OWEN SOUND TRANSPORTATION COMPANY, LIMITED

2009/2010
ANNUAL REPORT

Owen Sound Transportation Company, Limited

2009/10 ANNUAL REPORT

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The Owen Sound Transportation Company, Limited is an Agency of the Province of Ontario. Services are financially supported by the Provincial Government through a Contribution Agreement with the Ministry of Northern Development, Mines and Forestry.

Contact:

The Owen Sound Transportation Company, Limited
R.R. #5, Owen Sound, ON N4K 5N7
Tel: 519-376-8740 Fax: 519-376-6384 www.ontarioferries.com

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MANDATE

Owen Sound Transportation Company, Limited contributes to the provision of safe, efficient and reliable ferry transportation in the Province of Ontario primarily through the operation of seasonal vehicle/passenger ferry service between Tobermory and South Baymouth, Manitoulin Island. It contributes to economic development in this region by supporting the creation of a positive business climate and by enhancing and promoting the tourism sector through partnerships with local communities and regional stakeholders.

DESCRIPTION

Owen Sound Transportation Company, Limited (OSTC) was established under the *Ontario Business Corporations Act* of the Province of Ontario on March 10, 1921 and operated in the private sector in receipt of both Federal and Provincial subsidies. From 1973 until March 31, 2002, OSTC was operated by the Ontario Northland Transportation Commission (ONTC) under the Ontario Northland Act.

On April 1, 2002, OSTC was separated from ONTC and established as an Operational Enterprise Agency of the Province of Ontario with its head office in Owen Sound, Ontario.

OSTC is an integral part of Ontario's tourism and transportation system. The M.S. Chi-Cheemaun ferry service, owned by OSTC, provides alternate transportation to Manitoulin Island and the Bruce Peninsula, drawing tourists to the area from May through October each year.

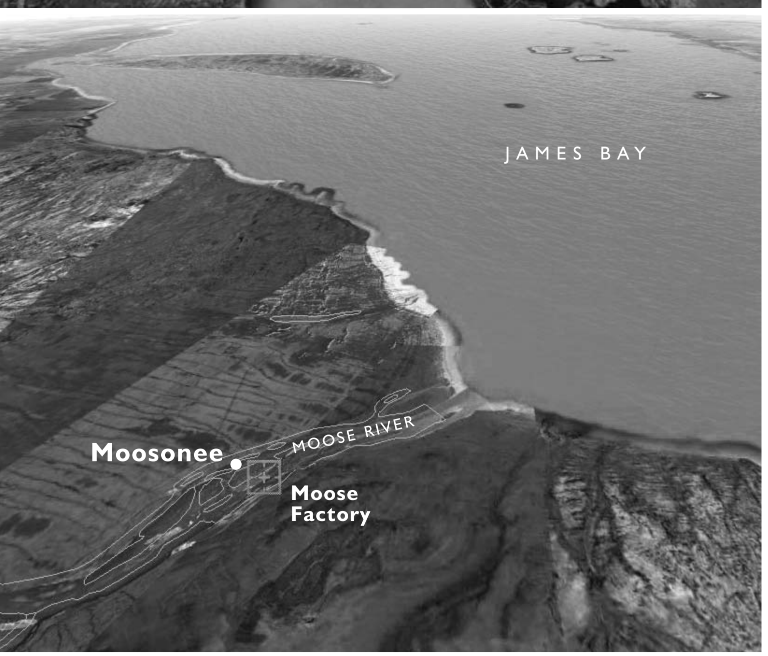
OSTC is also contracted by the Ontario Ministry of Transportation to provide year-round transportation services to Pelee Island on Lake Erie.

During 2009/10, OSTC was responsible for the operation of three ships and five terminal facilities on three ferry routes.

OSTC's workforce consists of unionized and management employees. Unionized employees are members of the Seafarers' International Union of Canada and the Canadian Marine Officers' Union. OSTC is responsible for the administration of three collective agreements. The workforce consists of 17 full-time employees augmented by 113 seasonal employees*.

