FINANCIAL SUSTAINABILITY

Management Discussion and Analysis

The review of the Corporation's financial position and operating results, after its Fourteenth year of operation, should be read in conjunction with the audited financial statements on the following pages. The results for 2011/12 cover the period from April 1, 2011 to March 31, 2012, while the comparative numbers are for the period from April 1, 2010 to March 31, 2011, and the look ahead covers the period from April 1, 2012 to March 31, 2013.

OVERVIEW

FINANCIAL PERFORMANCE

The Corporation is governed by a Management, Operations and Maintenance Agreement signed with the federal government in 1998 for a twenty-year period, which was renewed after the initial ten-year term. 2011/12 was the fourth 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.

In 2011/12, the Corporation's spending on manageable costs and asset renewal projects amounted to $129 million, which breaks down into $73.6 million of operating expenditures, $53.7 million of regular and major maintenance, and $1.7 million of capital expenditures. The business plan target was $134.3 million.

RESULTS OF OPERATIONS

REVENUES

Overall, the Corporation's total revenue increased by 3.3% in 2011/12, to $68.2 million, compared to the previous year's $66.0 million total.

Toll revenue increased 3.8% in the fiscal year, from $60.7 million in 2010/11 to $63.0 million in 2011/12. The Corporation continued to provide a 20% Cargo Toll discount for new business which contributed $3.6 million of new business in 2011/12.

Other navigation revenue increased 17.9%, while power generation revenue decreased 28.4%, due to lower rates, more downtime for maintenance and less water available to produce power. Investment income derived from the working capital balances increased by 89.5% with higher cash sums on hand.

Capital asset acquisitions are funded by the Capital Fund Trust; which in turn is funded by the federal Government, and 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 contributions relating to capital assets amounted to $1.7 million in 2011/12, 7% higher than the previous year. Capital assets are defined as moveable items over $5,000 with a useful life of greater than one year and do not include regular and major maintenance costs.

EXPENSES

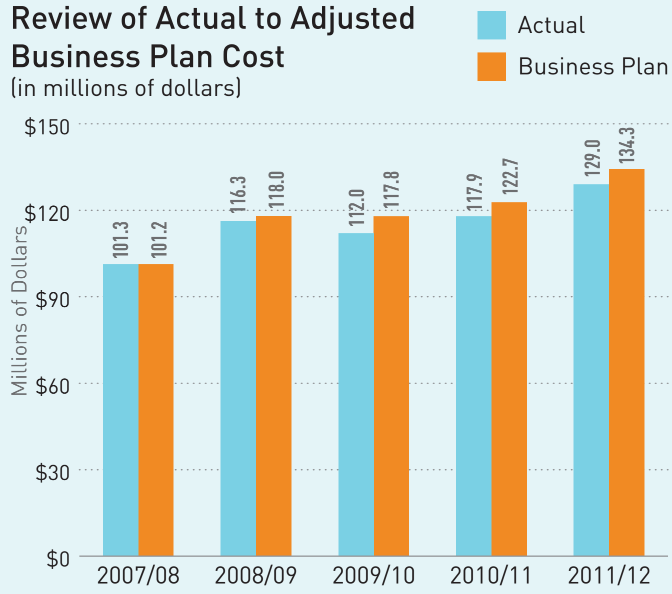
Operating expenses for 2011/12 relating to the management and operation of the Seaway infrastructure amounted to $73.6 million which is below the business plan target of $75.5 million by 2.5%.

The combined salaries, wages and benefits totalled $68.0 million, or 92.4% of total operating costs. The comparable figure for 2010/11 was $61.2 million or 91.3% of total operating costs. Salaries and wages paid to employees amounted to $45.2 million, an increase of 1.6% over last year's $44.6 million. Current and future employee benefits and pension costs amounted to $22.8 million, $6.2 million greater than last year's figure of $16.6 million which includes actuarial and curtailment losses related to the discontinuation of the severance program.

