The review of the Corporation's financial conditions and operating results after its fifth year of operations should be read in conjunction with the financial statements on the following pages. The results of 2003 cover the period from April 1, 2002, to March 31, 2003, while the comparative numbers are for the period of April 1, 2001, to March 31, 2002.

Overview

Financial Performance and Corporation Reserve

In 2003, the Corporation completed its fifth year of operation, as well as the first five-year term of the business plan under the Management, Operation and Maintenance Agreement signed with the federal government in 1998. The financial success of the Corporation is measured by comparing the total cost of operating expenses against the business plan established for the fiscal period. The Corporation has again performed better than anticipated in the business plan by successfully controlling its manageable costs. A close watch on budget management is SLSMC's key to cost control. Regional management teams in Maisonneuve, Niagara and at the Head Office review financial results monthly. Revised forecasts and variance analysis are prepared quarterly. This close scrutiny of costs permits management to make adjustments as soon as negative or positive variances are foreseen.

The Corporation's combined spending level of manageable costs and asset renewal expenses amounted to \$83.7 million, compared to the business plan target of \$86.8 million. The favourable variance of \$3.1 million is added to the Notional Corporation Reserve. This notional reserve is the benchmark for determining whether toll rebates or reductions can be given to the users of the Seaway System. Credits accumulated were used to rebate tolls during the 2002 navigation season; our customers benefited directly by receiving a 1.5% rebate of their tolls for a total reduction of \$0.962 million.

The notional reserve balance at the end of the 5th year of operations is \$14.2 million.

Since the Corporation achieved such a strong cost control performance, The St. Lawrence Seaway Management Corporation was able to reduce the Tariff of tolls permanently by 1.0%, starting with the upcoming 2003 navigation season. The present value over 10 years of this 1% toll reduction amounts to \$5.794 million, which will be reflected as a one-time reduction to the Notional Corporation Reserve. The toll reduction increases the Seaway's competitiveness.

Notional Reserve amount March 31, 2002	\$12.057M
Increase due to Cost Savings vs. Business Plan in 2002-03	\$3.075M
Less Reduction for toll rebates in 2002 Navigation Season	\$0.962M
Net Corporation Reserve March 31,2003	**\$14.170M**
Decrease to reserve for 2003 (Toll reduction of 1%)	\$5.794M

Financial Results

Results of Operations

Revenues

Revenue, on the other hand, fell below the business plan target for the second year in a row. The Corporation's total revenue amounted to \$65.365 million in 2002–03, compared to the target of \$73.864 million, a shortfall of \$8.499 million. Last year's net revenue was \$64.495 million. However, the total revenue of the last 5 years (1998–2003) amounts to \$366.1 million versus the business plan 5-year total of \$367.8 million. The 5-year difference is only \$1.7 million, or less than half of 1%.

In accordance with our new accounting policy, we have added a new item called Amortization of Deferred Contributions related to Capital Assets – for an amount of \$1.450 million in 2002–03, compared to an adjusted 2001–02 amount of \$1.235 million. In prior years, capital asset acquisitions were funded by the Capital Trust Fund and the net contribution was credited 100% to the revenues of the year, although the capital assets would be amortized over their useful life. With this change, the contribution from the Capital Fund is credited to a deferred balance sheet account and amortized on the same basis as the assets for which the contribution was made. The results for prior years have been restated to give a retroactive effect to the application of the policy to October 1, 1998.

The Corporation carried out a physical count of all of its capital assets during the year. This resulted in some write-offs of assets as shown in the Financial Statements. One item amounting to $180,000 was the write-off of a technological project assessed as non-operational at year-end.

The license revenue, which pertains mostly to the agreement with St. Catharines Hydro, was down to $402,000 from last year's $866,000. Electrical power generation in our St. Catharines Powerhouse was reduced last year, following a requirement that limits water usage only to water that is required for navigation in the Welland Canal. The Corporation is seeking other alternatives to fully utilize the Welland Canal power generation capacity.