*Pelee Island Transportation Service employees excluded.

Service Area



Corporate Governance

The Ontario Minister of Northern Development, Mines and Forestry pursuant to a sole shareholder declaration in accordance with section 108 of the Business Corporations Act, R.S.O. 1990, c. B.16, exercises control over OSTC's Board of Directors, who are responsible for the administration of the business of OSTC.

The Board of Directors has a fiduciary duty to carry out the duties of their office honestly and in good faith in the best interests of the Corporation and in accordance with the management principles and guidelines of the Government of Ontario. These principles include ethical behaviour, accountability, and excellence in management, wise use of public funds, high-quality service to the public, and fairness in the marketplace.

The Board of Directors sets the standards of conduct for the Corporation and ensures the safety of its operations, supervising the conduct of the business through the General Manager, to whom it delegates the responsibility for the leadership and management of the Corporation.

Message From The Chair

The 2009 sailing season saw the second consecutive season of reduced passenger and vehicle traffic on the M.S. Chi-Cheemaun. At the same time however, fuel prices dropped well below budgetary predictions, and the corresponding savings was able to offset the reduced revenues from traffic flow.

The financial successes OSTC enjoys in uncertain times is directly attributed to the dedicated efforts of a small staff of managers who, in addition to their direct company responsibilities, are also responsible, through a contract with the Ontario Ministry of Transportation, for providing year round transportation service to Pelee Island. This management expertise was also contracted to the Ontario Northland Transportation Commission to oversee the design, construction, and delivery of a replacement ferry for the service between Moosonee and Moose Factory Island, in the James Bay Region of Northern Ontario. Congratulations to the Executive Management staff for their success in these troubled economic times.

Barney Hopkins
Chairman of the OSTC Board of Directors

Company Board & Executive

Board of Directors

Barney Hopkins – Chair – Tobermory	(01 April 2002 – 31 March 2010)
Sharon Alkenbrack – Kagawong	(06 June 2005 – 05 June 2011)
Martin Garfield Brown – South Baymouth	(01 July 2005 – 30 June 2011)
Jennifer Sayyae – Little Current	(27 July 2005 – 26 July 2011)
John Greenway – South Baymouth	(01 April 2007 – 31 March 2010)
Hugh Moggy – Manitouwaning	(01 June 2007 – 31 May 2010)

Executive Management

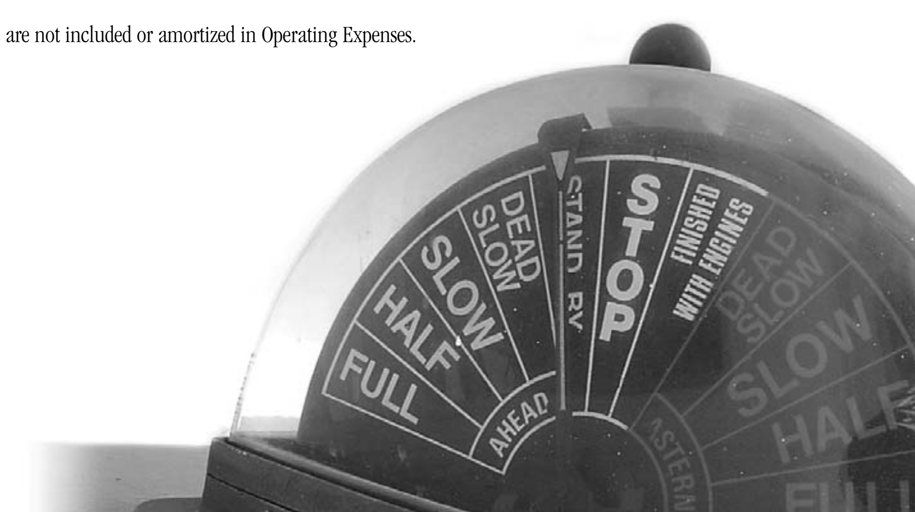
S.M. Schrempf – General Manager & Secretary to Board of Directors
I.R. Dean – Manager Operations & Customer Service
J. Noble – Supervisor Accounting