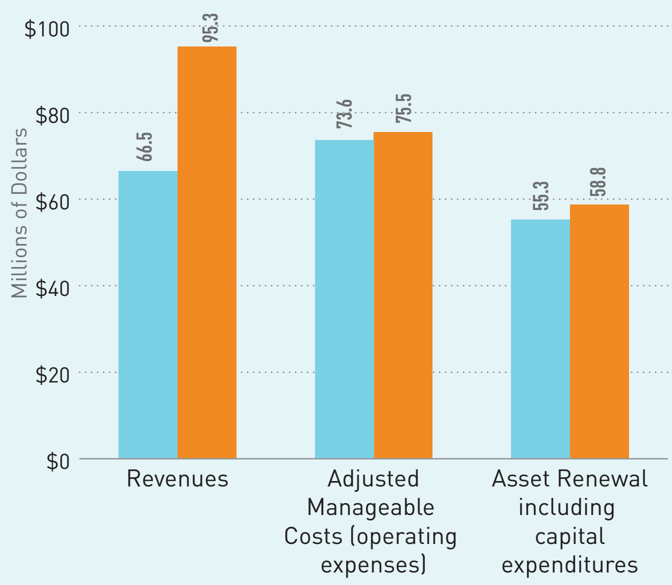
The Corporation employed 574 full-time equivalents (FTEs) in 2011/12, down 0.2% from the previous year's level of 575.

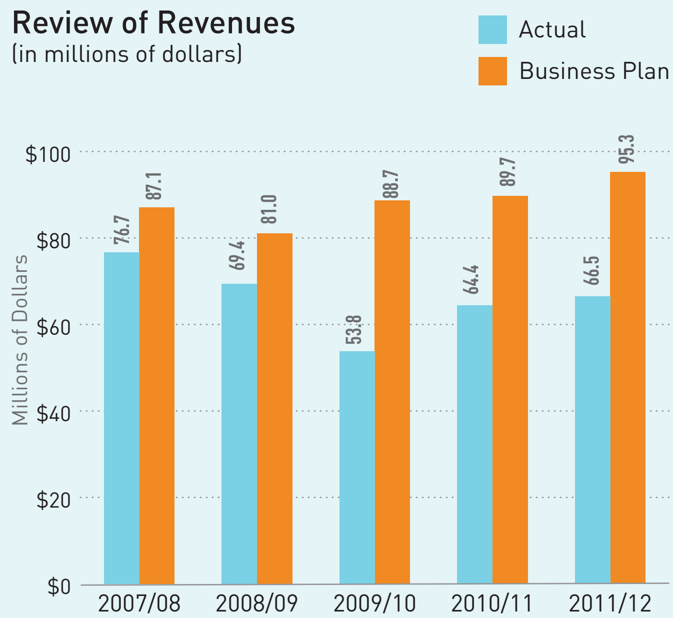
All other operating costs, after allocation of salaries and wages to asset renewal, amounted to $5.6 million for 2011/12, compared to $5.8 million the previous fiscal year, with insurance premiums remaining the major expense at $1.8 million.

Review of Actual to Adjusted Business Plan Cost
(in millions of dollars)



Comparison of Actual to Adjusted Business Plan
(in millions of dollars)





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 $53.7 million for the current year, compared to $49.3 million in 2010/11. 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 $1.7 million for the year ending March 31, 2012 was up slightly from the previous year's amount. Refer to Note 2(e) 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.

The Corporation maintains sufficient 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, 2012 was $10.4 million, compared to the previous year's $5.9 million.

LOOKING FORWARD

REVENUES

The Corporation budgeted a 2.8% increase in traffic and a 2.1% increase in toll revenue in 2012/13 over 2011/12 anticipating an overall increase in all major commodities other than other bulk where the decrease is mainly driven by petroleum products due to one-time cargo movements in 2011/12.

Overall, the Corporation's total budgeted revenue for 2012/13 is 2% greater than the actual 2011/12 total revenue.

EXPENSES

Budgeted operating expenses for 2012/13 are 1.8% higher than the 2011/12. Salaries, wages and benefits are anticipated to increase 1.6%. Other manageable costs are budgeted to increase by 11% mainly caused by the costs of opening or closing in ice conditions in contrast to 2011/12 when both the closing and the opening were ice free.

