

SEAMARK Asset Management Ltd.

Annual Report to Shareholders

2008

including

Management Discussion & Analysis

and

Annual Financial Statements

LETTER TO SHAREHOLDERS

Fellow Shareholders,

History will remember 2008 as one of the most trying years ever experienced by investors. In a different way, it has been an equally challenging year for SEAMARK and its shareholders. While our company remains financially strong and cash flow positive, the precipitous declines in global equity markets last year has impacted our assets under management and, in turn, our financial results. Further, the market events of 2008 have focused intense scrutiny on our industry, leading to significant speculation regarding the future course for investment management companies.

Through the events of last year, we have not lost sight of our focus: delivering results for clients. SEAMARK's investment team successfully ignored the distractions and external pressures to conform to "group thinking". As a result, by year end, the value of our long-standing investment discipline had shown itself once again through strong performance relative to our competitors in each of our major investment mandates. SEAMARK's balanced, fixed income, and Canadian equity mandates all rank very well in relative terms compared to its competitors for one-, two-, three-, four-, and ten-year periods. For the past three years in succession, and for 19 of the last 24 years, SEAMARK's balanced pension composite has generated above median performance according to the RBC Dexia industry survey. I would like to congratulate the team for their determination and hard work throughout 2008. In this, the heart of SEAMARK's mission statement and the purpose for SEAMARK's existence, we are executing on our service promise.

These results were delivered through a period of smooth transition of our Chief Investment Officer role. At the beginning of 2008, Tom MacLaren announced his pending retirement, and Angela Eaton, then our Head of Equities, was appointed to this role. The effective and seamless transition of these responsibilities is a testament to both Tom and Angela, and to all of our investment professionals, who proved they could deliver results as a team during even the most difficult of market environments.

While results for clients were strong in relative terms, absolute returns were still negative for clients with exposure to equities in their investment mandate. SEAMARK's assets under management continued to decline over the course of the year, a combination of market value declines and continued net asset outflows. In addition, the market turmoil last year highlighted how important it is that companies in the financial services sector maintain the confidence of their clients. Under these circumstances, in the fall of 2008 the Board of Directors made the difficult decision to suspend the dividend. This was a

prudent decision made to maximize our liquidity, allowing our cash position to continue to grow, and providing the company with maximum financial flexibility going forward.

The rebuilding of SEAMARK's foundation is now complete. We have successfully completed the transition of investment team leadership to the next generation. This "new" team – each of whom has many years of experience at SEAMARK – has proven that it can execute on our long-standing investment discipline. We have restored our strong competitive position in the industry, with relative returns that rank among the best in our business. And we have not only maintained, but strengthened, our strong financial position, ensuring that our company has the resources it needs to continue to deliver excellence in investment services over the years to come.

It is now time to move forward. While we remain optimistic about the future, we are realistic in our expectations. We will be patient, we will focus on business development and we will continue to execute on our investment process, with the intent of delivering results not only to clients, but also to shareholders, in 2009 and in the future.

A handwritten signature in black ink, appearing to read "Stuart", with a horizontal line underneath the name.

Stuart R. Raftus
President & Chief Executive Officer
February 18, 2009

MANAGEMENT DISCUSSION & ANALYSIS

Fiscal Year Ended December 31, 2008

The following management discussion and analysis (“MD&A”) has been prepared by management in accordance with Canadian Securities Administrators’ National Instrument 51-102 as of February 18, 2009 to assist shareholders in understanding SEAMARK Asset Management Ltd. (“SEAMARK”)’s financial results and condition. It should be read in conjunction with the audited annual financial statements and supporting notes that follow.

Forward-Looking Statements

This MD&A, and in particular the section marked “Outlook”, contains certain forward-looking statements that reflect management’s current beliefs and assumptions as of this date. These are based on management’s current expectations and estimates related to the business conditions under which SEAMARK Asset Management Ltd. operates. Critical factors that could cause these beliefs, assumptions, expectations, and estimates to be inaccurate include, but are not limited to, changes in the level of assets under management, future absolute investment performance on behalf of clients, future relative investment performance compared to competitors, ability to retain and attract clients, ability to retain key personnel, ability to recruit qualified personnel, and changes to the regulatory environment under which SEAMARK operates. Actual results and events may differ materially from those predicted by the forward-looking statements. SEAMARK does not intend to provide updates on these forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements.

General

SEAMARK Asset Management Ltd. provides discretionary investment management services to a variety of clients, including:

- Institutional clients: pensions, endowments, and other funds managed on behalf of institutions, including group pension plans sponsored by life insurance companies.
- Mutual fund clients: mutual funds available directly to retail investors that are managed and sponsored by SEAMARK or managed by SEAMARK on behalf of the funds’ sponsors.
- Wrap programs: assets managed on behalf of high net worth individuals through a managed portfolio advisory program sponsored by an investment dealer.
- Private clients: assets managed on behalf of high net worth individuals who have a direct client relationship with SEAMARK.

SEAMARK operates as a single business unit delivering a similar service to all its clients. The division of clients into these four segments is intended to assist the reader in better understanding SEAMARK's business. These client segments are not distinct reportable business segments for accounting purposes.

Revenue is generated primarily by charging clients a fee calculated as a percentage of the market value of the assets managed by SEAMARK on their behalf ("assets under management" or "AUM"). Changes in the value of AUM therefore impact directly on the revenue collected by SEAMARK.

SEAMARK's assets under management change in value as a result of two functions: net new assets and market value changes. Net new assets reflect the difference between new assets which SEAMARK begins to manage on behalf of new or existing clients and assets which SEAMARK no longer manages either because a client has made a withdrawal or has closed their account. Market value changes are the change in the total value of assets under management as a result of changes in the current market price of these assets.

Salaries and benefits represent the largest part of SEAMARK's expenses. SEAMARK generally pays a full tax rate, which tends to vary as a result of changes in tax laws and the mix of its client base across various Canadian provinces.

SEAMARK's authorized share capital consists of an unlimited number of a single class of common shares issued without nominal or par value. As of the date of this MD&A there were 10,821,564 common shares issued and outstanding, of which 323,881 held in trust are subtracted from the basic common shares outstanding for the purpose of per share calculations under Canadian generally accepted accounting principles.

SEAMARK maintains a deferred stock unit plan dated October 27, 2006 ("DSU Plan") that allows for the granting of deferred stock units ("DSU") to directors and key employees where this is considered appropriate by the Compensation Committee of the Board of Directors. One DSU entitles the participants to one common share of SEAMARK on vesting, which is distributed from a trust established to purchase previously issued and outstanding shares and hold them until the DSUs vest ("DSU Trust").

SEAMARK maintains a stock option plan dated July 10, 2001 ("Stock Option Plan") that allows for the granting of stock options to directors and key employees where this is considered appropriate by the Compensation Committee of the Board of Directors. On May 1, 2008, at the Company's annual and special meeting of the shareholders, the shareholders approved an Amended Stock Option Plan. Under the amended plan, the Company may grant stock options to purchase shares up to 10% of the issued and outstanding common shares from time to time. To date 1,082,156 options are available for issuance under the Plan of which 636,000 options have been issued.