OPERATIONAL OVERVIEW KEY PERFORMANCE INDICATORS

Key Indicators	2009/10	2008/09	2007/08
Income per passenger (ticket and on-board sales)	**$ 36.46**	$ 35.26	$ 32.06
Expense per passenger (operating only)	**$ 43.14**	$ 41.22	$ 36.87
Percentage of operating expenses recovered from income	**84.51%**	85.55%	86.97%
Retail service revenue per passenger	**$ 5.20**	$ 5.29	$ 4.55
Advertising expense per passenger	**$ 0.78**	$ 0.86	$ 0.70
Fuel expense per one-way crossing (average from total fuel cost)	**$ 993.51**	$ 1,711.16	$ 1,402.44
Passengers carried	**198,787**	205,289	221,710
Utilization - passengers	**30.79%**	31.67%	35.39%
Vehicles carried	**77,020**	80,516	84,774
Utilization - vehicles	**60.79%**	63.45%	68.84%
Annual total number of departures	**1,012**	1,016	982
Average number of vehicles per departure	**76**	79	86
Average number of passengers per vehicle	**2.58**	2.55	2.62

Financial Highlights	2009/10	2008/09	2007/08
Operations:			
Commercial revenues	**$ 7,251,681**	$ 7,190,360	$ 7,108,793
Operating contract revenues	**$ 437,433**	$ 454,000	$ 380,000
Total revenue	**$ 7,684,294**	$ 7,644,360	$ 7,488,793
Operating expenses	**$ 8,575,152**	$ 8,462,210	$ 8,173,962
Amortization	**$ 672,974**	$ 618,447	$ 405,276
Total expense	**$ 9,248,126**	$ 9,080,657	$ 8,579,238
Loss before Provincial funding	**$ (1,563,832)**	$ (1,436,297)	$ (1,090,445)
Provincial funding	**$ 600,000**	$ 800,000	$ 830,000
Net (loss) earnings	**$ (959,012)**	$ (636,297)	$ (260,445)
Assets:			
Current	**$ 1,581,370**	$ 1,792,021	$ 2,183,097
Investment in capital assets	**$ 12,762,254**	$ 12,547,480	$ 12,478,476
Total assets	**$ 14,343,624**	$ 14,339,501	$ 14,661,573

* Capital additions are directly financed and therefore are not included or amortized in Operating Expenses.



OPERATIONAL OVERVIEW - ACCOMPLISHMENTS

Major Capital: Capital improvements for the ferry service were focused on shoreside facilities in 2009/10. Significant improvement to customer service was facilitated with the completion of the elevators for the dockside passenger ramps at Tobermory and South Baymouth.

OSTC also replaced the box truck used to move supplies for the M.S. Chi-Cheemaun; installed video surveillance systems, to enhance security at the Tobermory and South Baymouth ferry terminals, and installed "dark sky" - friendly parking-lot lights at the Owen Sound office.

On board the ship, OSTC continued with the HVAC unit replacement project, and replaced worn floor coverings to eliminate potential trip, slip or fall hazards. OSTC also purchased a new fire suppression system for the vehicle deck, machinery space and crew's quarters, to be installed in winter 2010/11.

Machinery: OSTC completed the 2009/10 operating season with no service interruptions as a result of mechanical failures.

Safety & Environment: OSTC has maintained voluntary International Safety Management Code compliance since receiving certification by Lloyd's Classification Society in 1997. The Safety Management System provides policies and procedures for all aspects of the operation with the purpose of reducing safety and environmental incidents arising from human error. Through regular internal and external audits, the system is in a state of constant improvement, and is used to evaluate and reduce the risk inherent in the operation of a marine transportation service.

No Safety or Environmental non-compliance incidents occurred during 2009/10.

