Financial Summary

AND RESULTS OF OPERATIONS

The review of the Corporation's financial position and operating results, after its eleventh year of operation, should be read in conjunction with the financial statements on the following pages. The results for 2008/09 cover the period from April 1, 2008 to March 31, 2009, while the comparative numbers are for the period from April 1, 2007 to March 31, 2008.

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, which was renewed after the initial ten-year term. 2008/09 was the first year of the second ten-year term. 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. A second notional reserve, the Corporation's Revenue Reserve, which accumulates 75% of the new business revenue, was created under the revised agreement.

At the beginning of this fiscal period, the balance in the Corporation Reserve was reset to nil, with the introduction of a three-year toll freeze aimed at attracting new business. In 2008/09, the Corporation operated at $1.8 million under the business plan and so started to rebuild the Corporation Reserve. If the Corporation Reserve has a positive balance on March 31, 2011, the Corporation Revenue Reserve can then be used to offset the projected toll increase for the year 2011/12 to nil. Should the Corporation Reserve become negative, a penalty toll could be assessed on Commercial Tolls over and above the toll increase contemplated in the Agreement in the following year after the three-year period.

In 2008/09, the Corporation's spending on manageable costs and asset renewal projects amounted to $116.2 million, which breaks down into $65.2 million for operating expenditures, $48.2 million for regular and major maintenance, and $2.8 million of capital expenditures. The business plan target was $118.0 million. In this same period, the Corporation's Revenue Reserve accumulated $2.5 million which will be available to offset toll increases in years beginning on or after April 1, 2011.

RESULTS OF OPERATIONS

Revenues

Toll revenue decreased 10.6% in the fiscal year, from $74.1 million in 2007/08 to $66.3 million in 2008/09. We introduced a new Tariff of Tolls that included variable lockage fees on the Welland Canal, as well as provided a 20% Toll Cargo discount for new business generated. The new business generated amounted to $3.4 million. Other navigation revenue decreased 2.6%, while power generation revenue increased 119% with our generators running at a higher percentage than the previous year. Investment income derived from the working capital balances decreased by 49%.

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 this deferred contribution relating to capital assets amounted to $1.5 million in 2008/09 compared to $1.4 million the previous year.

Overall, the Corporation's total revenue decreased by 9.1% in 2008/09, to $71.0 million, compared to the previous year's $78.1 million total.

Expenses

Operating expenses for 2008/09 relating to the management and operation of the Seaway infrastructure amounted to $65.2 million. This represents an increase of 4.6% from the previous year, and is below the business plan target of $66.4 million by 1.8%.

The combined salaries, wages and benefits totalled $56.5 million, or 87% of total operating costs. The comparable figure for 2007/08 was $53.3 million or 86% of total operating costs. Salaries and wages paid to employees amounted to $41.4 million, an increase of 5.9% over last year's $39.1 million. Current and future employee benefits and pension costs amounted to $15.1 million in comparison to last year's figure of $14.2 million. Increase in health insurance and pension plan costs resulted in employee benefits remaining unchanged at 36% of salaries and wages paid to employees.

The Corporation employed an equivalent of 576 full-time equivalents (FTEs) in 2008/09, up 0.5% from the previous year's level of 573.

All other operating costs amounted to $8.7 million for 2008/09, compared to $9.0 million the previous fiscal year, with insurance premiums remaining the major expense at $1.9 million. Excluding insurance premiums, other operating costs increased by $200,000 to $6.8 million.

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, totalled $48.2 million for the current year, compared to $39.0 million in 2007/08. The approved five-year envelope for this purpose is set at $270 million. This large increase is mainly in response to the needs of the aging infrastructure with the Welland Canal section over 75 years old and the MLO section now reaching its 50th year.

Amortization of Capital Assets

The amortization expense of $1.6 million for the year ending March 31, 2009, was up slightly from the previous year's amount. Refer to Note 5(h) of the financial statements 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.