Summary of Annual and Quarterly Reports

Annual	2008	2007	2006
<i>\$ in thousands, except per share</i>			
Revenues	10,522	14,174	20,502
Earnings before income taxes	917	4,601	9,995
Net earnings	93	2,831	6,277
Basic earnings per share	0.01	0.27	0.59
Diluted earnings per share	0.01	0.25	0.55
Dividends per basic share	0.21	0.28	0.41
<i>as at December 31st, \$ in thousands</i>			
Total assets	15,525	17,315	16,528
Total long-term financial liabilities	nil	nil	nil

Quarterly	2008				2007			
<i>\$ in thousands, except per share</i>	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	2,126	2,499	2,829	3,068	3,220	3,385	3,509	4,060
Earnings before income taxes	(697)	563	492	559	892	1,039	1,084	1,586
Net Earnings	(868)	333	312	316	516	641	664	1,010
Basic earnings per share	(0.08)	0.03	0.03	0.03	0.05	0.06	0.06	0.10
Diluted earnings per share	(0.08)	0.03	0.03	0.03	0.05	0.06	0.06	0.09

There have been no extraordinary or unusual items such as discontinued operations, reorganizations or changes in accounting policy that would affect the comparability of the financial data presented here, other than the following:

- for the fourth quarter and full year 2008, an other-than-temporary impairment of temporary investments was reclassified from accumulated other comprehensive income to net income, which decreased basic and diluted earnings per share by \$0.07, decreased earnings before income taxes by \$858,000 and decreased net earnings by \$707,000;
- for the fourth quarter and full year 2008, a future tax asset valuation allowance decreased basic and diluted earnings per share by \$0.02 and decreased net earnings by \$226,000;
- for the third quarter and full year 2008, non-recurring expense recoveries, primarily as a result of a reversal of CEO relocation costs, increased basic and diluted earnings per share by approximately \$0.02, increased earnings before income taxes by \$300,000 and increased net earnings by \$195,000; and,
- for the third quarter and full year 2007, costs incurred to launch three mutual funds decreased basic and diluted earnings per share by approximately \$0.01, decreased earnings before income taxes by \$136,000 and decreased net earnings by \$84,000.

Financial Overview & Operating Highlights

The year 2008 was marked by significant declines in the market values of publicly traded equity securities. These market value declines impacted SEAMARK's financial results in two ways.

First, SEAMARK's revenues from clients are derived as a percentage of the client's assets under management ("AUM"). Global stock market declines in 2008 led to declines in the current market value of client portfolios invested in equities, reducing SEAMARK's AUM and therefore its revenues.

Second, SEAMARK has invested alongside its clients in launching a number of new investment products over recent years. The significant market value declines in 2008 resulted in an other-than-temporary impairment charge with respect to these investments, which had the effect of increasing expenses by \$0.9 million in 2008.

Each of these items is discussed in greater detail below.

Market value declines resulted in a \$670 million decline in AUM for 2008, compared to 2007 when market value change resulted in a \$10 million increase in AUM. Net asset outflows caused an additional \$670 million decline in AUM for 2008, although this represented an improvement compared to the \$1,350 million decline in AUM in 2007. Total AUM declines of \$1,340 million in 2008 were therefore exactly equal to the \$1,340 million declines in 2007. The following table summarizes changes in AUM during 2008 and 2007:

Annual Change in AUM Summary (in billions)							
	AUM end of 2008	2008		AUM end of 2007	2007		AUM end of 2006
		Net New Assets	Market Value Change		Net New Assets	Market Value Change	
Total Firm	\$2.53	(\$0.67)	(\$0.67)	\$3.87	(\$1.35)	\$0.01	\$5.21
Institutional clients	1.52	(0.32)	(0.34)	2.18	(1.07)	0.06	3.19
Mutual funds	0.11	(0.03)	(0.03)	0.17	(0.07)	(0.02)	0.26
Wrap programs	0.79	(0.30)	(0.27)	1.36	(0.19)	(0.04)	1.59
Private clients	0.11	(0.02)	(0.03)	0.16	(0.02)	-	0.18

Revenues for the full year 2008 were \$10.5 million compared to \$14.2 million in 2007. The decline in revenues primarily reflects a decline in the average AUM in 2008 compared to 2007. It also reflects a year-over-year decline of \$0.4 million in investment income during 2008. At the end of 2007, investment income was \$0.8 million compared to \$0.4 million during 2008.

SEAMARK incurred an other-than-temporary impairment charge of \$0.9 million for temporary investments, which is recorded as an expense for 2008. The Company's temporary investments are classified as available for sale and are recorded at fair market value on the balance sheet with the unrealized gains (losses) in the fair values being recorded in accumulative other comprehensive income. When the fair value of an investment is below its cost it is assessed to determine if the impairment is other-than-temporary. Factors considered in determining whether a loss is other-than-temporary include: the length of time and extent to which fair value has been below cost; the financial condition and near-term prospects of the issuer; and, the ability to hold the investment for a period of time sufficient to allow for any anticipated recovery. If the decline in fair value is determined to be other-than-temporary the cumulative changes previously recognized in accumulative other comprehensive income are reclassified to net income.

In light of current market conditions, SEAMARK has been continually reviewing its operations and instituting cost saving measures where appropriate. Total expenses in 2008 and in 2007 were \$9.6 million. Expenses in 2008 include the impact of the other-than-temporary impairment discussed above. Excluding this impairment charge, expenses in 2008 were lower than 2007. The 2008 expenses included increased costs associated with the establishment of increased equity ownership among key employees and new mutual fund products launched in the third quarter of 2007. These costs were offset by a reduction of costs in other areas, including non-recurring expense recoveries of \$0.3 million during the third quarter of 2008.

Earnings before income taxes as a percentage of total revenue were 9% in 2008, as compared to 33% in 2007. Net earnings as a percentage of revenues were 1% in 2008, compared to 20% in 2007. Declining revenues and the other-than-temporary impairment charge of \$0.9 million negatively impacted these ratios during 2008 compared to the previous year.

The effective tax rate for the full year 2008 was 89.9% compared to 38.5% for 2007. The increase in the effective tax rate is primarily a result of an increase in non-deductible expenses and in particular the other-than-temporary impairment charge discussed above; a portion of which is non-deductible for tax purposes. In addition, the valuation allowance of \$226,000 contributed to the increase in the effective tax rate by decreasing future tax assets and increasing future income tax expenses. Two separate assessments make up the valuation allowance. Further details regarding the valuation allowance are discussed under "Critical Accounting Estimates". In essence, Management determines the valuation allowance amount by assessing all available evidence and concluding, based on the evidence, the likelihood that future income tax assets will be recovered from future taxable income. Management establishes a valuation allowance for the amount of the future income tax asset that recovery cannot be considered "more likely than not". Management determined that the full future tax asset of \$151,000 relating to the potential recovery of the capital loss for the other-than-temporary impairment of temporary investments would "more likely than not" not be recovered as Management does not intend, at this time, to dispose of the temporary investments to realize the capital losses

for income tax purposes. Management also assessed the future tax asset for the deductible temporary difference with respect to the equity compensation grants and determined that based on the current market instability and the timing of the vesting of these grants that it was “more likely than not” that the full value of the future tax deductions would not be realized and as a result applied a \$75,000 valuation allowance to this asset.

