MANAGEMENT DISCUSSION AND ANALYSIS

The review of the Corporation's financial position and operating results, after its twelfth year of operation, should be read in conjunction with the audited financial statements on the following pages. The results for 2009/10 cover the period from April 1, 2009 to March 31, 2010, while the comparative numbers are for the period from April 1, 2008 to March 31, 2009, and the look ahead covers the period from April 1, 2010 to March 31, 2011.

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. 2009/10 was the second year of the current 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 2008/09, the balance in the Corporation Reserve was reset to nil, with the introduction of a three-year toll freeze aimed at attracting new business, and at the end of 2008/09 was at $1.7 million. In 2009/10, the Corporation operated at $6.0 million under the business plan and so the Corporation Reserve balance has increased to $7.7 million. 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 year following the three-year toll freeze period.

In 2009/10, the Corporation's spending on manageable costs and asset renewal projects amounted to $112.0 million, which breaks down into $65.1 million of operating expenditures, $45.2 million of regular and major maintenance, and $1.7 million of capital expenditures. The business plan target was $118.0 million. In this same period, the Corporation's Revenue Reserve accumulated $2.0 million which, when added to the $2.5 million in the reserve at the beginning of the year, totals $4.5 million available to offset toll increases in years beginning on or after April 1, 2011.

RESULTS OF OPERATIONS

Revenues

Toll revenue decreased 24.3% in the fiscal year, from $66.3 million in 2008/09 to $50.1 million in 2009/10, after a 10.6% decrease in 2008/09. The Corporation continued to provide a 20% Cargo Toll discount for new business which generated $2.6 million of new business in 2009/10. Other navigation revenue decreased 15.3%, while power generation revenue increased 15.3%, due to revenue from weir power generation, as well as revenue from increased production from our own powerhouse. We received insurance proceeds for business interruption when the two turbines malfunctioned after having been refurbished only months prior to the breakdown. Investment income derived from the working capital balances decreased by 65% with very low interest rates.

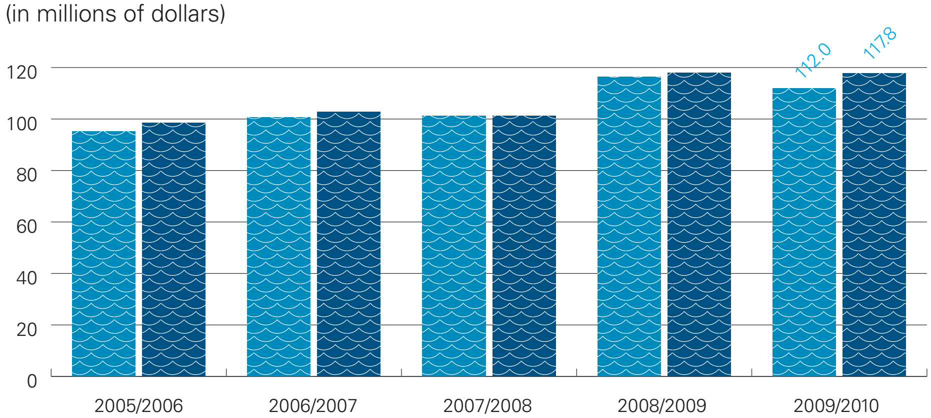
Capital asset acquisitions are funded by the Capital Fund Trust; the net contribution is credited to a deferred balance sheet account, and amortized on the same basis as the assets for which the contribution was made. The amortization of this deferred contribution relating to capital assets amounted to $1.5 million in 2009/10, the same as the previous year.

Overall, the Corporation's total revenue decreased by 22.1% in 2009/10, to $55.2 million, compared to the previous year's $71.0 million total.

