortization	**712**	**-**	**(712)**	**-**	-
Pension plan and other benefit plans variances	**-**	**(5,062)**	**5 ,062**	**-**	-
Amortization of capital assets	**(1,566)**	**-**	**1 ,566**	**-**	-
BALANCE, END OF YEAR	**$ 1,054**	**$ 11,175**	**$ -**	**$ 12,229**	$ 17,484

Balance Sheet

as at March 31, 2008
($000's)

	2008	2007
CURRENT ASSETS		
Cash	**$ 1,311**	$ 1,011
Accounts receivable - Trade	**7,400**	7,415
Accounts receivable - Other	**1,461**	889
Due from Capital Fund Trust (Note 5)	**27,715**	27,296
Due from Employee Termination Benefits Trust Fund (Note 7)	**341**	35
Supplies inventory	**4,718**	5,217
Prepaid expenses	**664**	456
	43,610	42,319
CAPITAL ASSETS (Note 6)	**7,893**	8,798
DUE FROM EMPLOYEE TERMINATION BENEFITS TRUST FUND (Note 7)	**14,036**	14,377
ACCRUED BENEFIT ASSET (Note 8)	**10,955**	13,955
	$ 76,494	$ 79,449
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 15,343**	$ 14,161
Employee benefits payable	**1,546**	1,423
	16,889	15,584
EMPLOYEE TERMINATION BENEFITS	**14,036**	14,377
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	**6,839**	7,551
ACCRUED BENEFIT LIABILITY (Note 8)	**26,501**	24,453
	64,265	61,965
CONTINGENCIES (Note 13)		
NET ASSETS		
Invested in capital assets	**1,054**	1,247
Equity of Canada (Note 10)	**11,175**	16,237
	12,229	17,484
	$ 76,494	$ 79,449

FINANCIAL STATEMENTS APPROVED BY THE BOARD

Director

Director

Statement of Cash Flows

year ended March 31, 2008
($000's)

	2008	2007
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenue over expenses	**$ (5,255)**	$ 3,224
Items not affecting cash		
Amortization of capital assets	**1,566**	1,653
(Gain) loss on disposal of capital assets	**(5)**	121
Amortization of deferred contributions related to capital assets	**(1,394)**	(1,474)
Employee future benefits variance	**5,048**	(3,583)
	(40)	(59)
Changes in non-cash operating working capital items	**733**	765
	693	706
FINANCING		
Contributions from the Capital Fund Trust towards acquisitions of capital assets	**682**	1,411
Increase in due from Capital Fund Trust	**(419)**	(3,844)
	263	(2,433)
INVESTING		
Acquisitions of capital assets	**(682)**	(1,411)
Proceeds from disposal of capital assets	**26**	70
	(656)	(1,341)
NET CASH INFLOW (OUTFLOW)	**300**	(3,068)
CASH, BEGINNING OF YEAR	**1 ,011**	4 ,079
CASH, END OF YEAR	**$ 1,311**	$ 1,011

Notes to the Financial Statements

year ended March 31, 2008
($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 9, 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.

The Corporation is the Trustee for the Employee Termination Benefits Trust Fund and for the Capital Fund Trust.

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 Capital Fund Trust 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 increases contemplated in the Agreement. The Corporation's notional reserve has a positive balance of $19,629 on March 31, 2008 (2007 - $19,842).

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) Accounting changes - Financial instruments

Effective April 1, 2007, the Corporation adopted the following recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook: Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3865, *Hedges*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and amendments to Section 4400, *Financial Statement Presentation by Not-For-Profit Organizations*. These new Handbook Sections provide comprehensive requirements for the recognition, measurement and disclosure of financial instruments. The amendments to Handbook Section 4400 require certain gains and losses to be recognized initially as direct entries to the Statement of Changes in Net Assets for the period.

The new Handbook Section 3855 provides comprehensive requirements for the recognition and measurement of financial instruments. Financial instruments are initially recognized at fair value with subsequent measurement depending on the classification as described below. These new policies require adoption on a retrospective basis with changes in fair value related to the prior fiscal year presented as an adjustment to the opening net asset balance. There was no impact on the Corporation's opening net asset balance as a result of the adoption of these new policies.

Notes to the Financial Statements

year ended March 31, 2008
($000's)

4. Summary of Significant Accounting Policies (Continued)

a) Accounting changes - Financial instruments (Continued)

All financial assets are classified as either held-for-trading, held-to-maturity investments, loans and receivables or available-for-sale. All financial liabilities are classified as held-for-trading or other liabilities.

The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of said instruments at the time of initial recognition. Settlement date accounting is used and transaction costs related to investments are expensed as incurred.