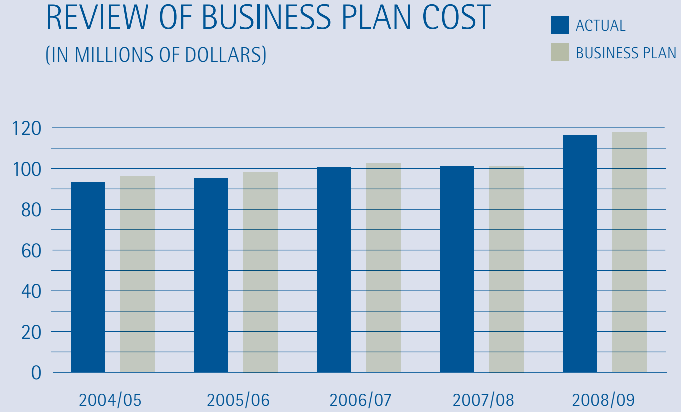
In 2008/09, the Corporation was in a negative cash flow position. The total revenue generated, less the amortization of deferred contributions related to capital assets ($69.4 million), was sufficient to pay for the Corporation's operating expenses of $65.2 million and left a balance of $4.2 million towards the asset renewal expenditures of $51 million, including capital acquisitions of $2.8 million. Refer to notes 6 and 12 of the following financial statements for explanations of 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, 2009, was $2.6 million, compared to the previous year's $1.3 million.

The supplies inventory amount on the Balance Sheet has decreased to $3.1 million in 2008/09 from $4.7 million in 2007/08 due to the utilization of hydraulic equipment purchased as a bulk purchase and charged to asset renewal when the projects are completed.

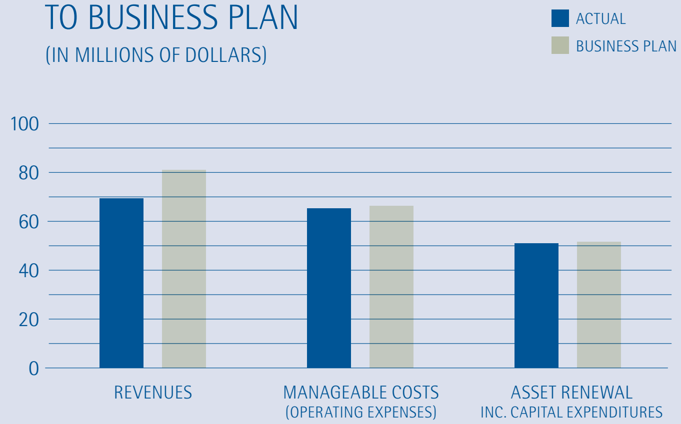
REVIEW OF BUSINESS PLAN COST

(IN MILLIONS OF DOLLARS)



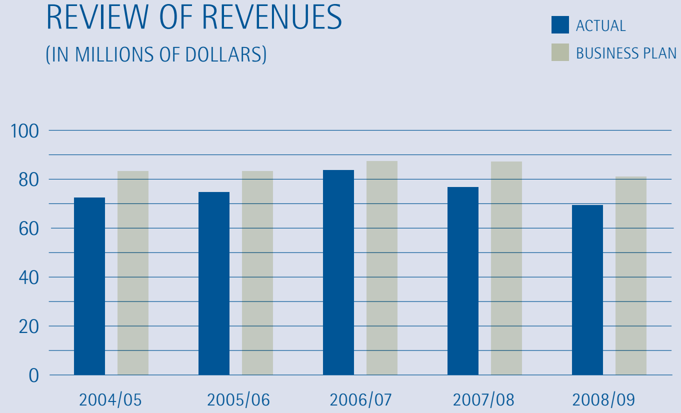
COMPARISON OF ACTUAL TO BUSINESS PLAN

(IN MILLIONS OF DOLLARS)



REVIEW OF REVENUES

(IN MILLIONS OF DOLLARS)



The St. Lawrence Seaway Management Corporation
Corporation de Gestion de la Voie Maritime du Saint-Laurent

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 & CEO
April 24, 2009

Serge Bergeron
Chief Financial Officer & Director of Support Services
April 24, 2009

Deloitte.