Fourth Quarter 2008

The following table summarizes the asset flows for the fourth quarter of 2008 and 2007:

Quarterly Change AUM Summary (in billions)								
	4 th Quarter 2008				4 th Quarter 2007			
	AUM End of 4 th Quarter 2008	Net New Assets	Market Value Change	AUM End of 3 rd Quarter 2008	AUM End of 4 th Quarter 2007	Net New Assets	Market Value Change	AUM End of 3 rd Quarter 2007
Total Firm	\$2.53	(\$0.16)	(\$0.30)	\$2.99	\$3.87	(\$0.24)	(\$0.10)	\$4.21
Institutional clients	1.52	(0.09)	(0.14)	1.75	2.18	(0.18)	(0.03)	2.39
Mutual funds	0.11	-	(0.01)	0.12	0.17	(0.01)	(0.01)	0.19
Wrap programs	0.79	(0.06)	(0.13)	0.98	1.36	(0.05)	(0.05)	1.46
Private clients	0.11	(0.1)	(0.02)	0.14	0.16	-	(0.01)	0.17

Consistent with the experience for the full year, net asset outflows during the fourth quarter of 2008 were lower than during the same period in 2007, while market value declines were higher.

Revenues declined during the fourth quarter of 2008 compared to the same period in 2007 and the third quarter 2008, reflecting primarily a reduced level of average AUM as well as reduced investment income during the fourth quarter of 2008 compared to the third quarter of 2008.

Expenses in the fourth quarter were \$2.8 million compared to \$2.3 million in the fourth quarter 2007. Expenses during the fourth quarter of 2008 were impacted by the other-than-temporary impairment charge of \$0.9 million previously discussed. Excluding this charge, expenses in the fourth quarter were lower compared to fourth quarter 2007, reflecting increased stock based compensation costs offset by an overall reduction in other expenses.

Liquidity and Capital Resources

SEAMARK's total available liquid assets, consisting of cash, short-term investments and temporary investments at the end of 2008 were \$11.3 million, down from \$12.1 million at the end of 2007. The decline in total available liquid assets primarily reflects market value declines in temporary investments during 2008, which declined from a value of \$2.9 million at the end of 2007 to \$1.9 million at the end of 2008. Cash and short-term investments increased from \$9.2 million at the end of 2007 to \$9.4 million at the end of 2008.

There are no current liquidity concerns with any financial instruments held by SEAMARK.

Currently available liquid assets are expected to be adequate to meet SEAMARK's financial needs and to fund current operations for the immediate future; therefore, no additional capital resources have been arranged. There is no current expectation that any such additional capital resources will be required.

SEAMARK has no material contractual obligations other than certain operating leases described in Note 15 to the Financial Statements that accompany this MD&A. SEAMARK has no off-balance sheet financial arrangements. The payments due under these contractual obligations are summarized below:

<i>\$ in thousands</i>	2009	2010	2011	2012	2013	after 2013
Long Term Debt	nil	nil	nil	nil	nil	nil
Operating Leases	553	267	269	273	275	46
Other Long Term Obligations	nil	nil	nil	nil	nil	nil
Total Contractual Obligations	553	267	269	273	275	46

Outlook

The near-term economic outlook is very poor. The global economy is in a recessionary period, the length and extent of which is still unknown. Equity market valuations reflect this poor economic outlook, although it is expected that equity market valuations will begin to recover prior to the stabilization of the underlying economy. The timing and extent of that recovery, however, also remains unknown.

SEAMARK's financial results for 2009 will be impacted by the current reduced market valuations on equities, as this will reduce the Company's revenues for the year unless and until market valuations improve. In addition, the general market and economic conditions are expected to negatively impact net asset flows in the near future. Many investors are unable or unwilling to commit additional funding to their investment accounts under current conditions, while other investors are required or choose to withdraw assets for current income needs or to avoid continued market volatility. Partially offsetting this, many defined benefit pension plans are expected to need to commit additional funding to their investment accounts to overcome current funding

shortfalls. On balance, however, general market conditions do not favour new asset growth in early 2009. Despite this, management believes that SEAMARK is well positioned competitively to begin to win new assets when overall market conditions improve.

When selecting an investment manager, investors seek a manager with strong relative performance, a manager that is perceived to be operationally stable, with a strong financial position and tenure in its investment team.

SEAMARK's investment team has executed effectively on its investment process during these challenging market conditions. SEAMARK's balanced, fixed income, and Canadian equity mandates all rank very well in relative terms compared to its competitors for one-, two-, three-, four-, and ten-year periods. Over each of the past three years and for 19 of the last 24 years SEAMARK's balanced pension composite has generated above median performance according to the RBC Dexia industry survey. This strong relative investment performance is expected to make the Company's services attractive to investors who are looking to invest new long-term funding or who are dissatisfied with their current investment managers.

SEAMARK is financially strong, well financed and adequately capitalized. There is no current expectation that any additional capital resources are required or that the Company would be unable to continue to deliver its normal services to clients. Although revenues have been affected as a result of the current economic downturn, SEAMARK's conservative balance sheet has helped it weather the current conditions. SEAMARK is, however, smaller than many of its competitors and, as a public company, its financial condition is subject to greater scrutiny than most of its competitors, few of which are independent public companies. As a result, concerns regarding SEAMARK's perceived financial situation are expected to make it more difficult to win and retain business prior to a sustained improvement in AUM trends.

In order to maintain the strongest possible financial condition for the Company, in the third quarter SEAMARK's Board of Directors elected to suspend the Company's dividend. There is no current intent to restore this dividend for 2009; however, SEAMARK's Board of Directors will continue to review its dividend policy quarterly as is company policy.

SEAMARK has maintained the core investment team responsible for its strong relative investment performance, while experiencing moderate changes in that team over recent months. During 2008, SEAMARK executed a smooth transition in the Chief Investment Officer role as the previous Chief Investment Officer retired. In addition, early in 2009 a member of the investment team has left to join a competitor. These changes have not impacted the Company's ability to deliver quality investment service and investment performance to its clients. Any change in investment personnel, however, has the potential to make it somewhat more difficult for investment management companies to win and retain business.

SEAMARK's revenues are expected to track its AUM in a manner consistent with their historical relationship. AUM will be impacted by changes in the market value of the securities held on behalf of clients, particularly the market value of equity securities as discussed above. AUM will also be impacted by net asset flows, conditions for which are discussed above.

Expenses will vary according to the needs of SEAMARK's business over the course of 2009. If recent unprecedented levels of equity market volatility continue, an additional other-than-temporary impairment charge against SEAMARK's \$1.9 million of temporary investments could be required in 2009, which would have the impact of increasing expenses for the year.