OSTC's application to have the M.S. Chi-Cheemaun accepted into the Delegated Statutory Inspection Program for Transport Canada Marine Safety Inspections was approved. The vessel's Hull and Machinery Inspections were approved for partial delegation under DSIP in 2008. Transport Canada withheld permission for 100% delegation to Class for Safety of passenger-carrying vessels until early 2010, and has limited it to vessels that hold International Safety Management System Documents of Compliance.

M.S. Chi-Cheemaun was officially handed over from Transport Canada to Lloyd's Classification Society for Delegated Statutory Inspections on April 22, 2010.

NISKA I, Moosonee/Moose Factory Island Replacement Ferry

Occupational Safety and Health: Policies and Procedures were developed in preparation for the June 15th, 2010 implementation of Bill 168, an amendment to the Owen Sound Transportation Company, Limited Occupational Health and Safety Act, with respect to violence and harassment in the workplace and other matters. Full implementation including site assessments and training are scheduled to take place in spring and summer 2010.

Customer Satisfaction: 99.0% Customer Satisfaction Level (as measured through the annual customer survey).

Ontarians with Disabilities Act Standards: The Customer Service Standard was implemented throughout OSTC services on January 1, 2010. All employees received training prior to, or upon returning to work in 2010.

Moosonee/Moose Factory Island Replacement Ferry: The Ontario Northland Transportation Commission contracted OSTC to oversee the design, construction, and delivery of a ferry to replace the ONTC owned M.V. Manitou Island II on the Moosonee to Moose Factory Island route across the Moose River in Northern Ontario.

Vessel construction was awarded to Chantier Naval Forillon in Gaspé, Quebec, through a competitive bid process. The ferry was near completion at the 2009/10 year-end, with its launch and sea-trials scheduled for May 2010. Delivery to Moosonee is scheduled for August 2010, once the annual ice deterioration in the Northwest Passage and Hudson Bay is sufficient to ensure a safe transit.

CHALLENGES

Fuel Costs: The cost of fuel per trip dropped dramatically by 42% from 2008/09. This is largely due to much lower fuel costs, in combination with only operating two of the available four engines whenever possible during the summer season. Fuel prices were more predictable in 2009/10, though recognized as artificially low with a 20% increase forecast for 2010/11.

Fuel cost containment through reducing fuel consumption, wherever possible and practical, will remain a high priority for the ferry service. As new technologies emerge, engine add-ons, to measure fuel consumption, as well as stack emissions on a minute-by-minute basis, will be evaluated for cost effectiveness, as well as to be used as an approved method of regulated emissions compliance reporting.

Traffic: OSTC carried 198,787 passengers and 77,020 vehicles over 1,012 departures. This represents a 3% decrease in total traffic volumes as compared to traffic carried in 2008/09 and is reflective of the continued depressed economy. The drop in traffic in 2009/10 represents the second consecutive year where the ship carried fewer passengers and vehicles than the preceding year. This is not a usual trend for the service, where traffic trends have normally followed weather patterns. This downward trend is closely tied to the economy. As the economy recovers, it is expected that traffic will also rebound over the next few years.

OSTC did not implement a fare increase for the 2009 sailing season. After being required to impose a late season 10% fare increase in 2008 to offset extremely high fuel costs, there was no material need to raise fares again for the 2009 operating season as fuel costs were projected to come down, which they did. An increase in fares under the existing economic climate would only have resulted in a deeper cut to traffic numbers.

Personnel: Availability of certified and qualified Navigation and Engineering Officers continues to be a worldwide problem, with more positions available than certified personnel to fill them. OSTC has no personnel, occupying unlicensed positions, willing to become certified and be promoted to an Officer's position as they become available. To date, OSTC has been able to fill vacancies from outside the company.