Deloitte & Touche LLP
800 - 100 Queen Street
Ottawa, ON K1P 5T8
Canada

Tel: (613) 236-2442
Fax: (613) 236-2195
www.deloitte.ca

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, 2009 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, 2009 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 24, 2009

STATEMENT OF REVENUE AND EXPENSES

YEAR ENDED MARCH 31, 2009
($000'S)

	2009	2008
REVENUE		
Tolls	**$ 66,272**	$ 74,120
Other navigation revenue	**1,559**	1,601
Licence fees	**149**	131
Power revenue	**1,088**	497
Insurance recovery	**172**	-
Investment revenue	**177**	349
Gain on disposal of capital assets	**–**	5
Amortization of deferred contributions related to capital assets *(Note 10)*	**1,542**	1,394
	70,959	78,097
EXPENSES		
Operating	**65,214**	62,355
Asset renewal	**48,223**	38,955
Loss on disposal of capital assets	**57**	-
Amortization of capital assets	**1,614**	1,566
	115,108	102,876
Deficiency of revenue over expenses before contribution from Capital Fund Trust	**(44,149)**	(24,779)
Contribution from Capital Fund Trust for operating expenses *(Note 12)*	**42,879**	19,524
DEFICIENCY OF REVENUE OVER EXPENSES	**$ (1,270)**	$ (5,255)

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2009
($000'S)

	Invested in Capital Assets	Equity of Canada	Operating Results	Total 2009	Total 2008
BALANCE, BEGINNING OF YEAR	**$ 1,054**	**$ 11,175**	**$ –**	**$ 12,229**	$ 17,484
DEFICIENCY OF REVENUE OVER EXPENSES	**–**	**–**	**(1,270)**	**(1,270)**	(5,255)
Net acquisition of capital assets	**2,749**	**–**	**(2,749)**	**–**	–
Capital assets contributions, net of amortization	**(1,277)**	**–**	**1,277**	**–**	–
Pension plan and other benefit plans variances	**–**	**(1,128)**	**1,128**	**–**	–
Amortization of capital assets	**(1,614)**	**–**	**1,614**	**–**	–
BALANCE, END OF YEAR	**$ 912**	**$ 10,047**	**$ –**	**$ 10,959**	$ 12,229

BALANCE SHEET

AS AT MARCH 31, 2009
($000'S)

	2009	2008
CURRENT ASSETS		
Cash	**$ 2,596**	$ 1,311
Accounts receivable - Trade	**7,316**	7,400
Accounts receivable - Other	**1,370**	1,461
Due from Capital Fund Trust *(Note 6)*	**30,251**	27,715
Due from Employee Termination Benefits Trust Fund *(Note 8)*	**-**	341
Supplies inventory	**3,095**	4,718
Prepaid expenses	**478**	664
	45,106	43,610
CAPITAL ASSETS *(Note 7)*	**9,028**	7,893
DUE FROM EMPLOYEE TERMINATION BENEFITS TRUST FUND *(Note 8)*	**14,502**	14,036
ACCRUED BENEFIT ASSET *(Note 9)*	**12,065**	10,955
	$ 80,701	$ 76,494
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 16,420**	$ 15,343
Employee benefits payable	**1,807**	1,546
Due to Employee Termination Benefits Trust Fund *(Note 8)*	**233**	-
	18,460	16,889
EMPLOYEE TERMINATION BENEFITS	**14,502**	14,036
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS *(Note 10)*	**8,116**	6,839
ACCRUED BENEFIT LIABILITY *(Note 9)*	**28,664**	26,501
	69,742	64,265
COMMITMENTS AND CONTINGENCIES *(Notes 13 and 14)*		
NET ASSETS		
Invested in capital assets	**912**	1,054
Equity of Canada *(Note 11)*	**10,047**	11,175
	10,959	12,229
	$ 80,701	$ 76,494

FINANCIAL STATEMENTS APPROVED BY THE BOARD

Director

Director

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2009
($000'S)