Actual
Business Plan

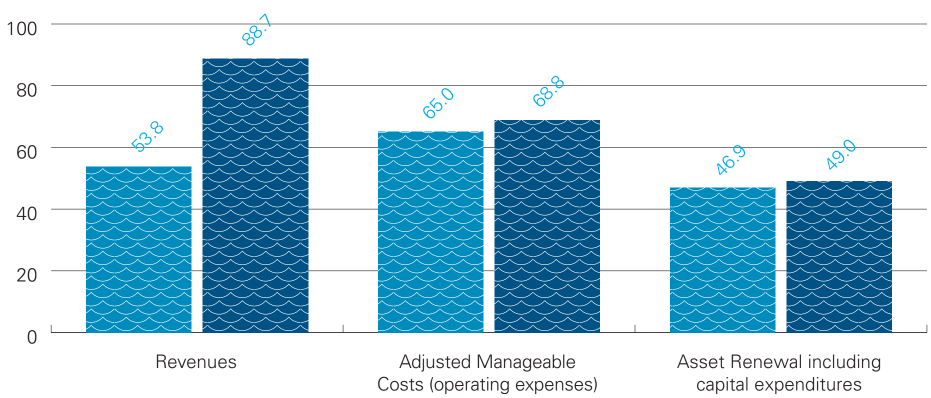
REVIEW OF ACTUAL TO ADJUSTED BUSINESS PLAN COST

(in millions of dollars)



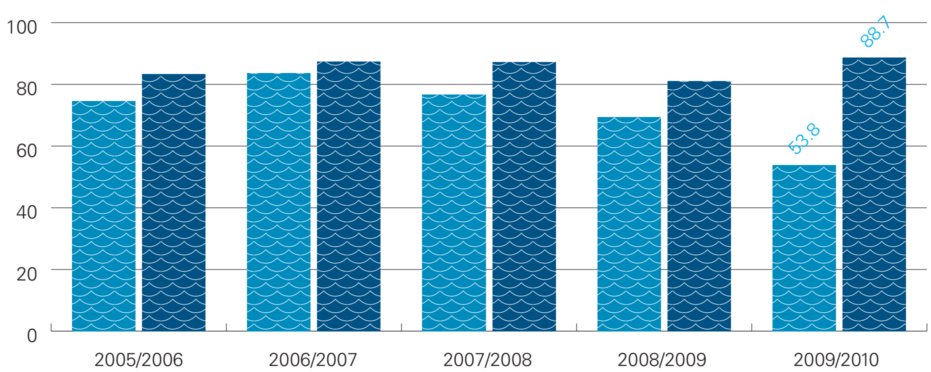
COMPARISON OF ACTUAL TO ADJUSTED BUSINESS PLAN

(in millions of dollars)



REVIEW OF REVENUES

(in millions of dollars)



Expenses

Operating expenses for 2009/10 relating to the management and operation of the Seaway infrastructure amounted to $65.1 million. This represents a decrease of 0.2% from the previous year, and is below the business plan target of $68.8 million by 5.4%.

The combined salaries, wages and benefits totalled $58.8 million, or 90% of total operating costs. The comparable figure for 2008/09 was $56.5 million or 87% of total operating costs. Salaries and wages paid to employees amounted to $42.2 million, an increase of 2.0% over last year's $41.4 million. Current and future employee benefits and pension costs amounted to $16.6 million in comparison to last year's figure of $15.1 million. A decrease in active employee health insurance offset by an increase in pension plan costs resulted in employee benefits remaining at 29% of salaries and wages paid to employees.

The Corporation employed 572 full-time equivalents (FTEs) in 2009/10, down 0.8% from the previous year's level of 576.

All other operating costs, including the offset for the allocation of salaries and wages to asset renewal, amounted to $6.2 million for 2009/10, compared to $8.7 million the previous fiscal year, with insurance premiums remaining the major expense at $2.0 million. Excluding insurance premiums, other operating costs decreased by $2.6 million to $4.2 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 $45.2 million for the current year, compared to $48.2 million in 2008/09. The approved five-year envelope for this purpose, which also includes capital expenditures, is set at $270 million.