Investment income is derived from the working capital balances that are maintained in our bank accounts. On a quarterly basis, the Corporation remits any excess cash to the Capital Fund Trust or, in case of cash shortfall, funds are obtained quarterly from the Capital Fund Trust . The management of the funds generated by the Corporation is subject to terms established by the Capital Fund Trust, which was established as of October 1, 1998, upon the transfer of responsibility for the Seaway to the Corporation.

Expenses

Operating expenses for 2002–03, related to the management and operation of the Seaway infrastructure, amount to $58.4 million, an increase of 9.80% from the previous year's total of $53.2 million, but still under the business plan target of $60.7 million.

Salaries and wages paid to employees rose by $1.14 million or 3.34% from last year's amount. The current and future employee benefits and pension costs rose by 22.7% to a total of $13.7 million from last year's $11.1 million. Continued high health insurance costs and lower than expected investment returns on pension plan funds contributed to the increased costs of employee benefits. The combined salaries and wages paid to employees plus the employee benefits and pension costs totalled $48.8 million or 83.5% of the total operating costs. In 2001–02 the total salaries and wages paid to employees plus the employee benefits and pension costs totalled $45.2M, or 84.9% of total operating costs. The Corporation reduced its full-time equivalents (FTEs) from 619 in 2001–02 to 606 in 2002-03, with tighter control on overtime and attendance.

The other operating costs amount to $9.6 million for 2002–03, compared to $8.0 million for the previous fiscal year. Two thirds of the increase comes from insurance costs, which continue to increase at levels far above planned amounts. The infrastructure and liability insurance for 2002–03 amounted to $2.29 million, compared to the previous year's $1.23 million and $0.67 million two years ago. This is a 240% increase in a three-year period. As part of its strategic objectives, the Corporation has been actively evaluating its business risks and addressing them as they are identified. The insurers are kept advised of progress and it is hoped that insurance premiums will be positively affected by more active risk management.

The other operating costs, excluding insurance expenses, amount to $7.3 million this year, as opposed to $6.77 million in the previous year – an increase of 7.8%. Energy costs increased during the year and contributed to increased electricity, heating and gasoline costs. The Corporation continues to seek ways to reduce its operating costs. During the year, a vehicle management study was performed by an outside consultant. Several areas for improvement were found and will be implemented to optimise the management of all Seaway vehicles.

Asset Renewal

The asset renewal program, representing the cost of maintenance and major repairs of locks, canal bridges, buildings and other infrastructure assets, totals $22.9 million for the current year, compared to $22.8 million for the fiscal year 2001-02.

The amortization expense of $3.068 million for the year ending March 31, 2003, is lower by $86,000 than the previous year's amount and is consistent with the accounting policy described in Note 4(d).

Liquidity and Funding – Cash Flow

The liquidity and funding of the Corporation are clearly set out in the Maintenance and Operations Management Agreement and the Trust Agreement with Transport Canada. The Corporation's deficits (if any) are to be reimbursed by the Capital Fund, while the Corporation's surplus funds (if any) are to be returned to the Capital Fund. In 2002–03, the Corporation remained in a negative cash flow position for the second year in a row, due to substantially reduced toll revenue. In the first three years of the business plan, the Corporation produced positive cash flows and funds were returned to the Capital Trust Fund. In the last two fiscal years, the Corporation has drawn from the Capital Trust Fund. The 2002–03 contribution towards operating expenses was $13.588 million, compared to $11.147 million in the previous year. The contribution towards capital acquisitions was also up in 2002–03 from $1.763 million to $2.732 million. (Notes 7 and 13 explain the amounts owed or paid by the Capital Trust Fund for the capital asset acquisitions and the contribution towards the Corporation's deficit.)

The Corporation maintains the minimum working capital and cash in the bank that is required to meet all of its financial obligations to its employees and trade creditors. The cash level at March 31, 2003, was $5.910 million, compared to the previous year's $1.394 million.