	2009	2008
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Deficiency of revenue over expenses	**$ (1,270)**	$ (5,255)
Items not affecting cash		
Amortization of capital assets	**1,614**	1,566
Loss (gain) on disposal of capital assets	**57**	(5)
Amortization of deferred contributions related to capital assets	**(1,542)**	(1,394)
Employee future benefits variance	**1,053**	5,048
	(88)	(40)
Changes in non-cash operating working capital items	**3,896**	733
	3,808	693
FINANCING		
Contributions from the Capital Fund Trust towards acquisitions of capital assets	**2,819**	682
Increase in due from Capital Fund Trust	**(2,536)**	(419)
	283	263
INVESTING		
Acquisitions of capital assets	**(2,819)**	(682)
Proceeds from disposal of capital assets	**13**	26
	(2,806)	(656)
NET CASH INFLOW	**1,285**	300
CASH, BEGINNING OF YEAR	**1,311**	1,011
CASH, END OF YEAR	**$ 2,596**	$ 1,311

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009
($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 Montréal 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 an initial period of ten years and has now renewed 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 current agreement is for the period from April 1, 2008 to March 31, 2013.

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 at March 31, 2011 would require the Corporation to increase Commercial Tolls over and above preset percentage toll increases contemplated in the Agreement. The Corporation's notional reserve was reset to $NIL at April 1, 2008 and has a positive balance of $1,752 as at March 31, 2009 (2008 - $19,629).

4. CORPORATION'S REVENUE RESERVE ACCOUNT

The Corporation is mandated under the Management, Operation and Maintenance Agreement to establish a notional revenue reserve account on April 1, 2008. The account is increased in respect of 75% of new revenue as defined in the above mentioned agreement. The notional reserve will be reduced on April 1, 2011 and April 1, 2012 by the amount used to offset prescribed toll increases for the 2011 and 2012 navigation seasons. The Corporation's notional revenue reserve was $NIL at April 1, 2008 and has a positive balance of $2,540 as at March 31, 2009.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Accounting changes - Inventories

Effective April 1, 2008, the Corporation has adopted Section 3031, *Inventories*, issued by the Canadian Institute of Charted Accountants (CICA). This new Section provides additional guidance over the measurement and disclosure of inventories. In accordance with the new Section, inventories are valued at the lower of cost and net realizable value. Cost includes the cost of purchases, transportation costs and other costs that are directly incurred to bring inventories to their present location and condition. The Corporation estimates net realizable value as the amount that inventories are expected to be realized from their use. The adoption of this new standard has had no impact on the Corporation's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009
($000'S)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Accounting changes – Section 1535, Capital Disclosures

On April 1, 2008, the Corporation adopted a new disclosure standard that was issued by the CICA: Handbook Section 1535, *Capital Disclosures*.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Corporation's objectives when managing capital are to forecast quarterly cash flows accurately in order to minimize the cash requirement from Transport Canada while maintaining sufficient cash to maintain its operations. For more information on the Corporation's Objectives, Policies, Procedures and Process for managing capital, refer to Notes 2, 3 and 4 of the financial statements. The Corporation has complied with all the capital requirements.

c) Accounting changes – Section 3855, Financial Instruments – Recognition and Measurement

On April 23, 2008 the CICA amended Section 3855, *Financial Instruments - Recognition and Measurement* of the CICA Handbook. The amended section allows not-for-profit organizations to elect not to account for certain non-financial contracts as derivatives and also not to account for certain derivative features embedded in non-financial contracts, leases and insurance contracts as embedded derivatives. If the organization did not elect this option it would be required to account for derivative financial instruments and embedded derivative financial instruments in accordance with the guidance in section 3855.

The Corporation has elected to adopt these amendments to Section 3855 effective for its fiscal year beginning on April 1, 2008 and has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

d) Accounting changes – Section 3862 and 3863, Financial Instruments – Disclosures and Presentation

The Corporation did not adopt CICA 3862 and 3863 *Financial Instruments - Disclosures and Presentation* this year as the adoption of these sections became optional in late 2008 for not-for-profit organizations.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments

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 method.

f) Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009
($000'S)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) 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 as stated above. Cost is determined using the weighted average cost formula.

h) 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 $5 (five 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.

i) 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.

j) 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) 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.

l) 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 seven years under the Pension Benefit Plan and five years for the Supplementary Pension Benefit Plan.