Amortization of Capital Assets

The amortization expense of $1.6 million for the year ending March 31, 2010 was down slightly from the previous year's amount. Refer to Note 5(e) 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, Operation 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 2009/10, the Corporation was in a negative cash flow position. For the first time, the total revenue generated, less the amortization of deferred contributions related to capital assets ($53.8 million), was insufficient to pay for the Corporation's operating expenses of $65.1 million. Added to the cash deficit on operation of $11.3 million, were the asset renewal expenditures of $46.9 million during the year including capital acquisitions of $1.7 million. Refer to Notes 6 and 12 of the following financial statements for explanations on the amounts owed or paid from the Capital Fund Trust for capital asset acquisitions and the contribution towards the Corporation's excess of expenses over revenues.

The Corporation normally 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, 2010 was $14.3 million, compared to the previous year's $2.6 million. Higher payables than expected at year-end due to timing of the asset renewal work, the amount of asset renewal costs carried-forward to 2010/11 for work that could not be completed by the end of March 2010, the timing of a payment for a business interruption insurance claim and the low level of accounts receivable resulted in over-estimating the cash required for the quarter.

LOOKING FORWARD

Revenues

The Corporation budgeted a 10.6% increase in traffic and a 9.6% increase in revenue in 2010/11 over 2009/10 anticipating an increase in iron ore shipments after a sharp decrease which began in September 2008. As bulk cargoes are not foreseen to return to pre-recession levels, the Corporation will be more dependent on new business for increased revenue. Most other navigation revenue is closely related to the traffic level and therefore the budgeted increase for 2010/11 is 8.2% over this year's actual revenue from this source. We anticipate power generation revenue will increase 25%, with better prices and increased production as a result of the usage of built-up water allocations. We did not budget for any further insurance claim revenue.

Overall, the Corporation's total budgeted revenue for 2010/11 is 8% higher than the actual 2009/10 total revenue.

Expenses

Budgeted operating expenses for 2010/11 are 6.6% higher than the 2009/10 actual expenses with an increase of 13 FTEs in the budget to deal with the increase of maintenance requirements of the aging infrastructure. A portion of the increase in salary, wages and benefit costs is recoverable from the asset renewal plan as engineering time is charged to the major asset renewal projects. Salaries, wages and benefits are anticipated to increase by 4.9% as a result of the additional FTEs and salary increases. Other manageable costs are also anticipated to increase by $1.4 million with the largest increase being the opening and closing costs, which should return to normal after the mild winter in 2009/10.

Asset renewal expenditures, including capital asset purchases, for 2010/11 are expected to increase by $7.8 million to reach $54.7 million, as part of the $270 million of asset renewal projects in the 5-year period April 1, 2008 to March 31, 2013. The program to replace the tie-up walls in the Welland Canal will be started during this fiscal year. Additional engineering staff will be committed to the analysis of the alkali-aggregate reaction in the Maisonneuve region, in order to be in a position to initiate this major program of rehabilitation during the 2013/18 period.

Liquidity and Funding – Cash Flow

As total revenues are expected to fall short of covering our operating expenses by $11 million, which the Capital Fund Trust will have to fund along with asset renewal expenditures, $81 million is expected to be required from the Trust.

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 30, 2010

Karen Dumoulin
Director of Finance
April 30, 2010

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, 2010 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, 2010 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
Ottawa, Ontario
April 30, 2010

STATEMENT OF REVENUE AND EXPENSES

year ended March 31, 2010
($000's)

	2010	2009
Revenue		
Tolls	$ 50,147	$ 66,272
Other navigation revenue	1,320	1,559
Licence fees	144	134
Power revenue	1,272	1,103
Insurance recovery	843	172
Investment revenue	62	177
Gain on disposal of capital assets	2	–
Amortization of deferred contributions related to capital assets (Note 10)	1,457	1,542
	55,247	70,959
Expenses		
Operating	65,012	65,214
Asset renewal	45,215	48,223
Loss on disposal of capital assets	–	57
Amortization of capital assets	1,576	1,614
	111,803	115,108
Deficiency of revenue over expenses before contribution from Capital Fund Trust	(56,556)	(44,149)
Contribution from Capital Fund Trust for operating expenses (Note 12)	54,116	42,879
DEFICIENCY OF REVENUE OVER EXPENSES	$ (2,440)	$ (1,270)