Critical Accounting Estimates

The financial information presented herein has been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed are set out in Note 1 to the Financial Statements that accompany this MD&A. Some of these accounting policies involve estimates that require management's judgment in the use of assumptions about matters that are uncertain at the time the estimate is made. Different estimates, with respect to key variables used for the calculations, or changes to estimates could potentially have a material impact on the Company's net earnings. All financial figures are presented in Canadian dollars.

Valuation of Income Taxes

Accruals for income tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. The Company follows the liability method of accounting for income taxes. Future income tax assets are recognized only to the extent that management determines it is more likely than not that the future income tax assets will be realized. For the year ended December 31, 2008, the Company has taken a valuation allowance of \$226,000 against its future tax assets based on the extent to which it is more likely than not these future tax recoveries will be realized. The valuation allowance is comprised of \$151,000 against the future tax asset for the other-than-temporary impairment of its temporary investments and \$75,000 against the future tax asset for the deductible temporary difference for equity compensation grants.

Future changes in the valuation allowance will be based on changes in management's assessment of the likelihood of realizing the future tax assets and will directly affect income tax expense and therefore net income of the Company.

Goodwill and other Intangible Assets

As a result of the acquisition of Rudderham Norwood Ellison Investment Counsel Ltd. in 2006, SEAMARK acquired goodwill and other intangible assets. Goodwill is the cost of

the acquired company in excess of the fair value of its net assets, including intangible assets, at the acquisition date. The identification and valuation of intangible assets required management to use estimates and make assumptions. Goodwill is assessed for impairment at least annually or whenever a potential impairment may arise as a result of an event or change in circumstances to ensure that the fair value of the reporting unit to which goodwill has been allocated is greater than or at least equal to its carrying value. Fair value is determined using valuation models that take into account such factors as projected earnings, earnings multiples, discount rates, other available external information and market comparables. The determination of fair value requires management to apply judgment in selecting the valuation models and assumptions and estimates to be used in such models and value determinations. These judgments affect the determination of fair value and any resulting impairment charges. An impairment test was performed on goodwill during the fourth quarter and the results concluded that the fair value was higher than the carrying amount so no impairment charge was required.

Other intangible assets are amortized over their estimated useful lives and tested for impairment periodically or whenever a potential impairment may arise as a result of an event or change in circumstances. Management must exercise judgment and make use of estimates and assumptions in determining the estimated useful lives of intangible assets and in periodic determinations of value. An impairment test was completed in the fourth quarter and no impairment was required.

Changes in Accounting Policies

As of January 1, 2008, the Company adopted Section 3862, “Financial Instruments Disclosures” and Section 3863, “Financial Instruments Presentation” from the Canadian Institute of Chartered Accountants’ (“CICA”) Handbook. Sections 3862 and 3863 replace CICA Handbook Section 3861, “Financial Instruments – Disclosure and Presentation”, and increase emphasis on, and disclosure about, fair value, and the credit, liquidity and market risks associated with the financial instruments. The new accounting standards cover disclosure only and have no impact on the financial results.

Also, on January 1, 2008, the Company adopted CICA Handbook Section 1535, “Capital Disclosures”. This section requires the Company to disclose its objectives, policies and processes for the management of its capital. The new standard covers disclosure only and has no impact on financial results.

Future Accounting Changes

Goodwill and Intangible Assets

As of January 1, 2009, the Company will be required to adopt CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which will replace CICA Handbook Section 3062, “Goodwill and Other Intangibles”. The new standard revises the standard for

recognition, measurement, disclosure and presentation of intangible assets. The new standard is not expected to impact the financial results.

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board (“AcSB”) confirmed that International Financial Reporting Standards (“IFRS”) will replace Canadian generally accepted accounting principles in 2011 for profit-orientated publicly accountable enterprises. The purpose of this change is to move towards a single set of accounting standards that will be used worldwide, in order to facilitate and improve the global movement of capital and to improve the quality and transparency of financial reporting. As of January 1, 2011, the Company will have to prepare its financial statements in accordance with IFRS. Although, Canadian generally accepted accounting principles are similar to IFRS, there are some differences that could significantly impact the Company’s financial results. The Company is assessing the potential impacts of this change and developing a plan for convergence.

Transactions with Related Parties

Approximately 31% of SEAMARK’s common shares are owned by The Manufacturers Life Insurance Company, a wholly-owned subsidiary of Manulife Financial Corporation (“Manulife”). SEAMARK provides investment services to Manulife and certain of its subsidiaries on an arm’s length basis on normal commercial terms. SEAMARK’s revenues included \$1.8 million in fees from Manulife and its subsidiaries in 2008 and \$2.8 million in 2007. SEAMARK also purchases services from Manulife and its subsidiaries from time to time on normal commercial terms.

Disclosure Controls and Procedures

The preparation of this Annual Report is supported by a set of disclosure controls and procedures implemented by Management. In fiscal 2008, the design and operation of these controls and procedures were evaluated for their effectiveness. This evaluation confirmed the effectiveness of the design and operation of disclosure controls and procedures as the date of this discussion. The evaluation was performed in accordance with the *Internal Control over Financial Reporting -- Guidance for Smaller Public Companies* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) adopted by the Company and the requirements of the Canadian Securities Administrators set out in Multilateral Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings. Based on the evaluation performed, Management can provide reasonable assurance that material information relating to the Company is reported to it in a timely manner so that it can provide investors with complete and reliable information. This Annual Report was reviewed by Management, the Audit Committee and the Board of Directors, which approved it prior to its publication.

Internal Controls over Financial Reporting

The Company completed an evaluation of the design of internal controls over financial reporting for the Company's main operating and accounting processes. This evaluation enabled the Company to improve, document and test the design of internal controls. Like the evaluation of disclosure controls and procedures, the design of internal controls over financial reporting was evaluated in accordance with the *Internal Control over Financial Reporting -- Guidance for Smaller Public Companies* published by COSO and Multilateral Instrument 52-109 requirements. Based on the results of this evaluation, Management concluded that the internal controls over financial reporting are designed to provide reasonable assurance that its financial reporting is reliable and that the Company's consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles. Going forward, testing will be performed on the various components of the internal controls on a quarterly basis to evaluate the effectiveness of internal controls over financial reporting.

Changes to Internal Controls over Financial Reporting

During fiscal 2008, Management evaluated the design of the internal controls. Management took further steps that enabled it to conclude that no changes were made to the Company's internal controls over financial reporting during the fiscal year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, these controls.

Other Information

Additional information about SEAMARK Asset Management Ltd., including its most recent Annual Information Form, is located on the System for Electronic Document Analysis and Retrieval (SEDAR) website: www.sedar.com

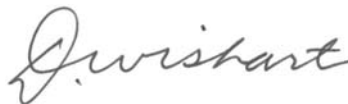
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Preparation of the financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments. All other financial information in the report is consistent with that contained in the financial statements.

The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is chaired by and composed solely of non-management directors, meets regularly with financial management and external auditors to satisfy itself as to the reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Directors for consideration in approving the annual financial statements to be issued to shareholders. The external auditors have full and free access to the Audit Committee.