m) 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, 2009
($000'S)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Future accounting changes - Section 4400, Financial Statements by Not-For-Profit Organizations

In September 2008, the CICA issued amendments to several of the existing sections in the 4400 series *Financial Statements by Not-For-Profit Organizations*. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, the Corporation will have to adopt the amended standards for its fiscal year beginning April 1, 2009. The amendments include: a) additional guidance in the applicability of Section 1100, *Generally Accepted Accounting Principles*; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*; d) requirement to include a statement of cash flows in accordance with Section 1540, *Cash Flow Statements*; e) requirement to apply Section 1751, *Interim Financial Statements*, when preparing interim financial statements in accordance with GAAP; f) requirement for non-for-profit organizations that recognize capital assets to depreciate and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840; *Related Party Transactions*; and h) new disclosure requirements regarding the allocation of fundraising and general support costs.

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.

6. 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:

	2009	2008
Net balance, beginning of year	**$27,715**	$27,296
Net setoff of opening accounts receivable and accounts payable	**(162)**	13
Cash paid (by) to the Capital Fund Trust	**(22,794)**	1,089
Payment of previous year's deficit	**(20,206)**	(20,889)
Contribution receivable for capital acquisitions	**2,819**	682
Contribution receivable for operating expenses	**42,879**	19,524
Net balance, end of year	**$30,251**	$27,715

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009
($000'S)

7. CAPITAL ASSETS

	Annual Amortization Rate	2009 Cost	2009 Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Information technology systems	20%	$ **7,572**	**$ 5,342**	**$ 2,230**	$ 990
Vehicles	10-20%	**6,285**	**4,280**	**2,005**	2,033
Floating equipment	2-20%	**4,052**	**3,689**	**363**	438
Machinery and office equipment	2-20%	**4,264**	**2,593**	**1,671**	1,547
Infrastructure equipment	2-20%	**6,830**	**4,164**	**2,666**	2,840
Assets under construction	-	**93**	**-**	**93**	45
		$ **29,096**	**$ 20,068**	**$ 9,028**	$ 7,893

8. DUE FROM EMPLOYEE TERMINATION BENEFITS TRUST FUND

This amount represents the obligation 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. Any shortfall in the Employee Termination Benefits Trust Fund's net assets will be funded by the Government of Canada through the Capital Fund Trust.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009
($000'S)

9. 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 December 2006 for the Pension Benefit Plan, the Supplementary Pension Benefit Plan and the Other Benefit Plans. Information about the defined benefit plans and post employment benefits are as follows:

	2009		
	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation			
Balance, beginning of year	**$ 172,572**	**$ 1,094**	**$ 48,435**
Current service cost (employer)	**6,421**	**57**	**1,495**
Interest cost	**9,566**	**63**	**2,666**
Member contributions	**1,823**	**–**	**–**
Benefits paid	**(5,533)**	**(29)**	**(2,143)**
Actuarial gain	**(43,007)**	**(201)**	**(7,798)**
Balance, end of year	**$ 141,842**	**$ 984**	**$ 42,655**
Plan assets			
Fair value, beginning of year	**$ 187,308**	**$ 1,334**	**$ 14,447**
Return on plan assets	**11,730**	**44**	**–**
Corporation contribution	**5,562**	**193**	**2,393**
Investment experience loss	**(52,494)**	**(123)**	**–**
Member contributions	**1,823**	**–**	**–**
Benefits paid	**(5,533)**	**(29)**	**(2,143)**
Fair value, end of year	**$ 148,396**	**$ 1,419**	**$ 14,697**
Funded status - plan surplus (deficit)	**$ 6,554**	**$ 435**	**$ (27,958)**
Unamortized past service cost	**268**	**–**	**–**
Unamortized net actuarial loss (gain)	**4,626**	**182**	**(706)**
Accrued benefit asset (liability) recognized	**$ 11,448**	**$ 617**	**$ (28,664)**
Elements of costs recognized in the year:			
Current service cost (employer)	**$ 6,421**	**$ 57**	**$ 1,495**
Interest cost	**9,566**	**63**	**2,666**
Expected return on plan assets	**(11,730)**	**(44)**	**–**
Past service costs amortization	**270**	**–**	**–**
Net actuarial loss amortization	**–**	**42**	**395**
	$ 4,527	**$ 118**	**$ 4,556**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009
($000'S)