STATEMENT OF CHANGES IN NET ASSETS

year ended March 31, 2010 ($000's)	Invested in Capital Assets	Equity of Canada	Operating Results	Total 2010	Total 2009
BALANCE, BEGINNING OF YEAR	$ 912	$ 10,047	$ –	**$ 10,959**	$ 12,229
DEFICIENCY OF REVENUE OVER EXPENSES	–	–	(2,440)	**(2,440)**	(1,270)
Net acquisition of capital assets	1,635	–	(1,635)	–	–
Capital assets contributions, net of amortization	(272)	–	272	–	–
Pension plan and other benefit plans variances	–	(2,227)	2,227	–	–
Amortization of capital assets	(1,576)	–	1,576	–	–
BALANCE, END OF YEAR	$ 699	$ 7,820	$ –	**$ 8,519**	$ 10,959

BALANCE SHEET

as at March 31, 2010
($000's)

	2010	2009
CURRENT ASSETS		
Cash	$ 14,271	$ 2,596
Accounts receivable – Trade	5,131	7,316
Accounts receivable – Other	1,170	1,370
Due from Capital Fund Trust (Note 6)	23,096	30,251
Supplies inventory	3,243	3,095
Prepaid expenses	499	478
	47,410	45,106
CAPITAL ASSETS (Note 7)	9,087	9,028
DUE FROM EMPLOYEE TERMINATION BENEFITS TRUST FUND (Note 8)	14,545	14,502
ACCRUED BENEFIT ASSET (Note 9)	12,018	12,065
	$ 83,060	$ 80,701
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 19,154	$ 16,420
Employee benefits payable	1,719	1,807
Due to Employee Termination Benefits Trust Fund (Note 8)	21	233
	20,894	18,460
EMPLOYEE TERMINATION BENEFITS	14,545	14,502
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 10)	8,388	8,116
ACCRUED BENEFIT LIABILITY (Note 9)	30,714	28,664
	74,541	69,742
COMMITMENTS AND CONTINGENCIES (Notes 13 and 14)		
NET ASSETS		
Invested in capital assets	699	912
Equity of Canada (Note 11)	7,820	10,047
	8,519	10,959
	$ 83,060	$ 80,701

FINANCIAL STATEMENTS APPROVED BY THE BOARD

Richard Corfe
Director

William D. Mooney
Director

STATEMENT OF CASH FLOWS

year ended March 31, 2010
($000's)

	2010	2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Deficiency of revenue over expenses	$ (2,440)	$ (1,270)
Items not affecting cash		
Amortization of capital assets	1,576	1,614
Loss (gain) on disposal of capital assets	(2)	57
Amortization of deferred contributions related to capital assets	(1,457)	(1,542)
Employee future benefits variance	2,097	1,053
	(226)	(88)
Changes in non-cash operating working capital items	4,650	3,896
	4,424	3,808
FINANCING		
Contributions from the Capital Fund Trust towards acquisitions of capital assets	1,729	2,819
Decrease (increase) in due from Capital Fund Trust	7,155	(2,536)
	8,884	283
INVESTING		
Acquisitions of capital assets	(1,729)	(2,819)
Proceeds from disposal of capital assets	96	13
	(1,633)	(2,806)
Net cash inflow	11,675	1,285
Cash, beginning of year	2,596	1,311
Cash, end of year	$ 14,271	$ 2,596

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2010
($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 (the 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 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 the SLSA. Ownership of the real property, locks, bridges, buildings and other fixtures was transferred to the Government of Canada on wind-up of the 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 has a positive balance of $7,720 as at March 31, 2010 (2009 - $1,752).

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 has a positive balance of $4,512 as at March 31, 2010 (2009 - $2,540).

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

On April 1, 2009, the Corporation adopted the changes made to Sections 1000, 1540, 4400 and 4460 and the new recommendations of Section 4470 of the Canadian Institute of Chartered Accountants (CICA) Handbook.