Classification:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Due from Capital Fund Trust	Loans and receivables
Due from Employee Termination Benefits Trust Fund	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Employee benefits payable	Other liabilities

Held-for-trading
These financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment revenue.

Loans and receivables
These financial assets are measured at amortized cost using the effective interest method, less any impairment.

Other liabilities
These financial liabilities are recorded at amortized cost using the effective interest rate method.

b) Revenue

Toll revenue and other service charges are recognized as revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the customer is fixed or determinable and collection is reasonably assured.

c) 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 valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost formula.

d) 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.

e) Contributions related to capital assets

Contributions received for the acquisition of capital assets are deferred and amortized to revenue on the same basis as the amortization of the acquired asset.

f) 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.

g) 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.

Notes to the Financial Statements

year ended March 31, 2008
($000's)

4. Summary of Significant Accounting Policies (Continued)

h) 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. All employees, on or after April 1, 1999, become members of the Corporation's pension plan.

The cost of employee future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of discount rate, retirement ages of employees and expected health care costs. Plan obligations are discounted using current market interest rates and plan assets are presented at fair market value. The Corporation amortizes past service costs and cumulative unrecognized net actuarial gains and losses, in excess of 10% of the greater of the projected benefit obligation or the market-related value of plan assets, over the expected average remaining service lifetime (EARSL) of the active employee group covered by the plans. The EARSL has been determined to be 7 years under the Pension Benefit Plan and 5 years for the Supplementary Pension Benefit Plan.

i) 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.

j) Future accounting changes

In December 2006, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3862, *Financial Instruments - Disclosures*; Section 3863, *Financial Instruments - Presentation*; and Section 1535, *Capital Disclosures*. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Corporation will adopt the new standards for its fiscal year beginning on April 1, 2008. Section 3862 on financial instruments disclosures requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance; and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about the entity's objectives, policies and processes for managing capital.

In June 2007, the CICA issued Section 3031, *Inventories*, replacing Section 3030, *Inventories*. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Corporation will adopt the new standards for its fiscal year beginning April 1, 2008. This new Section provides more guidance on the measurement and disclosure requirements for inventories.

The Corporation is currently evaluating the impact of the adoption of these new standards on its financial statements. The Corporation does not expect that the adoption of these new Sections will have a material impact on its financial statements.

Notes to the Financial Statements

year ended March 31, 2008
($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.

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

	2008	2007
Net balance, beginning of year	**$27,296**	$23,452
Net setoff of opening accounts receivable and accounts payable	**13**	(45)
Cash paid to the Capital Fund Trust	**1,089**	7,412
Payment of previous year's deficit	**(20,889)**	(24,412)
Contribution receivable for capital acquisitions	**682**	1,411
Contribution receivable for operating expenses	**19,524**	19,478
Net balance, end of year	**$27,715**	$27,296

6. Capital Assets

	Annual Amortization Rate	**2008**			2007
		Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Information technology systems	20%	**$11,615**	**$10,625**	**$ 990**	$1,469
Vehicles	10-20%	**5,987**	**3,954**	**2,033**	2,114
Floating equipment	2-20%	**4,059**	**3,621**	**438**	521
Machinery and office equipment	2-20%	**3,970**	**2,423**	**1,547**	1,674
Infrastructure equipment	2-20%	**6,830**	**3,990**	**2,840**	3,015
Assets under construction	-	**45**	**-**	**45**	5
		$32,506	**$24,613**	**$7,893**	$8,798

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, adjusted for any cumulative unrealized gains or losses on available-for-sale financial assets.

Notes to the Financial Statements

year ended March 31, 2008
($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. The last actuarial valuation was performed in January 2006 for the Pension Benefit Plan and in December 2006 for both the Supplementary Pension Benefit Plan and the Other Benefit Plans. Information about the defined benefit plans and post employment benefits are as follows:

	2008		
	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation			
Balance, beginning of year	$166,769	$ 978	$ 44,776
Current service cost (employer)	6,234	53	1,392
Interest cost	8,847	53	2,335
Member contributions	1,731	-	-
Benefits paid	(4,458)	(26)	(2,465)
Actuarial (gain) loss	(6,551)	36	2,397
Balance, end of year	$172,572	$1,094	$ 48,435
Plan assets			
Fair value, beginning of year	$186,186	$1,253	$ 15,129
Return on plan assets	11,496	40	-
Corporation contribution	841	105	1,783
Investment experience loss	(8,488)	(38)	-
Member contributions	1,731	-	-
Benefits paid	(4,458)	(26)	(2,465)
Fair value, end of year	$187,308	$1,334	$ 14,447
Funded status - plan surplus (deficit)	$ 14,736	$240	$(33,988)
Unamortized past service cost	538	-	-
Unamortized net actuarial (gain) loss	(4,861)	302	7,487
Accrued benefit asset (liability) recognized	$ 10,413	$ 542	$(26,501)
Elements of costs recognized in the year:			
Current service cost (employer)	$6,234	$ 53	$ 1,392
Interest cost	8,847	53	2,335
Expected return on plan assets	(11,496)	(40)	-
Past service costs amortization	270	-	-
Net actuarial loss amortization	-	25	104
	$ 3,855	$ 91	$ 3,831