9. POST EMPLOYMENT BENEFITS (CONTINUED)

	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, 2009
($000'S)

9. 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, 2009)

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Discount rate	**7.50%**	**7.50%**	**7.50%**
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, 2008)

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Discount rate	5.50%	5.50%	5.50%
Expected rate of return on plan assets	6.25%	3.13%	0.00%
Rate of compensation increase	3.50%	3.50%	3.50%

For measurement purposes, an 8.26% health care cost trend rate was assumed for 2009 (2008 - 8.18%), decreasing gradually to 4.31% in 2019 and remaining at that level thereafter.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009
($000'S)

10. 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:

		2009		2008
Balance, beginning of year	**$**	**6,839**	$	7,551
Plus: Current year contributions for the acquisition of capital assets		**2,819**		682
Less: Amortization of assets acquired with deferred contributions		**(1,542)**		(1,394)
Balance, end of year	**$**	**8,116**	$	6,839

11. EQUITY OF CANADA

		2009		2008
Secured contribution of Canada	**$**	**36,000**	$	36,000
Contribution to the Capital Fund Trust		**(24,000)**		(24,000)
Deficit		**(1,953)**		(825)
	$	**10,047**	$	11,175

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, 2009
($000'S)

12. 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, adjusted for the non-cash items for amortization of deferred contribution related to capital assets, amortization of capital assets, the undepreciated cost of capital assets disposed of, and the post retirement benefits variation.

			2009		2008
Excess of expenses over revenue before adjustments		**$**	**44,149**	$	24,779
Plus:	Gain on disposal of assets		**-**		5
	Amortization of deferred contributions related to capital assets		**1,542**		1,394
Less:	Proceeds from disposal of capital assets		**(13)**		(26)
	Pension plan and other benefit plans variances		**(1,128)**		(5,062)
	Loss on disposal of capital assets		**(57)**		-
	Amortization of capital assets		**(1,614)**		(1,566)
Contribution from Capital Fund Trust for operating expenses		**$**	**42,879**	$	19,524
Contribution from Capital Fund Trust towards acquisitions of capital assets		**$**	**2,819**	$	682

13. COMMITMENTS

As at March 31, 2009, contractual commitments for capital and other expenditures amounted to $3,078 (2008 - $3,881).

14. CONTINGENCIES

The Corporation, in the normal course of business, experiences claims for a variety of reasons. Claims outstanding at March 31, 2009 totalling $6,746 (2008 - $6,000) 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.

Letters of guarantee

As at March 31, 2009, the Corporation issued a letter of guarantee amounting to $392 (2008 - $NIL).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

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	Position	Remuneration in 2008/2009
Guy C. Véronneau (*)	August 2006	Board	Chair	
	August 2006	Human Resources	Member	
	August 2006	Governance	Member	**$ 36,080**
Peter G. Cathcart	October 2004	Board	Director	
	August 2006	Governance	Chair	
	December 2007	Asset Renewal	Member	**24,570**
Richard Gaudreau	February 2005	Board	Director	
	February 2005	Governance	Member	
	December 2007	Audit	Chair	**24,780**
Paul A. Gourdeau	August 2006	Board	Director	
	August 2006	Asset Renewal	Member	**22,680**
William Keays	November 2004	Board	Director	
	December 2007	Asset Renewal	Chair	**26,460**
Ian MacGregor	November 2006	Board	Director	
	November 2006	Audit	Member	
	December 2007	Human Resources	Member	**26,040**
William D. Mooney	January 2008	Board	Director	
	January 2008	Audit	Member	**24,360**
David F. Mothersill	January 2006	Board	Director	
	August 2006	Human Resources	Chair	**27,670**
				$ 212,640

(*) Board Member since August 2004

b) **Remuneration paid for the five (5) officers, as employees of the Corporation, was $958,367.**