Section 1000, *Financial Statement Concepts*, was amended to clarify the criteria for recognizing an asset.

Section 1540, *Cash Flow Statements*, has been amended to include not-for-profit organizations within its scope. As a result, investing and financing activities are now required to be presented separately.

Section 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

5 / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Section 4460, *Disclosure of Related Party Transactions by Not-for-Profit Organizations*, has been amended to make the language in Section 4460 consistent with Section 3840, *Related Party Transactions*.

Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The adoption of these standards had no impact on the Corporation's financial statements.

b) Financial instruments

All financial assets are required to be classified as either held-for-trading, held-to-maturity investments, loans and receivables or available-for-sale. All financial liabilities are required to be 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
Due to Employee Termination Benefits Trust Fund	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 rate method, less any impairment.

Other liabilities

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

c) 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.

d) 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.

e) 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 the SLSA, (defined as "existing managed assets"), as asset renewal expenses.

f) 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.

g) 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.

h) 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. For most employees the benefits correspond to 75% of the balance of the employee's accumulated sick leave days. Certain employee groups are entitled to receive severance payments based on years of service. Employees can accumulate up to fifteen days of sick leave per year. The liability for benefits is recorded in the accounts as the benefits accrue to the employees.

5 / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i) 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.

j) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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.

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:

	2010	2009
Net balance, beginning of year	$ 30,251	$ 27,715
Net setoff of opening accounts receivable and accounts payable	–	(162)
Cash paid by the Capital Fund Trust	(17,303)	(22,794)
Payment of previous year's deficit	(45,697)	(20,206)
Contribution receivable for capital acquisitions	1,729	2,819
Contribution receivable for operating expenses	54,116	42,879
Net balance, end of year	$ 23,096	$ 30,251

7/ CAPITAL ASSETS

	Annual Amortization Rate	2010 Cost	2010 Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Information technology systems	20%	$ 7,616	$ 5,751	$ 1,865	$ 2,230
Vehicles	10-20%	6,674	4,423	2,251	2,005
Floating equipment	2-20%	3,955	3,597	358	363
Machinery and office equipment	2-20%	4,375	2,738	1,637	1,671
Infrastructure equipment	2-20%	6,765	4,272	2,493	2,666
Assets under construction	–	483	–	483	93
		$ 29,868	$ 20,781	$ 9,087	$ 9,028

8/ DUE TO / 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.

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 for the Other Benefit Plans. Information about the defined benefit plans and post employment benefits are as follows:

	2010		
	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation			
Balance, beginning of year	$141,842	$ 984	$ 42,655
Current service cost (employer)	4,316	36	1,225
Interest cost	10,643	75	3,178
Member contributions	1,915	3	–
Benefits paid	(6,097)	(35)	(2,301)
Actuarial loss (gain)	14,720	128	(295)
Balance, end of year	$167,339	$ 1,191	$ 44,462
Plan assets			
Fair value, beginning of year	$148,396	$ 1,419	$ 14,697
Return on plan assets	9,265	47	–
Corporation contribution	5,785	204	2,365
Investment experience gain	17,370	91	–
Member contributions	1,915	3	–
Benefits paid	(6,097)	(35)	(2,301)
Fair value, end of year	$176,634	$ 1,729	$ 14,761
Funded status – plan surplus (deficit)	$ 9,295	$ 538	$ (29,701)
Unamortized net actuarial loss (gain)	1,976	209	(1,013)
Accrued benefit asset (liability) recognized	$ 11,271	$ 747	$ (30,714)
Elements of costs recognized in the year:			
Current service cost (employer)	$ 4,316	$ 36	$ 1,225
Interest cost	10,643	75	3,178
Expected return on plan assets	(9,265)	(47)	–
Past service costs amortization	268	–	–
Net actuarial loss amortization	–	10	12
	$ 5,962	$ 74	$ 4,415

($000's)

9 / POST EMPLOYMENT BENEFITS (CONT.)