Asset renewal expenditures, including capital asset purchases, for 2012/13 are expected to increase by $6.9 million to reach $62.2 million, as part of the $270 million of asset renewal projects in the 5-year plan for the period April 1, 2008 to March 31, 2013.

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 Ernst & Young LLP, whose report follows, have audited the financial statements.

Terence F. Bowles
President & CEO

Karen Dumoulin
Chief Financial Officer

May 24, 2012

INDEPENDENT AUDITORS' REPORT

To the Members of **The St. Lawrence Seaway Management Corporation**

We have audited the accompanying financial statements of **The St. Lawrence Seaway Management Corporation**, which comprise the balance sheet as at March 31, 2012 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

A member firm of Ernst & Young Global Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The St. Lawrence Seaway Management Corporation** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Ottawa, Canada,
May 24, 2012

Chartered Accountants
Licensed Public Accountants

ERNST & YOUNG
A member firm of Ernst & Young Global Limited

STATEMENT OF REVENUE AND EXPENSES

YEAR ENDED MARCH 31, 2012
($000's)

		2012		2011
Revenue				
Tolls	$	**62,967**	$	60,651
Other navigation revenue		**1,668**		1,415
Licence fees		**144**		143
Power revenue		**1,429**		1,997
Investment revenue		**307**		162
Gain on disposal of capital assets		**-**		37
Amortization of deferred contributions related to capital assets [note 7]		**1,660**		1,547
		68,175		65,952
Expenses				
Operating		**73,588**		66,998
Asset renewal		**53,664**		49,276
Amortization of capital assets		**1,696**		1,642
Loss on disposal of capital assets		**11**		-
		128,959		117,916
Deficiency of revenue over expenses before contribution from Capital Fund Trust		**(60,784)**		(51,964)
Special examination costs		**(433)**		-
Contribution from Capital Fund Trust for expenses [note 9]		**66,593**		67,072
EXCESS OF REVENUE OVER EXPENSES	$	**5,376**	$	15,108

See accompanying notes

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2012
($000's)

	Invested in capital assets	Equity of Canada	Operating results	Total 2012	2011
BALANCE, BEGINNING OF YEAR	$ 576	$ 23,051	$ -	$ 23,627	$ 8,519
EXCESS OF REVENUE OVER EXPENSES	-	-	5,376	$ 5,376	15,108
Net acquisition of capital assets	1,599	-	(1,599)	-	-
Capital assets contributions, net of amortization	(7)	-	7	-	-
Pension plan and other benefit plans variances	-	5,480	(5,480)	-	-
Amortization of capital assets	(1,696)	-	1,696	-	-
BALANCE, END OF YEAR	$ 472	$ 28,531	$ -	$ 29,003	$ 23,627

See accompanying notes

BALANCE SHEET

AS AT MARCH 31, 2012
($000's)

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	**$ 10,365**	$ 5,912
Accounts receivable - Trade	**5,734**	8,371
Accounts receivable - Other	**3,476**	2,620
Due from Capital Fund Trust [note 3]	**24,921**	27,661
Due from Employee Termination Benefits Trust Fund [note 5]	**1,398**	-
Supplies inventory	**3,429**	3,225
Prepaid expenses	**2,475**	789
	51,798	48,578
CAPITAL ASSETS [note 4]	**8,812**	8,909
DUE FROM EMPLOYEE TERMINATION BENEFITS TRUST FUND [note 5]	**7,111**	14,725
ACCRUED BENEFIT ASSET [note 6]	**41,449**	30,051
	$ 109,170	$ 102,263
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 23,753**	$ 20,378
Employee benefits payable	**1,754**	1,717
Due to Employee Termination Benefits Trust Fund [note 5]	**-**	90
	25,507	22,185
EMPLOYEE TERMINATION BENEFITS	**7,111**	14,725
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS [note 7]	**8,340**	8,333
ACCRUED BENEFIT LIABILITY [note 6]	**39,209**	33,393
	80,167	78,636
COMMITMENTS AND CONTINGENCIES [notes 10 and 11]		
NET ASSETS		
Invested in capital assets	**472**	576
Equity of Canada [note 8]	**28,531**	23,051
	29,003	23,627
	$ 109,170	$ 102,263