Stuart R. Raftus
President & Chief Executive Officer
February 18, 2009



Donald A. Wishart
Chief Financial Officer
February 18, 2009

AUDITORS' REPORT

To the Shareholders of
SEAMARK Asset Management Ltd.

We have audited the balance sheet of **SEAMARK Asset Management Ltd.** as at December 31, 2008 and 2007 and the statements of operations, retained earnings, comprehensive income 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 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 December 31, 2008 and 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Halifax, Canada
February 18, 2009

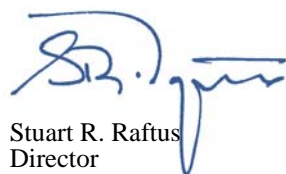
Chartered Accountants

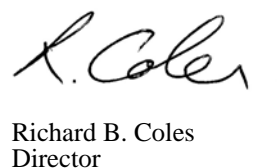
CONSOLIDATED BALANCE SHEETS

As at December 31 (\$ in thousands)	2008	2007
ASSETS		
Current		
Cash and short-term investments	\$ 9,350	\$ 9,189
Temporary investments (note 14)	1,916	2,875
Accounts receivable and prepaid expenses (note 12)	2,450	3,686
Income tax receivable	487	78
Future income tax asset (note 8)	-	178
	<u>14,203</u>	<u>16,006</u>
Capital assets (note 5)	442	574
Intangible assets (note 6)	306	346
Goodwill (note 6)	389	389
Future income tax asset (note 8)	185	-
	<u>\$ 15,525</u>	<u>\$ 17,315</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,256	\$ 1,849
Future income tax (note 8)	138	160
	<u>1,394</u>	<u>2,009</u>
Capital stock (note 10)	7,249	6,555
Less share purchase financing (note 9)	(3,629)	(4,179)
Contributed surplus (note 11)	768	580
Retained earnings	9,757	12,447
Accumulated other comprehensive income (note 13)	(14)	(97)
	<u>14,131</u>	<u>15,306</u>
	<u>\$ 15,525</u>	<u>\$ 17,315</u>

See accompanying notes

On behalf of the Board:


Stuart R. Raftus
Director


Richard B. Coles
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended December 31 (\$ in thousands, except per share)	2008	2007
REVENUE		
Institutional clients (note 12)	\$ 4,248	\$ 5,671
Mutual fund clients	460	563
Private clients and WRAP accounts	5,440	7,159
Investment income	374	781
	10,522	14,174
EXPENSES		
General and administrative	8,520	9,330
Impairment of temporary investments (note 14)	858	-
Amortization	227	243
	9,605	9,573
Earnings before income taxes	917	4,601
Income taxes (note 8)		
Current income taxes	875	1,885
Future income taxes	(51)	(115)
	824	1,770
Net earnings	\$ 93	\$ 2,831
EARNINGS PER SHARE		
Basic	\$ 0.01	\$ 0.27
Diluted	\$ 0.01	\$ 0.25
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)		
Basic	10,421	10,465
Diluted	10,694	11,109

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year ended December 31 (\$ in thousands)	2008	2007
Retained earnings - beginning of year	\$ 12,447	\$ 13,264
Net earnings	93	2,831
	12,540	16,095
Less		
Excess on acquisition of common shares (note 11)	578	689
Dividends paid	2,205	2,959
Retained earnings - end of year	\$ 9,757	\$ 12,447

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31 (\$ in thousands)	2008	2007
Net earnings	\$ 93	2,831
Other comprehensive income (loss):		
Unrealized losses on temporary investments, net of income taxes of nil (2007 - \$46 thousand) for the year ended December 31, 2008	(747)	(199)
Realized other than temporary impairment of temporary investments included in net income, net of income taxes of nil (2007 - nil) for the year ended December 31, 2008	858	-
Realized gains on temporary investments sold and included in net income, net of income taxes of \$6 thousand (2007 - \$53 thousand) for the year ended December 31, 2008	(28)	(230)
Other comprehensive income (loss)	83	(429)
Comprehensive income	\$ 176	2,402

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 (\$ in thousands)	2008	2007
OPERATING ACTIVITIES		
Net earnings for the year	\$ 93	\$ 2,831
Items not affecting cash		
Amortization	227	243
Impairment of temporary investments (note 14)	858	-
Non-cash compensation expense	991	855
Future income tax	(51)	(115)
Loss on disposal of capital assets	3	9
Gain on disposal of temporary investments	(34)	(283)
Share purchase financing (note 9)	550	550
	2,637	4,090
Changes in non-cash working capital related to operations (note 4)	234	667
	2,871	4,757
FINANCING ACTIVITIES		
Dividends paid	(2,205)	(2,959)
Acquisition of common shares (note 10)	(687)	(750)
	(2,892)	(3,709)
INVESTING ACTIVITIES		
Acquisition of capital assets	(58)	(140)
Purchase of temporary investments	(471)	(2,734)
Proceeds from the sale of temporary investments	711	3,643
	182	769
Increase (decrease) in cash and short-term investments	161	1,817
Cash and short-term investments, beginning of period	9,189	7,372
Cash and short-term investments, end of period	\$ 9,350	\$ 9,189
Cash is comprised of		
Cash	\$ 292	\$ 624
Short-term investments	9,058	8,565
Cash and short-term investments, end of period	\$ 9,350	\$ 9,189

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The significant accounting policies followed in the preparation of these financial statements are summarized below:

Depreciation

Furniture and office equipment is depreciated over its estimated useful life, at the annual rate of 20% calculated using the declining balance basis. Computer equipment is depreciated over its estimated useful life, at the annual rate of 30% calculated using the declining balance basis. Software is depreciated over its estimated useful life calculated using the straight-line method. Leasehold improvements are depreciated over the life of the lease calculated using the straight-line method.

Business acquisitions

The Company accounts for business acquisitions as purchase transactions. Accordingly, the purchase price of a business transaction is allocated to its identifiable net assets on the basis of estimated fair values as at the date of purchase, including identifiable intangible assets and associated future income tax effects, with any excess being assigned to goodwill.

Goodwill

Goodwill and intangible assets with indefinite lives are not amortized but are tested for impairment at least annually or when circumstances suggest that impairment may have occurred. Intangible assets with a definite life are amortized on a straight-line basis over their useful life of ten years. When impairment has occurred, a write down to fair value is charged to income in the period that such determination is made.

Income taxes

The Company follows the liability method of accounting for income taxes whereby future income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax base of assets and liabilities, measured using the tax rates substantially enacted at the balance sheet date. The effect of changes in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change becomes substantially enacted. The Company assesses, based on all evidence available, the likelihood that future income tax assets will be recovered from future taxable income and to the extent that recovery cannot be considered “more likely than not”, a valuation allowance is established. If the valuation allowance is changed in a period, an expense or benefit is recognized in income.

Earnings per share

Basic earnings per share is based on the weighted average of common shares outstanding for the year. Diluted earnings per share is calculated using the treasury stock method and based on the weighted average number of common shares outstanding plus diluted common share equivalents.