FIVE YEAR REVIEW (periods ending March 31; $ 000's)

	2003	2002*	2001*	2000*	1999* (6 months)
Revenues					
Tolls	$ **63,524**	$ 62,025	$ 73,383	$ 73,234	$ 28,675
Other navigational revenue	**1,380**	1,360	1,208	1,161	395
License fees	**402**	866	1,015	513	261
Investment income	**273**	219	371	424	552
Gain on sale of capital assets	**(214)**	25	54	694	-
Amortization of deferred contributions related to capital assets	**1,450**	1,235	1,066	576	107
	66,815	65,730	77,097	76,602	29,990
Expenses					
Operating	**58,429**	53,216	53,455	51,230	27,921
Asset renewal	**22,897**	22,750	23,398	20,898	16,964
Amortization of capital assets	**3,068**	3,154	3,192	3,028	1,262
	84,394	79,120	80,045	75,156	46,147
Excess of (expenses over revenue) revenue over expenses before the undernoted	**(17,579)**	(13,390)	(2,948)	1,446	(16,157)
Departure incentives	-	-	-	(512)	(913)
Special examination	**(6)**	(259)	-	-	-
Transaction costs	**(18)**	(144)	(114)	(352)	(1,085)
Contribution (to) from Capital Trust Fund	**13,588**	11,147	630	(4,113)	16,917
Net excess of (expenses over revenue) revenue over expenses	$ **(4,015)**	$ (2,646)	$ (2,432)	$ (3,531)	$ (1,238)

* Re-stated (see note 5)

Management's Responsibility for Financial Reporting

The accompanying financial statements of The St. Lawrence Seaway Management Corporation and all information in this Annual Report are the responsibility of management.

The financial statements have been prepared by management in accordance with generally accepted accounting principles consistent with the accounting policies set out in the notes to the financial statements. Where necessary, management has made informed judgements and estimates in the recording of financial transactions. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the financial statements.

In fulfilling its responsibilities, management has developed and maintains systems of internal control designed to provide reasonable assurance that the Corporation's accounting records are reliable and provide a sound basis for the preparation of the financial statements. Policies and procedures are designed to ensure that transactions are appropriately authorized and assets are safeguarded from loss or unauthorized use.

The Board of Directors carries out its responsibility for review of the annual financial statements principally through the Audit Committee. The Board of Directors has appointed an Audit Committee consisting of three outside directors.

The Audit Committee meets during the year, with management, the internal and external auditors, to review any significant accounting, internal control and auditing matters to satisfy itself that management responsibilities are properly discharged and to review the financial statements before they are presented to the Board of Directors for approval.

The external and internal auditors have full and free access to the members of the Audit Committee with and without the presence of management.

The independent auditors Deloitte & Touche LLP, whose report follows, have audited the financial statements.

Richard Corfe
President & CEO

Carol Lemelin
Vice-President, Finance and Administration

May 1, 2003

Auditors' Report

To the Members of
The St. Lawrence Seaway Management Corporation

We have audited the balance sheet of The St. Lawrence Seaway Management Corporation as at March 31, 2003 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Canada Corporations Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte & Touche LLP
Chartered accountants

May 1, 2003

Statement of Revenue and Expenses

year ended March 31, 2003 ($000's)

	2003	2002 (Restated) (Note 5)
REVENUE		
Tolls	$ 63,524	$ 62,025
Other navigation revenue	1,380	1,360
License fees	402	866
Investment revenue	273	219
Gain (loss) on disposal of capital assets	(214)	25
Amortization of deferred contributions related to capital assets (Note 11)	1,450	1,235
	66,815	65,730
EXPENSES		
Operating	58,429	53,216
Asset renewal	22,897	22,750
Amortization of capital assets	3,068	3,154
	84,394	79,120
Excess of expenses over revenue before special examination costs, transaction costs and contribution from Capital Fund Trust	(17,579)	(13,390)
Special examination costs	(6)	(259)
Transaction costs (Note 14)	(18)	(144)
Contribution from Capital Fund Trust (Note 13)	13,588	11,147
EXCESS OF EXPENSES OVER REVENUE	$ (4,015)	$ (2,646)

FINANCIAL STATEMENTS APPROVED BY THE BOARD

Robert Swenor
Director

Richard Corfe
Director

Balance Sheet

as at March 31, 2003 ($000's)