See accompanying notes

FINANCIAL STATEMENTS APPROVED BY THE BOARD

Terence F. Bowles Director

Director

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2012
($000's)

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	**$ 5,376**	$ 15,108
Items not affecting cash		
Amortization of capital assets	**1,696**	1,642
Loss (gain) on disposal of capital assets	**11**	(37)
Amortization of deferred contributions related to capital assets	**(1,660)**	(1,547)
Employee future benefits variance	**(5,582)**	(15,354)
	(159)	(188)
Net changes in non-cash operating working capital items [note 13]	**1,815**	(3,671)
	1,656	(3,859)
FINANCING		
Contribution from the Capital Fund Trust towards acquisitions of capital assets [note 9]	**1,667**	1,492
Decrease (increase) in due from Capital Fund Trust	**2,740**	(4,565)
	4,407	(3,073)
INVESTING		
Acquisitions of capital assets	**(1,667)**	(1,492)
Proceeds from disposal of capital assets	**57**	65
	(1,610)	(1,427)
NET CASH INFLOW (OUTFLOW)	**4,453**	(8,359)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**5,912**	14,271
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 10,365**	$ 5,912

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012
($000's)

1. NATURE OF BUSINESS

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, intangible assets 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 (Canada)*.

The Corporation was mandated to manage, operate and maintain the Seaway in accordance with a Management, Operation and Maintenance Agreement [the "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 the Agreement. The current Agreement is for the period April 1, 2008 to March 31, 2013.

2. 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) *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and cash equivalents	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.

b) *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) *Supplies inventory*

Supplies inventory comprises parts 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 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.

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 impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value of the assets exceeds their service potential. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) *Employee termination benefits*

Employees of the Corporation are entitled to specified benefits as provided for under labour contracts and conditions of employment. As at March 31, 2012 no further accumulation of employee termination benefits will occur. Payments will be made according to employees' option; namely, an immediate payment, a payment over 3 or 5 years or payment at retirement (or termination).

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 seven years under the Pension Benefit Plan and four years for the Supplementary Pension Benefit Plan.

i) *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 lives of the capital assets and the assumptions of expected economic trends for the post-employment benefits are the most significant items for which estimates are used.

($000's)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Future accounting changes – Public Sector Accounting Board Standards

The Accounting Standards Board is requiring that government not-for-profit organizations adopt the Public Sector Accounting Board Standards [PSAB] for year-ends beginning after January 1, 2012.

The St. Lawrence Seaway Management Corporation will adopt the PSAB standards effective April 1, 2012.

As part of adopting the PSAB standards, the Corporation will be adopting PS 3250 Retirement Benefits. The impact of adopting this handbook section on April 1, 2012, will be as follows: a reduction in the accrued benefit asset of $18,956 and an increase in the accrued benefit liability of $24,776.

3. 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:

	2012	2011
Net balance, beginning of year	**$ 27,661**	$ 23,096
Cash paid by the Capital Fund Trust	**(2,436)**	(8,154)
Payment of previous year's deficit	**(68,564)**	(55,845)
Contribution receivable for capital acquisitions	**1,667**	1,492
Contribution receivable for expenses	**66,593**	67,072
Net balance, end of year	**$ 24,921**	$ 27,661

($000's)

4. CAPITAL ASSETS

	Annual amortization rate	2012 Cost	2012 Accumulated amortization	2012 Net Book value	2011 Net Book value
Information technology systems	20%	**$7,558**	**$6,188**	**$1,370**	$1,772
Vehicles	10-20%	**6,953**	**4,593**	**2,360**	2,368
Floating equipment	2-20%	**3,904**	**3,391**	**513**	282
Machinery and office equipment	2-20%	**4,953**	**2,981**	**1,972**	1,702
Infrastructure equipment	2-20%	**6,755**	**4,591**	**2,164**	2,323
Assets under construction	-	**433**	**-**	**433**	462
		$30,556	**$21,744**	**$8,812**	$8,909

5. 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.