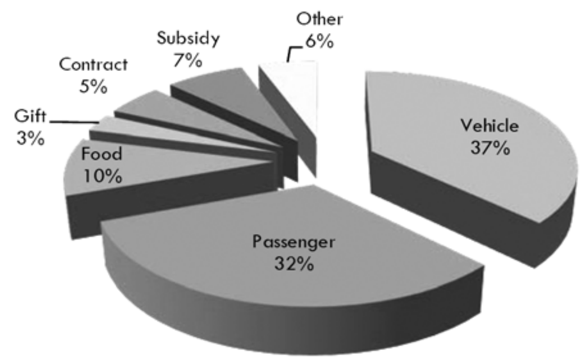
FINANCIAL OVERVIEW - SUMMARY

OSTC experienced a net operating loss of $682,855 before a Provincial subsidy of $600,000. Traffic volumes were 5% lower than budgeted and resulted in $432,400 less revenue than budgeted.

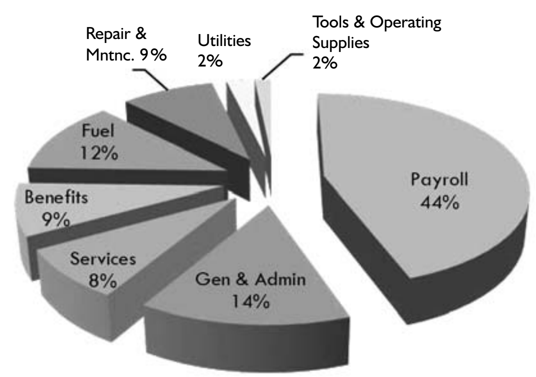
Total expenses were maintained below budget by $625,757. Fuel costs were $855,000 lower than budget, an amount that was offset by repairs and maintenance items valued at $426,000. These items were planned for in-future operating budgets but given the unpredictability of the cost of fuel; they were moved ahead into the 2009/10 fiscal year to ensure they would be completed. OSTC was also able to turn back $200,000 of the $800,000 annual operating subsidy to the Ministry of Northern Development, Mines and Forestry.

Capital asset investment of $887,748 included the completion of a two-year project to construct outdoor passenger elevators, adjacent to the walk-on passenger boarding ramps at the Tobermory and South Baymouth ferry docks, to facilitate passenger accessibility, and the purchase of a fire suppression system for the M.S. Chi-Cheemaun, which will be installed over the winter of 2010/11.

2009/10 Revenue



2009/10 Expense



OWEN SOUND TRANSPORTATION COMPANY, LIMITED

Financial Statements

For The Year Ended March 31, 2010

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Ontario

FINANCIAL STATEMENTS – MANAGEMENT'S RESPONSIBILITY

Owen Sound Transportation Company Limited's management is responsible for the integrity and fair presentation of the financial statements and other information included in the annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involved the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods. All financial information in the annual report is consistent with financial statements.

The Company maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets and liabilities are adequately accounted for and assets safeguarded. The financial statements have been reviewed by the company's Audit Committee (Governing Board of Directors Committee of the Whole) and have been approved. In addition, the financial statements have been audited by the Ontario Provincial Auditor, whose report follows.

Susan Schrempf
General Manager

Owen Sound, Ontario
November 25, 2010

FINANCIAL STATEMENTS – AUDITOR'S REPORT

Effective March 31, 2009, the Office of the Auditor General ceased to be the Auditor of Record for OSTC. OSTC remains accountable to the Office of the Auditor General and must continue to submit completed annual financial audits to the AGO.

OSTC engaged the services of BDO Canada LLP for the audit of the financial year ended March 31, 2010, as the firm had been responsible for the audits on behalf of the Office of the Auditor General since 2002.

Annual financial audit services for OSTC beginning with the fiscal year ending March 31, 2011 will see a change from GAAP to PSAB (Public Sector Accounting Standards) reporting.