Financial instruments

The Company fair values financial instruments as follows:

- Cash and short term investments are classified as financial assets held for trading and are measured at fair value. Gains and losses related to periodic revaluation are recorded in net income. The carrying amount approximates fair value.
- Temporary investments are classified as available for sale and are measured at fair value and marked-to-market through comprehensive income at each period end.
- Accounts receivable are classified as loans and receivables which are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method. The carrying amount approximates fair value.

- Bank overdraft, accounts payable and accrued liabilities are classified as other liabilities and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method. The carrying amount approximates fair value.

Transaction costs for financial instruments classified as held for trading, loans and receivables and other liabilities are recognized immediately in net income. Transaction costs for available for sale financial assets that are directly attributable to the acquisition are included in the fair value of the asset.

The Company has elected trade-date accounting for regular-way purchase or sale of financial assets. The asset to be received and the liability to pay for it as well as the derecognition of an asset to be sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment are recognized on the trade date.

Revenue recognition

Revenue related to the provision of investment management and advisory services is recognized as the related services are provided.

WRAPs are separately managed accounts at brokerage firms for which the Company provides investment management services.

Stock-based compensation

The Company accounts for its stock options in accordance with the fair value based method of accounting for stock-based compensation. The proceeds from the exercise of stock options are recorded as share capital when options are exercised.

The Company operates a deferred stock unit plan for its employees. Each deferred stock unit entitles the participant to receive one common share of the Company subject to certain vesting provisions. Compensation expense is recorded on a straight-line basis over the vesting period commencing at the time such entitlement is earned by the employee at the fair value of the Company's shares as at that date.

Employee benefit plan

The Company has a defined contribution pension plan covering substantially all of its employees. Company contributions to the plan are expensed as incurred.

Consolidation of variable interest entities

The Company uses a compensation trust, which holds the Company's common shares, to fulfill obligations to employees arising from the Company's deferred stock unit plan. The Company is the primary beneficiary of the trust, and therefore the trust is consolidated in the financial statements of the Company.

Use of estimates

The preparation of the financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions may affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates include revenue accruals, intangible asset amortization and impairment assessment and goodwill impairment assessment. Actual results could differ from the estimates and assumptions used.

2. Change in Accounting Policies

Financial instruments – Disclosure and Presentation

On January 1, 2008, the Company adopted Section 3862 – Financial Instruments Disclosures and 3863 – Financial Instruments Presentation from the Canadian Institute of Chartered Accountants’ (“CICA”) Handbook. Sections 3862 and 3863 replace section 3861 – Financial Instruments – Disclosure and Presentation, and increase emphasis on, and disclosure about, fair value, and the credit, liquidity and market risks associated with the financial instruments.

Capital Disclosures

On January 1, 2008 the Company adopted Section 1535 – Capital Disclosures from the CICA Handbook. It requires the Company to disclose its objectives, policies and processes for the management of its capital.

Future Accounting Changes

Goodwill and Intangible Assets

As of January 1, 2009, the Company will be required to adopt Section 3064 – Goodwill and Intangible Assets from the CICA Handbook which will replace Section 3062 – Goodwill and Other Intangibles. The new standard revises the standard for recognition, measurement, disclosure and presentation of intangible assets.

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board (“AcSB”) confirmed that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP in 2011 for profit-orientated publicly accountable enterprises. The Company is assessing the potential impacts of this change and developing a plan for convergence.

3. Ownership and Major Customers

The Manufacturers Life Insurance Company, a wholly-owned subsidiary of Manulife Financial Corporation (“Manulife”), owns approximately 31% of the Company.

During the year, the Company had three customers who represented approximately 22%, 18% and 10% (2007 - 23%, 21% and 10%) of revenue, respectively.

4. Changes in Non-Cash Working Capital

(thousands of dollars)	2008 \$	2007 \$
Accounts receivable	1,236	388
Income tax receivable	(409)	(31)
Accounts payable and accrued liabilities	(593)	310
Changes in non-cash working capital	234	667

5. Capital Assets

(thousands of dollars)	As at December 31, 2008		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	587	425	162
Computer equipment	373	280	93
Software	465	278	187
Leasehold	67	67	-
Total capital assets	1,492	1,050	442

(thousands of dollars)	As at December 31, 2007		
	Cost	Accumulated Depreciation	NBV
	\$	\$	\$
Furniture & office equipment	587	384	203
Computer equipment	382	256	126
Software	417	181	236
Leasehold	67	58	9
Total capital assets	1,453	879	574

6. Intangible Assets

The Company's net book value of goodwill at December 31, 2008 is \$389,000 (December 31, 2007 – \$389,000). The Company tested for impairment during the year and at December 31, 2008 the carrying value of goodwill was not impaired.

The Company's intangible assets are comprised of investment management contracts which are amortized over their estimated useful life of 10 years. The net book value of intangible assets is as follows:

(thousands of dollars)	December 31, 2008			December 31, 2007		
	Cost	Accumulated Amortization	NBV	Cost	Accumulated Amortization	NBV
	\$	\$	\$	\$	\$	\$
Investment management contracts	402	96	306	402	56	346

7. Employee Benefit Plan

During the year, the Company contributed \$157,000 (2007 – \$162,000) to its defined contribution pension plan.

8. Income Taxes

The significant components of the Company's future tax assets and liabilities are as follows

(thousands of dollars)	2008	2007
	\$	\$
Future tax assets (liabilities)		
Temporary investments	151	22
Capital assets	(44)	(54)
Intangible asset	(94)	(106)
Compensation arrangements	260	156
Net future tax assets before valuation allowance	273	18
Valuation allowance	(226)	-
Net future income tax asset (liability)	47	18

For the year ended December 31, 2008, the Company has taken a \$226,000 valuation allowance (2007 – nil) against its future tax assets based on the extent to which it is more likely than not these future tax recoveries will be realized. The valuation allowance is comprised of \$151,000 (2007 – nil) against the future tax asset for temporary investments and \$75,000 (2007 – nil) against the future tax asset for the deductible temporary difference for compensation arrangements.

A reconciliation of statutory income tax rate to the effective income tax rate is as follows:

(in thousands of dollars, except percentages)	2008	2007
	\$	\$
Earnings before income taxes	917	4,601
Combined federal and provincial statutory income tax rate	35.2%	37.8%
Income tax expense calculated at statutory rates	323	1,739
Adjustments to taxes resulting from:		
Non-deductible portion for other-than-temporary impairment of temporary investments	151	-
Non-deductible compensation	87	121
Non-taxable dividends	(23)	(28)
Non-taxable portion of capital gains	(6)	(53)
Valuation allowance	226	-
Other	66	(9)
Income tax expense	824	1,770

9. Share Purchase Financing

The Company advanced two equal forgivable loans totaling \$5,000,000 to the President and CEO of the Company in connection with an employment agreement. Under the terms of the agreement the President and CEO was obligated and has subsequently purchased \$7,500,000 of the Company's common shares. The employment agreement provides for forgiveness of \$250,000 of each loan annually subject to the achievement of certain performance criteria and service requirements. The loans are also forgivable in the event of termination of employment without cause. The loans are non-interest bearing, have full recourse against the President and CEO and the Company is the beneficiary of a life insurance policy on the life of the President and CEO.