6. 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 valuations were performed in December 2010 for the Pension Benefit Plan, March 2012 for the Supplementary Pension Benefit Plan and December 2010 for the Other Benefit Plans. The Corporation has elected December 31 as the measurement date for the plan obligations and the pension plan.

The employee termination benefit plan was terminated during the year and employees were given options of receiving an immediate lump sum payment, a payment over the next 3 years, a payment at retirement (or termination) or payment over a 5-year period at retirement. This change was effective December 31, 2011 for managers and salaried employees and October 15, 2011 for all other employees.

($000's)

6. POST-EMPLOYMENT BENEFITS (Continued)

Information about the defined benefit plans and post-employment benefits are as follows:

	2012		
	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation			
Balance, beginning of year	$206,872	$1,425	$54,241
Current service cost [employer]	6,694	78	2,128
Interest cost	11,937	84	3,191
Member contributions	2,024	4	-
Benefits paid	(7,331)	(80)	(2,172)
Curtailment loss	-	-	2,162
Actuarial loss	13,485	566	448
Balance, end of year	$233,681	$2,077	$59,998
Plan assets			
Fair value, beginning of year	$210,540	$1,974	$15,020
Return on plan assets	12,717	62	-
Corporation contribution	17,995	243	2,311
Investment experience (loss) gain	(15,501)	(96)	-
Member contributions	2,024	4	-
Benefits paid	(7,331)	(80)	(2,172)
Fair value, end of year	$220,444	$2,107	$15,159
Funded status – plan (deficit) surplus	$(13,237)	$ 30	$(44,839)
Unamortized net actuarial loss	53,714	942	5,630
Accrued benefit asset (liability) recognized	$40,477	$972	$(39,209)
Elements of costs recognized in the year:			
Current service cost [employer]	$6,694	$ 78	$2,128
Interest cost	11,937	84	3,191
Expected return on plan assets	(12,717)	(62)	-
Curtailment loss	-	-	2,677
Net actuarial loss amortization	785	41	131
	$6,699	$141	$8,127

($000's)

6. POST-EMPLOYMENT BENEFITS (Continued)

	2011		
	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation			
Balance, beginning of year	$167,339	$1,191	$44,462
Current service cost [employer]	5,306	43	1,738
Interest cost	11,305	82	3,033
Member contributions	2,061	3	-
Benefits paid	(7,162)	(37)	(1,835)
Actuarial loss	28,023	143	6,843
Balance, end of year	$206,872	$1,425	$54,241
Plan assets			
Fair value, beginning of year	$176,634	$1,729	$14,761
Return on plan assets	11,436	57	-
Corporation contribution	23,085	200	2,094
Investment experience gain	4,486	22	-
Member contributions	2,061	3	-
Benefits paid	(7,162)	(37)	(1,835)
Fair value, end of year	$210,540	$1,974	$15,020
Funded status – plan surplus (deficit)	$3,668	$549	$(39,221)
Unamortized net actuarial loss	25,513	321	5,828
Accrued benefit asset (liability) recognized	$29,181	$870	$(33,393)
Elements of costs recognized in the year:			
Current service cost [employer]	$5,306	$43	$1,738
Interest cost	11,305	82	3,033
Expected return on plan assets	(11,436)	(57)	-
Net actuarial loss amortization	-	9	2
	$5,175	$77	$4,773

($000's)

6. POST-EMPLOYMENT BENEFITS (Continued)

Significant actuarial assumptions

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

[Weighted average assumptions as of January 1, 2012]

	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	6.00 %	3.00 %	- %
Rate of compensation increase	3.50 %	3.50 %	3.50 %

[Weighted average assumptions as of January 1, 2011]

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Discount rate	5.75 %	5.75 %	5.75 %
Expected rate of return on plan assets	6.00 %	3.00 %	- %
Rate of compensation increase	3.50 %	3.50 %	3.50 %

For measurement purposes, a 7.75% health care cost trend rate was assumed for 2012 (2011 – 7.94%), decreasing gradually to 4.5% in 2029 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 provided that all the income earned by the Employee Termination Benefits Trust Fund is to be transferred to the Capital Fund Trust.