	2003	2002 (Restated) (Note 5)
CURRENT ASSETS		
Cash	**$ 5,910**	$ 1,394
Accounts receivable (Note 6)	**3,830**	4,121
Supplies inventory	**2,496**	2,340
Prepaid expenses	**1,569**	934
	13,805	8,789
DUE FROM CAPITAL FUND TRUST (Note 7)	**28,039**	31,550
CAPITAL ASSETS (Note 8)	**11,583**	12,290
DUE FROM EMPLOYEE TERMINATION BENEFITS TRUST FUND (Note 10)	**13,890**	13,283
ACCRUED BENEFIT ASSET (Note 9)	**2,769**	2,776
	$ 70,086	$ 68,688
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	**$ 11,670**	$ 10,234
Employee Benefits Payable	**1,394**	1,424
Due to Employee Termination Benefits Trust Fund (Note 10)	**303**	390
Deferred revenues	**1,646**	1,028
	15,013	13,076
EMPLOYEE TERMINATION BENEFITS	**13,890**	13,283
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 11)	**8,386**	7,104
ACCRUED BENEFIT LIABILITY (Note 9)	**17,059**	15,472
	39,335	35,859
	54,348	48,935
NET ASSETS		
Invested in capital assets	**3,197**	5,186
Equity in Canada (Note 12) **12,541** 14,567		
	15,738	19,753
	$ 70,086	$ 68,688

Statement of Cash Flows

year ended March 31, 2003 ($000's)

	2003	2002 (Restated) (Note 5)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of expenses over revenue	**$ (4,015)**	$ (2,646)
Items not affecting cash		
Amortization of capital assets	**3,068**	3,154
(Gain) loss on disposal of capital assets	**214**	(25)
Amortization of deferred contributions related to capital assets	**(1,450)**	(1,235)
Employee future benefits variance	**1,594**	694
	(589)	(58)
Changes in non-cash operating working capital items	**1,437**	(5,515)
Increase in employee termination benefits	**607**	781
Decrease in due to Receiver General for Canada		(1,046)
	1,455	(5,838)
FINANCING		
Contributions from the Capital Fund Trust towards acquisitions of capital assets	**2,732**	1,763
Decrease in due from Capital Fund Trust	**3,511**	7,501
	6,243	9,264
INVESTING		
Increase in Employee Termination Benefits Trust Fund	**(607)**	(781)
Acquisitions of capital assets	**(2,732)**	(1,763)
Proceeds from disposal of capital assets	**157**	58
	(3,182)	(2,486)
NET CASH INFLOW	**4,516**	940
CASH, BEGINNING OF YEAR	**1,394**	454
CASH, END OF YEAR	**$ 5,910**	$ 1,394

Statement of Changes in Net Assets
year ended March 31, 2003 ($000's)

	Invested in Capital Assets	Equity of Canada	Operating Deficit	Total 2003	Total 2002 (Restated) (Note 5)
BALANCE, BEGINNING OF YEAR, as reported	$ 12,290	$ 14,567	$ -	$ 26,857	$ 28,975
Prior period adjustments (Note 5)	(7,104)	-	-	(7,104)	(6,576)
BALANCE, BEGINNING OF YEAR as restated	5,186	14,567	-	19,753	22,399
EXCESS OF EXPENSES OVER REVENUE	-	-	(4,015)	(4,015)	(2,646)
Net acquisition of capital assets	2,361	-	(2,361)	-	-
Capital assets contributions, net of amortization	(1,282)	-	1,282	-	-
Employee future benefits variance	-	(1,594)	1,594	-	-
Net supplementary pension plan variance	-	(432)	432	-	-
Amortization of capital assets	(3,068)	-	3,068	-	-
BALANCE, END OF YEAR	$ 3,197	$ 12,541	$ -	$ 15,738	$19,753

Notes to the Financial Statements
year ended March 31, 2003 ($000's)

1. Incorporation

The St. Lawrence Seaway Management Corporation (the Corporation) was constituted as a not-for-profit corporation under Part II of the *Canada Corporations Act*, on July 9th 1998. Pursuant to an agreement with her Majesty, certain assets of The St. Lawrence Seaway Authority (SLSA), a Crown Corporation, were transferred effective October 1, 1998, to the Corporation. These assets relate to the operation of The St. Lawrence Seaway comprising a deep waterway between Montreal and Lake Erie (the Seaway). As a result of a further agreement with the Minister of Transport, the Corporation assumed responsibility for the management, operation and maintenance of the Seaway for a period of ten years (renewable for a further ten years).