BDO

Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

BDO Canada LLP
1717 2nd Avenue E, Third Floor
PO Box 397
Owen Sound ON N4K 5P7 Canada

To the Board of Directors
The Owen Sound Transportation Company Limited

We have audited the balance sheet of The Owen Sound Transportation Company, Limited as at March 31, 2010 and the statements of Province of Ontario equity, operations and cash flows for the year then ended. These financial statements are the responsibility of the company'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 company 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.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario

July 8, 2010

OWEN SOUND TRANSPORTATION COMPANY, LIMITED

BALANCE SHEET

March 31	2010	2009
Assets		
Current		
Cash and cash equivalents	$ -	$ 309,905
Accounts receivable (Note 1)	**1,404,201**	1,290,196
Inventory	**177,169**	191,920
	1,581,370	1,792,021
Investment in capital assets (Note 2)	**12,762,254**	12,547,480
	$ 14,343,624	$ 14,339,501
Liabilities and Province of Ontario Equity		
Current		
Bank indebtedness	**$ 9,265**	$ -
Accounts payable and accrued liabilities	**437,792**	486,755
Workers' compensation obligations	**345,066**	141,883
	792,123	628,638
Contingencies (Note 6)		
Province of Ontario equity	**13,551,501**	13,710,863
	$ 14,343,624	$ 14,339,501

Approved on behalf of the Company:

Barney Hopkins Chair

Susan Schrempf General Manager

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Operations

For the year ended March 31	2010	2009
Revenues		
Vehicles	**$ 3,093,403**	$ 3,072,847
Passenger revenue	**2,662,587**	2,653,890
Ministry of Northern Development, Mines and Forestry subsidy (Note 5 (a))	**600,000**	800,000
Cafeteria	**787,661**	828,970
Interest and other	**462,948**	378,565
Pelee Island ferry service management fee (Note 5 (b))	**407,433**	424,000
M.V. Manitou Island II ferry service management fee (Note 5 (c))	**30,000**	30,000
Tuck and terminal gift shops	**245,082**	256,088
	8,289,114	8,444,360
Expenses		
Salaries and wages	**3,730,657**	3,510,310
General and administrative expenses	**1,175,075**	1,197,854
Fuel	**1,017,168**	1,753,163
Repairs and maintenance	**724,151**	303,973
Employee benefits	**718,127**	672,389
Services	**694,544**	701,167
Amortization	**672,974**	618,447
Utilities	**180,190**	190,211
Tools and operating supplies	**132,057**	139,786
Change in workers' compensation obligations	**203,183**	(6,643)
	9,248,126	9,080,657
Loss from operations	**$ (959,012)**	$ (636,297)

Statement of Province of Ontario Equity

For the year ended March 31	2010	2009
Province of Ontario Equity, opening	**$ 13,710,863**	$ 13,667,545
Loss from operations	**(959,012)**	(636,297)
Capital funding (Note 5(a))	**799,650**	679,615
Province of Ontario Equity, closing	**$ 13,551,501**	$ 13,710,863

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended March 31	2010	2009
Cash provided by (used in)		
Operating activities		
Loss from operations	**$ (959,012)**	$ (636,297)
Items not affecting cash		
Amortization (net of contributed surplus amortization)	**672,974**	618,447
Change in workers' compensation obligations	**203,183**	(6,643)
	(82,855)	(24,493)
Changes in non-cash working capital balances		
Accounts receivable	**(114,005)**	493,255
Inventory	**14,751**	30,926
Accounts payable and accrued liabilities	**(48,963)**	(358,747)
	(231,072)	140,941
Investing activities		
Purchase of capital assets	**(887,748)**	(687,451)
Capital funding - Ministry of Northern Development, Mines and Forestry (Note 5(a))	**799,650**	679,615
	(88,098)	(7,836)
Change in cash and cash equivalents during the year	**(319,170)**	133,105
Cash and equivalents (bank indebtedness), beginning of year	**309,905**	176,800
Cash and equivalents (bank indebtedness), end of year	**$ (9,265)**	$ 309,905

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

March 31, 2010

Nature of Business

Owen Sound Transportation Company, Limited (OSTC), a business enterprise of the Province of Ontario, owns and operates a seasonal vehicle and passenger ferry, the M.S. Chi-Cheemaun, from Tobermory to Manitoulin Island. It also provides vessel management services for the Ministry of Transportation for two vessels, the M.V. Pelee Islander and the M.V. Jiimaan, operating on the Pelee Island service, and a daily air service between the Ontario mainland and Pelee Island during the winter months, when the ferry service is not in operation. It also provides vessel management services for the Ontario Northland Transportation Commission to manage and operate the M.V. Manitou Island II ferry service between Moosonee and Moose Factory Island.