The Company has advanced a forgivable \$250,000 loan to an employee in connection with an employment agreement for the purchase of shares of the Company. The employment agreement provides for the forgiveness of \$50,000 annually subject to the employee fulfilling equivalent service requirements. The loan is full recourse non-interest bearing and the escrowed shares are held by the Company as security. The shares are released annually in installments of 20%. The current market value of the escrowed shares at December 31, 2008 was \$26,000.

During the year the loans, less earned or accrued forgiveness, outstanding of \$3,629,000 are accounted for in the accompanying balance sheet as share purchase financing and as a result are deducted from shareholder's equity. The related earned or accrued forgiveness of \$550,000 for the twelve months ended December 31, 2008 (2007 – \$550,000) is accounted for as compensation expense in the accompanying statement of operations.

10. Share Capital

Authorized

Unlimited common shares without par value.

Issued

	2008		2007	
	Number of Shares	Amount	Number of Shares	Amount
(thousands of dollars, except number of shares)	#	\$	#	\$
Common Shares				
Balance beginning of year	10,549	6,555	10,533	5,796
Acquisition of common shares for deferred stock unit plan (note 11)	(172)	(109)	(108)	(61)
Contingent consideration settled for business acquisition	-	-	16	113
Shares released from escrow to employees (note 11)	25	171	25	171
Shares released for deferred stock unit plan (note 11)	105	632	83	536
Balance end of year	10,507	7,249	10,549	6,555

11. Stock-based Compensation

The Company operates a deferred share unit ("DSU") plan for certain employees. Each vested DSU entitles the participant to receive one common share of the Company. DSUs vest over a three year period. The Company uses a trust to acquire the Company's common shares on the open market to fulfill its obligations under the DSU plan. An independent party serves as the trustee of the plan. During the year the Company acquired 172,000 shares at a total cost of \$687,000 under the DSU plan and charged \$109,000 against share capital and the balance of \$578,000 to retained earnings.

At December 31, 2008 the company had awarded 164,000 DSUs (2007 – 44,000) and 7,000 DSU's (2007 – nil) were forfeited. The total compensation cost that has been charged against income and credited to contributed surplus for the DSU plan for the year ended December 31, 2008 was \$744,000 (2007 – \$536,000). During the year ended December 31, 2008, 105,000 shares were released from the trust for vested DSU's.

As part of a business acquisition, common shares were held in escrow and released based on the continued employment of the principal shareholders of the acquired company and are automatically forfeited if employment terminates. During the year ended December 31, 2008, 25,000 shares (2007 – 25,000) were released from escrow and 17,000 shares (2007 – nil) were forfeited. For the year ended December 31, 2008, \$143,000 (2007 – \$206,000) has been charged to compensation expense.

11. Stock-based Compensation (continued)

Stock Options

On May 1, 2008 at the Company's annual and special meeting of the shareholders, the shareholders approved an Amended Stock Option Plan. Under the amended plan, the Company may grant stock options to purchase shares up to 10% of the issued and outstanding common shares from time to time. At December 31, 2008, 1,083,832 options were available for issuance of which 636,000 options have been issued. The exercise price of the option is determined by the Compensation Committee of the Board of Directors at the time the option is granted, but cannot be less than the average price of the shares on the last five trading dates preceding the date of the grant. The expiry date of the options is determined by the Compensation Committee of the Board of Directors at the time the option is granted, but cannot be more than ten years from the date of the grant. Options become exercisable either on the anniversary of the grant date or over time at the rate of 20% of the total options granted on each anniversary of the grant date.

The following summarizes the status of the Company's stock option plan as of December 31, 2008 and December 31, 2007 and changes during the periods then ended.

	2008		2007	
	Number	Price* \$	Number	Price* \$
Outstanding, beginning of year	644,000	13.47	649,000	13.45
Granted	25,000	4.72	-	-
Forfeited	33,000	17.69	5,000	11.00
Exercised	-	-	-	-
Outstanding, end of year	636,000	12.90	644,000	13.47
Total options exercisable	465,000	14.01	437,000	14.50

*weighted average exercise price

The following table summarizes information for stock options outstanding at December 31, 2008.

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number	Remaining life (years)*	Price* \$	Number	Price* \$
\$4.72 to \$4.72	25,000	9.02	4.72	-	-
\$8.69 to \$8.69	190,000	7.09	8.69	76,000	8.69
\$11.00 to \$11.00	219,000	2.50	11.00	219,000	11.00
\$16.86 to 17.68	27,000	3.07	17.44	27,000	17.44
\$18.29 to \$18.29	80,000	6.50	18.29	48,000	18.29
\$20.19 to \$20.98	40,000	3.98	20.59	40,000	20.59
\$23.00 to \$23.29	55,000	3.84	23.11	55,000	23.11

*weighted average

Total compensation cost that has been charged against income and credited to contributed surplus for the stock option plan for the year is \$104,000 (2007 – \$113,000).

During the year ended December 31, 2008, 25,000 options were granted (2007 – nil). The fair value of options granted was estimated at the date of granting using a Black-Scholes Option Pricing Model with the following assumptions: weighted average risk-free interest rate of 3.60%; dividend yields 6.07%; weighted-average volatility factors of the expected market price of the Company's common shares 33.0% and the weighted average expected life of the options of 5 years. The weighted average fair value of options issued was \$0.82.

Options granted in 2002 had an expected life of 5 years and had the fair value method been adopted for these options they would have been fully expensed in 2007. Therefore pro-forma net income, basic earnings per share and diluted earnings per share would not be impacted for the year end December 31, 2008 (2007 – pro-forma net income reduced by \$42,000, basic earnings per share unchanged at \$0.27 and diluted earnings per share unchanged at \$0.25).

12. Related Party Transactions

The Manufacturers Life Insurance Company, a wholly-owned subsidiary of Manulife Financial Corporation (“Manulife”), owns approximately 31% of the Company. The Company provides investment services to Manulife. A summary of the related party transactions with Manulife, are as follows;

- Included in fee revenue is \$1,826,000 (2007 - \$2,782,000) which was earned from Manulife.
- Included in accounts receivable are amounts due from Manulife of \$386,000 (2007 - \$652,000). These receivables are on the same commercial and credit terms as non-related parties.
- Included in temporary investments at December 31, 2008 are Manulife common shares with a cost of \$30,000 (2007 – \$40,000). These shares were purchased on the open market at fair market value.
- The Company also purchases services from Manulife and its subsidiaries on normal commercial terms.

The Company is the manager-trustee for the SEAMARK Pooled Funds and the SEAMARK Mutual Funds. A summary of the related party transactions with these funds are as follows;

- Included in fee revenue is \$1,997,000 (2007 - \$2,811,000) which was earned from the funds.
- Included in general and administrative expenses is \$257,000 (2007 - \$217,000) of fund expenses absorbed by the Company.
- Included in temporary investments at December 31, 2008 is seed money which is invested in units of the funds with a cost of \$1,730,000 (2007 – \$1,692,000). These units were purchased at their then current net asset values, on the same terms as third party unitholders. Income earned on these units is recorded as investment income and reinvested in additional units of the fund.
- Included in cash and cash equivalents at December 31, 2008 is \$9,058,000 (2007 - \$8,565,000) in units of the money market pooled fund. These units were purchased at their current net asset values, on the same terms as third party unitholders. Income earned on these units is recorded as investment income and reinvested in additional units of the fund.