The transferred assets included all of the movable capital assets, intangibles and working capital of SLSA. Ownership of the real property, locks, bridges, buildings and other fixtures was transferred to the Government of Canada on wind-up of SLSA.

On wind-up of SLSA, a trust was created to fund the accumulated entitlement of the Seaway employees who were to be transferred to the Corporation, in respect of their vested termination benefits, known as The Employee Termination Benefits Trust.

Furthermore, on wind-up of SLSA, the surplus funds of the Corporation were transferred to a second trust created for the purpose of funding future deficits arising from the operation and maintenance of the Seaway. This trust, the Capital Fund Trust, was created on October 1, 1998 with a capital of $29,401. The current

1. *INCORPORATION (CONT'D)*

assets and current liabilities of SLSA as at that date were transferred to the new corporation with the requirement that the net proceeds from realization of accounts receivable, after discharging the transferred debts of SLSA, would be paid into the Capital Fund Trust on a quarterly basis.

Immediately following the transfer of assets to the Corporation from SLSA on October 1, 1998, pursuant to a directive from the Minister of Transport, the Corporation transferred $24,000 to the Capital Fund Trust to increase the funds available to $53,401 to fund future operating deficits in accordance with the terms of the Management, Operation and Maintenance Agreement. Transfers of funds to the Corporation to cover future deficits as they occur will be accounted for as revenue in the statement of revenue and expenses.

The Corporation is the Trustee for both of these trusts.

The navigation season of the Seaway is a period of approximately nine months commencing around the beginning of April each year and ending about the end of December. As a consequence the revenue is earned in the first nine months of the fiscal year (which begins on April 1) while most of the maintenance and asset renewal costs are incurred during the period of time when the Seaway is closed (January to March).

2. *OPERATING AGREEMENT*

The Corporation was mandated to manage, operate and maintain the Seaway in accordance with a Management, Operation and Maintenance Agreement, which requires the Corporation to submit five-year business plans throughout the term of the agreement, to the Minister of Transport. The business plan includes anticipated revenues and operating costs and an "Asset Renewal Plan". The Corporation is authorized to charge tolls and other revenues to finance the operation and maintenance of the Seaway, and to recover from the Government of Canada such additional funds, to eliminate operating deficits when required, in accordance with the terms of agreement.

The above agreement also provides for the formation of a "Capital Committee" comprising two representatives of the Corporation and two representatives of the Crown who will review annual plans for the capital, maintenance and asset replacement requirements of the assets under administration of the Corporation. The Committee reviews the Asset Renewal Plan each year and determines if it is appropriate or whether any changes are warranted.

As March 31, 2003 was the final year of the initial business plan, an agreement was reached in April 2003 with the Minister of Transport for an approval of a second five-year business plan to expire in March 2008.

3. *CORPORATION'S RESERVE ACCOUNT*

The Corporation is mandated under the Management, Operation and Maintenance Agreement to establish a notional reserve account. The account is increased in respect of recoveries of operating costs incurred by the Corporation, through government contribution, insurance or indemnity, as well as favourable variances in operating costs and asset renewal costs between those incurred in any year and the projected costs according to the business plan. The notional reserve is reduced by unfavourable variances in actual operating costs and other adjustments. The notional reserve is to be used as an indicator of the amount by which future toll increases may be adjusted, when taking into account the future operations of the Seaway, as evidenced by the Corporation's business plan. The Corporation's notional reserve as at 2003 is $14,170 (2002 - $12,057).

4. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. A summary of significant accounting policies follows:

a) Revenue

Toll revenue and other service charges are recognized as revenue when earned.

b) Supplies inventory

Supplies inventory comprises equipment and supplies used in the operation and maintenance of the Seaway. It includes spare parts which were transferred to the Corporation on October 1, 1998. Certain parts were transferred at nominal value. Supplies are recorded at average cost.

c) Income taxes

The Corporation is exempt from income tax under section 149(1) (*l*) of the *Income Tax Act.*

d) Capital assets

Capital assets of the Corporation consist of temporary structures, movable assets such as motor vehicles; small vessels employed in the operation of the Seaway; office furniture and equipment, including computers and related software. Such assets are capitalized if they have an initial cost of at least $3,000 (three thousand dollars).