OSTC's one issued and outstanding common share is held by the Ministry of Northern Development and Mines (MNDM).

Basis of Accounting

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles.

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

Employee Future Benefits

OSTC's eligible employees continue to participate in the defined benefit pension plan of ONTC (OSTC's former parent). In addition, eligible employees are also entitled to non-pension, post-retirement benefits such as group life, health care and long-term disability as part of the ONTC group plan. Separate data relating to OSTC employees is not available. Accordingly, the benefit cost recorded on the financial statements, is limited to the amount of contributions made to these benefit plans by OSTC in the year. Due to the multi-employer nature of these plans, no amounts for future employee benefits is recorded in the financial statements, in accordance with the CICA Handbook for multi-employer plans.

Summary of Significant Accounting Policies

March 31, 2010

Workplace Safety & Insurance Board

Owen Sound Transportation Company, Limited (OSTC) is a Schedule 2 employer with respect to workers' compensation benefits. As such, OSTC recognizes its obligation for these future benefits on an accrual basis. The estimated future benefits are determined using actuarial calculations, as provided by the Workplace Safety & Insurance Board, on an annual basis (December 31 of each year).

Revenue Recognition

Transportation revenues are generally recognized on the date tickets are sold. Other revenues are recognized in the period they are earned.

Inventory

All materials and supplies are recorded at the lower of average cost and net realizable value.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

Investment in Capital Assets and Amortization

Capital assets are stated at acquisition cost. Amortization is calculated using the straight-line method over the estimated service lives of the assets.

The estimated service lives for principal categories of assets are as follows:

Marine vessels	30 years
Buildings and improvements	20 years
Equipment and other	5 years

The Province of Ontario reimburses OSTC for the cost of approved capital assets purchased for use in operations designated as non-commercial by the Province. OSTC therefore records these assets at their original cost together with an offsetting credit to Province of Ontario Equity.

Capital assets of the Pelee Island service are not recorded in the financial statements of OSTC, but instead are accounted for by the Ministry of Transportation. Any costs incurred by OSTC with regards to capital expenditures of the Pelee Island Service are recovered from the Ministry and have no impact on these financial statements.

Summary of Significant Accounting Policies

March 31, 2010

Income Taxes

As an agency of the Province of Ontario, OSTC is exempt from income taxes and accordingly no tax provision is recorded in these financial statements.

Accounting Estimates

Preparation of the 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Financial Instruments

OSTC's financial instruments consist of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and workers' compensation obligations. Unless otherwise noted, it is management's opinion that OSTC is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or the liability incurred. The organization's accounting policy for each category is as follows:

a) **Held-for-trading**
Cash and cash equivalents are classified as held-for-trading. Financial instruments, classified as held-for-trading, are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income (loss) in the period during which the change occurs.

b) **Loans and Receivables**
This category is comprised of accounts receivable. These assets are non-derivative financial assets arising principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets. They are initially recognized at fair value.

c) **Other Financial Liabilities**
Other financial liabilities includes all financial liabilities and comprises accounts payables and accrued liabilities, and workers' compensation obligations. These liabilities are initially recognized at fair value.