13. Accumulated Other Comprehensive Income

(thousands of dollars)	2008	2007
Balance, beginning of year	(97)	332
Unrealized losses on temporary investments, net of income taxes of nil (2007 - \$46 thousand)	(747)	(199)
Realized other-than-temporary impairment of temporary investments included in net income, net of income taxes of nil (2007 – nil)	858	-
Realized gains on temporary investments sold and included in net income, net of income taxes of \$6 thousand (2007 - \$53 thousand)	(28)	(230)
Balance, end of year	(14)	(97)

14. Financial Instruments

The Company's financial instruments at December 31, 2008 included cash and cash equivalent, receivables, temporary investments, accounts payable and accrued liabilities.

The Company is exposed to a number of financial risks by virtue of its activities, encompassing market risk (including currency risk), fair value interest rate risk and credit risk. The Company's risk management program is focused on the volatility of financial markets and seeks to limit any potential adverse impact on financial performance and balance sheet strength.

Risk management is carried out by the Executive Management Committee under investment policies approved by the Board of Directors. The finance department implements and maintains controls to ensure that these risks are mitigated in accordance with approved policies. Management reports to the Audit Committee and Board of Directors regularly on the results and effectiveness of these controls.

The Company conducts quarterly reviews to identify and evaluate temporary investments that show indications of impairment. An investment is considered impaired if its fair value falls below its cost and the decline is other than temporary. Factors considered in determining whether a decline is other than temporary include the length of time and extent to which fair value has been below cost, financial condition and near-term prospects of the issuer, and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery. For the year ended December 31, 2008, \$858,000 (2007 – nil) was recorded in net income related for the impairment of temporary investments that were considered other than temporary.

Market Risk

Temporary investments include capital which the Company invests in new products in order to ensure their successful introduction into the marketplace. Products generally consist of mutual and other funds which are comprised of a selection of equity securities, including a portion for which the underlying companies are domiciled outside Canada. Consequently, the Company is impacted by both the changing value of the securities in the market, as well as changes in the relative value of foreign currencies vis-à-vis the Canadian dollar. The Company does not hedge these two risks; rather, it minimizes risk by limiting the amount of capital allocated to new product introduction to amounts which would not materially impact the financial strength and capacity of the Company. In addition, each fund is diversified by sector and the type of businesses in which the investee companies are engaged.

The Company also invests in money market instruments which are limited to securities rated R1-Low or higher. No investments are made in structured debt instruments, including asset backed commercial paper.

Due the current volatility in the markets the Company has revised the reasonable possible change in S&P market index from 5% to 10%. The following table demonstrates the sensitivity to a reasonable possible change in the S&P market index of 10.0% with all other variables held constant on the Company's other comprehensive income and net income.

(thousands of dollars, except market index percentage)	2008		
	Increase/ Decrease in market index	Effect on other comprehensive income	Effect on net income
S&P TSX	+ 10.0%	\$79	-
	- 10.0%	(\$5)	(\$82)
S&P 500	+ 10.0%	\$63	-
	- 10.0%	(\$13)	(\$73)

The following table demonstrates the sensitivity to a reasonable possible change of 5% in foreign currency exchange rate with all other variables held constant on the Company's other comprehensive income and net income.

(thousands of dollars, except currency rate percentage)	2008		
	Increase/ decrease currency rate	Effect on other comprehensive income	Effect on net income
Euro	+ 5.0%	\$1	-
	- 5.0%	-	(\$1)
US dollar	+ 5.0%	\$41	-
	- 5.0%	(\$9)	(\$32)

Fair Value Interest Rate Risk

The Company's money market investments are the only financial instruments bearing interest rate risk. This risk is minimized by the short term to maturity and high credit quality of the underlying borrowers.

Credit Risk

The Company's credit risk is limited to its accounts receivable which have normal thirty day terms. No allowance for bad debts exists and no credit related bad debts have been realized over the past five years.

The aging of the Company's accounts receivable at December 31, 2008 is summarized in the table below.

(thousands of dollars)	30 days or less	31 - 90 days	91 - 180 days	180 + days
Account receivables	\$2,042	\$176	\$0	\$0

Liquidity Risk

The Company has contractual obligations and financial liabilities and therefore is exposed to liquidity risk. The Company monitors its current and expected cash flow requirements to ensure it has sufficient cash and cash equivalents to meet its liquidity requirements over short and longer terms.

15. Capital Management

The Company's primary objectives in managing capital are:

- to maintain an optimal level of unencumbered capital to ensure that the Company can effectively deal with currently volatile and unstable capital markets;
- to provide sufficient unencumbered cash to fund product initiatives in the strategic plan and,
- to provide financial flexibility to respond to opportunities as they arise.

The Company has determined that no debt will be included in its capital structure at this time. Accordingly, its capital is equal to Shareholder's Equity on the balance sheet. The Company's registration as a portfolio manager with the securities regulators requires it to maintain minimum free capital of its maximum insurance deductible plus \$25,000 of working capital. The Company was in compliance with this requirement during the year ended December 31, 2008.

16. Commitments

The aggregate future commitments under operating leases relate to services and leased office equipment and premises occupied by the Company and amount to \$1,683,000. The minimum annual lease payments over the next five years are as follows:

2009	\$553,000
2010	\$267,000
2011	\$269,000
2012	\$273,000
2013	\$275,000

17. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

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SHAREHOLDER INFORMATION

Corporate Information

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Head Office
310 – 1801 Hollis Street
Halifax NS B3J 3N4 CANADA
Tel: (902) 423-9367
Fax: (902) 423-5106
website: www.seamark.ca

Stock Exchange Listing

SEAMARK's common shares trade on the Toronto Stock Exchange under the symbol "SM"

Transfer Agent

CIBC Mellon Trust
PO Box 7010
Adelaide Street Postal Station
Toronto, ON M5C 2W9
Tel: 1-800-387-0825
Fax: (416) 643-5501

Shareholder Contacts

For changes of address, information on dividend payments, and estate transfers, please contact the transfer agent, CIBC Mellon Trust, at 1-800-387-0825.

For other shareholder inquiries, please contact SEAMARK by email at investorrelations@seamark.ca or at (902) 423-9367.

Annual Meeting Information

SEAMARK's annual meeting of shareholders will be held on Thursday, 30 April 2009, at 2 pm, at Purdy's Wharf Tower II, 1969 Upper Water Street, 13th Floor, Halifax, Nova Scotia.

Quarterly Earnings Release Dates

SEAMARK's quarterly earnings are scheduled for release on the following dates:

First Quarter	30 April 2009
Second Quarter	30 July 2009
Third Quarter	27 October 2009
Fourth Quarter	February 2010



SEAMARK
Asset Management Ltd.

INVESTMENT COUNSEL