Notes to the Financial Statements

year ended March 31, 2008
($000's)

8. Post Employment Benefits (Continued)

	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)
Elements of costs recognized in the year:			
Current service cost (employer)	$7,328	$ 44	$ 1,375
Interest cost	8,603	46	2,270
Expected return on plan assets	(10,612)	(39)	-
Past service costs amortization	270	-	-
Net actuarial loss amortization	182	30	549
	$ 5,771	$ 81	$ 4,194

Notes to the Financial Statements

year ended March 31, 2008
($000's)

8. Post Employment Benefits (Continued)

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, 2007)

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Discount rate	5.25%	5.25%	5.25%
Expected rate of return on plan assets	6.25%	3.13%	0.00%
Rate of compensation increase	3.50%	3.50%	3.50%

(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%

For measurement purposes, an 8.29% health care cost trend rate was assumed for 2008 (2007 - 9.11%), decreasing gradually to 4.3% in 2017 and remaining at that level thereafter.

The expected rate of return on other benefits plan is NIL% 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 through the Capital Fund Trust for the acquisition of capital assets as per the Management, Operation and Maintenance Agreement and are amortized on the same basis as the amortization of the acquired asset.

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

	2008	2007
Balance, beginning of year	**$7,551**	$7,614
Plus: Current year contributions for the acquisition of capital assets	**682**	1,411
Less: Amortization of assets acquired with deferred contributions	**(1,394)**	(1,474)
Balance, end of year	**$6,839**	$7,551

Notes to the Financial Statements

year ended March 31, 2008
($000's)

10. Equity of Canada

	2008	2007
Secured contribution of Canada	**$36,000**	$36,000
Contribution to the Capital Fund Trust	**(24,000)**	(24,000)
Surplus (deficit)	**(825)**	4,237
	$11,175	$16,237

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).

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.

	2008	2007
Excess of expenses over revenue before adjustments	**$24,779**	$15,866
Plus: Gain on disposal of capital assets	**5**	-
Amortization of deferred contributions related to capital assets	**1,394**	1,474
Pension plan and other benefit plans variances	**-**	3,594
Special examination costs	**-**	388
Less: Proceeds from disposal of capital assets	**(26)**	(70)
Pension plan and other benefit plans variances	**(5,062)**	-
Loss on disposal of capital assets	**-**	(121)
Amortization of capital assets	**(1,566)**	(1,653)
Contribution from Capital Fund Trust for operating expenses	**$19,524**	$19,478
Contribution from Capital Fund Trust towards acquisitions of capital assets	**$ 682**	$ 1,411

12. Commitments

As at March 31, 2008, contractual commitments for capital and other expenditures amounted to $3,881 (2007 - $2,399).

13. Contingencies

The Corporation, in the normal course of business, experiences claims for a variety of reasons. Claims outstanding at March 31, 2008 totalling $6,000 (2007 - $750) 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, 2008

14. Comparative Figures

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

15. 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 2007/2008
Guy C. Véronneau (*)	August 2006	Board	Chair	
	August 2006	Human Resources	Member	
	August 2006	Governance	Member	$ 32,200
Peter G. Cathcart	October 2004	Board	Director	
	August 2006	Governance	Chair	
	December 2007	Asset Renewal	Member	22,600
W. Nick Fox (**)	January 2002	Board	Director	
	August 2004	Asset Renewal	Chair	
	August 2006	Human Resources	Member	25,000
Richard Gaudreau	February 2005	Board	Director	
	February 2005	Governance	Member	
	December 2007	Audit	Chair	24,000
Paul A. Gourdeau	August 2006	Board	Director	
	August 2006	Asset Renewal	Member	23,200
William Keays	November 2004	Board	Director	
	December 2007	Asset Renewal	Chair	26,000
Ian MacGregor	November 2006	Board	Director	
	November 2006	Audit	Member	
	December 2007	Human Resources	Member	23,200
W. D. Mooney	January 2008	Board	Director	
	January 2008	Audit	Member	5,550
David F. Mothersill	January 2006	Board	Director	
	August 2006	Human Resources	Chair	25,600
				$207,350

(*) Board Member since August 2004
(**) Term completed January 2008

b) Remuneration paid for the five (5) officers, as employees of the Corporation, was $1,124,524.