Notes to Financial Statements

March 31, 2010

1. Accounts Receivable

	2010	2009
Ministry of Northern Development, Mines and Forestry	$ 725,468	$ 106,557
Ministry of Transportation	652,263	1,055,636
Other	26,470	128,003
	$ 1,404,201	$ 1,290,196

2. Investment in Capital Assets

	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Chi-Cheemaun ferry	**$ 22,693,006**	**$ 11,248,483**	$ 21,907,264	$ 10,686,673
Equipment and other	**571,350**	**438,632**	498,949	395,416
Buildings and improvements	**1,412,404**	**321,671**	1,382,800	254,734
Land	**76,100**	**-**	76,100	-
Land improvements	**20,200**	**2,020**	20,200	1,010
	$ 24,773,060	**$ 12,010,806**	$ 23,885,313	$ 11,337,833
Net book value		**$ 12,762,254**		$ 12,547,480

3. Operating Loan - Credit Facility

OSTC has negotiated a demand operating line of credit with a Canadian Chartered Bank, bearing interest at the bank's prime rate less 0.5%. The maximum draws that could be advanced on this operating line are $1,845,000. At March 31, 2010 the company had undrawn credit capacity under this facility of approximately $1,835,700.

4. Employee Benefits

The total amount paid to ONTC during the year for non-pension, post-retirement benefits was $130,327 (2009 - $117,310). During 2010, $8,734 in employer contributions was paid to the ONTC Pension Plan. No employer contributions were made in 2009 due to a contribution holiday.

5. Government Funding

a) **Ministry of Northern Development, Mines and Forestry**
Under the terms of a memorandum of understanding with the Ministry of Northern Development, Mines and Forestry, OSTC receives both operational and capital funding from the Province of Ontario. The operational subsidies are received for the Owen Sound operation based on an approved operating plan and are cash flowed to the OSTC on a quarterly basis. These amounts totalled $600,000 (2009 - $800,000). The capital subsidies are paid to the OSTC on submission of invoices for capital items consistent with its approved capital plan. These amounts totalled $799,650 (2009 - $679,615).

b) Ministry of Transportation

OSTC has an agreement with the Ministry of Transportation to manage and operate the Pelee Island ferry service on Lake Erie between the ports of Kingsville, Leamington and Pelee Island in Ontario and the port of Sandusky in the State of Ohio. As per this agreement, the OSTC received $407,433 in management fees for the 2009 sailing season.

The 5-year agreement ending March 2013 requires the Ministry to pay OSTC a management fee of $400,000 annually, adjusted by changes in the Consumer Price Index. The agreement also provides for OSTC to receive a project management fee of up to 3% of the value of vessel capital improvements which OSTC oversees on behalf of the Ministry of Transportation.

The revenue and expenses related to operating this service are not reflected in these financial statements.

c) Ontario Northland Transportation Commission

OSTC signed an agreement with the Ontario Northland Transportation Commission to manage and operate the M.V. Manitou Island II ferry service between Moosonee and Moose Factory Island for the period April 1, 2009 - March 31, 2010. OSTC received $30,000 in management fees for the 2009 sailing season.

The revenue and expenses related to operating the service are not reflected in these financial statements.

6. Contingencies

a) OSTC has been named in a number of litigations resulting from a fatal plane crash at Pelee Island on January 17, 2004.

Georgian Express Ltd. operated the air service and as part of the agreement with OSTC maintained liability coverage of $20 million naming OSTC as an additional insured. In addition, Georgian Express Ltd. entered into an indemnity and save harmless agreement in favour of OSTC as part of the operating agreement.

The outcome of these claims are not determinable at the present time and, as a result, is not reflected in these financial statements. However, should the claim exceed the insurance coverage in place, OSTC will be indemnified by the Ministry of Transportation.

b) Employees hired after April 1, 2002 are not eligible to join the ONTC pension plan. OSTC has been negotiating to have these employees eligible to join retroactive to April 1, 2002. Any retroactive payments will be reflected in operations in the period in which they become determinable.

c) A claim has been filed against OSTC by an individual who fell on company premises in 2007. The claim is currently being assessed by OSTC's insurance company and the outcome is not determinable at the present time.

7. Economic Dependence

The OSTC is dependent on the continuing subsidy from the Province of Ontario to carry on ts operations.