($000's)

6. POST-EMPLOYMENT BENEFITS (Continued)

Plan Assets

The Plans' asset allocation, by asset category, is as follows:

	2012	2011
Equity securities	**62 %**	68 %
Debt securities	**38 %**	32 %
Total	**100 %**	100 %

7. 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 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:

	2012	2011
Balance, beginning of year	**$8,333**	$8,388
Plus: Current-year contributions for the acquisition of capital assets	**1,667**	1,492
Less: Amortization of assets acquired with deferred contributions	**(1,660)**	(1,547)
Balance, end of year	**$8,340**	$8,333

8. EQUITY OF CANADA

	2012	2011
Secured contribution of Canada	**$36,000**	$36,000
Contribution to the Capital Fund Trust	**(24,000)**	(24,000)
Cumulative Surplus	**16,531**	11,051
	$28,531	$23,051

($000's)

8. EQUITY OF CANADA (Continued)

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 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 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].

9. 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 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.

	2012	2011
Excess of expenses over revenue before adjustments	**$61,217**	$51,964
Plus: Gain on disposal of assets	**-**	37
Amortization of deferred contributions related to capital assets	**1,660**	1,547
Pension plan and other benefit plans variances	**5,480**	15,231
Less: Proceeds from disposal of capital assets	**(57)**	(65)
Loss on disposal of assets	**(11)**	-
Amortization of capital assets	**(1,696)**	(1,642)
Contribution from Capital Fund Trust for expenses	**$66,593**	$67,072
Contribution from Capital Fund Trust towards acquisitions of capital assets	**$1,667**	$1,492

($000's)

10. COMMITMENTS

The Corporation has entered into various contractual commitments for capital and other expenditures which expire within the next five years. The minimum annual cost for each of the next five years are as follows:

2012/13	$1,588
2013/14	565
2014/15	200
2015/16	26
2016/17	19
	$2,398

11. CONTINGENCIES

The Corporation, in the normal course of business, experiences claims for a variety of reasons. Claims outstanding at March 31, 2012 totalling $4,685 (2011 – $5,636) 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, 2012, the Corporation issued a letter of guarantee amounting to $806 (2011 – $392).

12. 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 Note 1 to the financial statements.

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

($000's)

13. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	2012	2011
Accounts receivable – trade	**$2,637**	$(3,240)
Accounts receivable – other	**(856)**	(1,450)
Supplies Inventories	**(204)**	18
Prepaid expenses	**(1,686)**	(290)
Accounts payable and accrued liabilities	**3,375**	1,224
Employee benefits payable	**37**	(2)
Due to Employee Termination Benefits Trust Fund	**(1,488)**	69
	$1,815	$(3,671)

14. DIRECTORS' AND OFFICERS' REMUNERATION

The remuneration earned by the directors and officers, in 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.

	2012
Ian MacGregor [effective November 30, 2006. Chair effective August 18, 2010]	**$39,925**
Robert Armstrong [effective November 1, 2010]	**25,725**
Jonathan Bamberger [effective August 28, 2010]	**23,025**
Wayne Devlin [effective January 17, 2011]	**23,925**
Paul Gourdeau [effective August 6, 2006]	**29,050**
Ralph Mercier [effective November 18, 2010]	**23,925**
David Mothersill [ceased to hold office January 26, 2012]	**24,225**
David Muir [effective May 5, 2010]	**27,425**
James Wilson [effective January 27, 2012]	**6,825**
	$224,050

14. DIRECTORS' AND OFFICERS' REMUNERATION (Continued)

b) Remuneration paid for the six officers, as employees of the Corporation, was as follows:

	2012
Terence Bowles, President/CEO	$358,400
Jean Aubry-Morin, Vice-President, Corporate Sustainability	210,600
Guy Yelle, Vice-President, Maisonneuve	243,000
Stephen Kwok, Vice-President, Niagara	201,200
Karen Dumoulin, Chief Financial Officer	171,100
Yvette Hoffman, Counsel and Secretary	123,600
	$1,307,900