	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

Significant actuarial assumptions

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

(Weighted average assumptions as of January 1, 2010)

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Discount rate	6.75%	6.75%	6.75%
Expected rate of return on plan assets	6.25%	3.13%	–%
Rate of compensation increase	3.50%	3.50%	3.50%

(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%	–%
Rate of compensation increase	3.50%	3.50%	3.50%

For measurement purposes, an 8.13% health care cost trend rate was assumed for 2010 (2009 - 8.26%), decreasing gradually to 4.5% in 2020 and remaining at that level thereafter.

The expected rate of return on other benefits plans is NIL% because 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.

($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:

	2010	2009
Balance, beginning of year	$ 8,116	$ 6,839
Plus: Current year contributions for the acquisition of capital assets	1,729	2,819
Less: Amortization of assets acquired with deferred contributions	(1,457)	(1,542)
Balance, end of year	$ 8,388	$ 8,116

11/ EQUITY OF CANADA

	2010	2009
Secured contribution of Canada	$ 36,000	$ 36,000
Contribution to the Capital Fund Trust	(24,000)	(24,000)
Deficit	(4,180)	(1,953)
	$ 7,820	$ 10,047

Upon transfer of certain assets of the 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 the SLSA); and set off against the Purchase Price (as defined in the Option Agreement between the Corporation and Her Majesty).

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 Management, Operation and Maintenance 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.

		2010	2009
Excess of expenses over revenue before adjustments		$ 56,556	$ 44,149
Plus:	Gain on disposal of assets	2	–
	Amortization of deferred contributions related to capital assets	1,457	1,542
Less:	Proceeds from disposal of capital assets	(96)	(13)
	Pension plan and other benefit plans variances	(2,227)	(1,128)
	Loss on disposal of capital assets	–	(57)
	Amortization of capital assets	(1,576)	(1,614)
Contribution from Capital Fund Trust for operating expenses		$ 54,116	$ 42,879
Contribution from Capital Fund Trust towards acquisitions of capital assets		$ 1,729	$ 2,819

13/ COMMITMENTS

As at March 31, 2010, contractual commitments for capital and other expenditures amounted to $2,652 (2009 - $3,078).

14/ CONTINGENCIES

The Corporation, in the normal course of business, experiences claims for a variety of reasons. Claims outstanding at March 31, 2010 totalling $3,136 (2009 - $6,746) 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 the SLSA prior to October 1, 1998 became the obligation of Transport Canada.

Letter of guarantee
As at March 31, 2010, the Corporation issued a letter of guarantee amounting to $392 (2009 - $392).

15/ CAPITAL MANAGEMENT

The Corporation's objectives when managing capital (net assets) 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.

Capital management objectives, policies and procedures are unchanged since the preceding year. The Corporation has complied with all the capital requirements.

16/ 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 2009/2010
Guy C. Véronneau (*)	August 2006	Board	Chair	
	August 2006	Human Resources	Member	
	August 2006	Governance	Member	$ 36,330
Peter G. Cathcart	October 2004	Board	Director	
	August 2006	Governance	Chair	
	December 2007	Asset Renewal	Member	29,190
Richard Gaudreau (**)	February 2005	Board	Director	
	February 2005	Governance	Member	
	January 2010	Audit	Member	30,030
Paul A. Gourdeau	August 2006	Board	Director	
	August 2006	Asset Renewal	Member	24,990
William Keays	November 2004	Board	Director	
	December 2007	Asset Renewal	Chair	27,930
Ian MacGregor	November 2006	Board	Director	
	November 2006	Audit	Member	
	December 2007	Human Resources	Member	
	January 2010	Governance	Chair	28,350
William D. Mooney (***)	January 2008	Board	Director	
	January 2010	Audit	Chair	25,200
David F. Mothersill	January 2006	Board	Director	
	August 2006	Human Resources	Chair	
	January 2010	Audit	Member	26,460
				$228,480

(*) Board Member since August 2004
(**) Audit Chair from December 2007 to December 2009
(***) Audit Member since January 2008

b) Remuneration paid for the six (6) officers, as employees of the Corporation, was $1,098,839.

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