Additions are recorded at cost. The cost of assets sold, retired or abandoned, and the related accumulated amortization are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Amortization is recorded using the straight-line method based on the estimated useful service lives of the assets.

The Corporation treats all major maintenance and refurbishment costs, as well as any additions to existing capital assets of the Seaway which were transferred to Canada on the wind-up of SLSA, (defined as "existing managed assets"), as operating costs.

e) Contributions related to capital assets

The deferral method of accounting for contributions related to capital assets is followed. Contributions are recognized as revenue in the year in which the related amortization for such assets is expensed.

f) Employee termination benefits

Employees of the Corporation are entitled to specified benefits as provided for under labour contracts and conditions of employment. These benefits include accumulated sick leave and furlough leave which are payable upon termination of employment. Usually, the benefits correspond to the greater of a week's salary (two weeks for the first year of service) for each year of service, up to a maximum of 28 weeks or 75% of the balance of the employee's accumulated sick leave days. Employees are allowed 15 days of sick leave per year. The liability for benefits is recorded in the accounts as the benefits accrue to the employees.

g) Pension plan

All former employees of SLSA who were transferred to the Corporation on October 1, 1998 are covered by the Public Service Superannuation Plan administered by the Government of Canada for service up to March 31, 1999. The Corporation has established its own defined benefit pension plan and employees were allowed the option of transferring their entitlement to the new plan or remaining with the Public Service Superannuation Plan. New employees, effective April 1, 1999, become members of the Corporation's pension plan.

5. Prior Period Adjustment

The Corporation has reclassified certain externally restricted contributions to deferred contributions relating to capital assets in order to present the nature of the restrictions. Contributions for the purchase of capital assets that will be amortized have been reclassified as deferred and are recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

This change has been applied on a retroactive basis and, accordingly, certain comparative figures have been restated. This change resulted in a decrease in net assets invested in capital assets and an increase in deferred contributions related to the capital assets of $7,104 as at March 31, 2002 ($6,576 as at March 31, 2001) and an increase in amortization of deferred contribution for the year ended March 31, 2002 of $1,235 and a decrease in the contribution from the Capital Trust Fund charged to operations totalling $1,763.

6. Accounts Receivable Accounts Payable and Accrued Liabilities

These accounts are incurred in the normal course of business. They are usually receivable or payable within a month and are non-interest bearing. The carrying amount of each approximates fair value.

year ended March 31, 2003 ($000's)

7. DUE FROM CAPITAL FUND TRUST

The Corporation has an amount receivable from the Capital Fund Trust to cover specific Seaway support obligations such as the Corporation's deficits, net capital acquisitions and other short-term cash requirements in accordance with the Trust Agreement.

Changes in the balance due from the Capital Fund Trust at March 31, were as follows:

	2003	2002
Net balance, beginning of year	**$ 31,550**	$ 39,051
Net set off of opening accounts receivable and accounts payable	**79**	196
Cash requirement paid by Capital Fund	**(7,000)**	(18,300)
Payment of previous year's deficit	**(12,910)**	(2,307)
Contribution receivable for capital acquisitions	**2,732**	1,763
Contribution receivable for operating expenses	**13,588**	11,147
Net balance, end of year	**$ 28,039**	$ 31,550

8. CAPITAL ASSETS

	Annual Amortization Rate	**2003** Cost	**2003** Accumulated Amortization	**2003** Net Book Value	2002 Net Book Value
Information technology systems	20%	**$ 13,143**	**$10,116**	**$3,027**	$3,787
Vehicles	10-20%	**5,200**	**3,596**	**1,604**	1,655
Floating equipment	2-20%	**4,088**	**3,133**	**955**	1,116
Machinery and office equipment	2-20%	**4,107**	**2,421**	**1,686**	1,654
Infrastructure equipment	2-20%	**7,852**	**4,069**	**3,783**	2,716
Assets under construction	-	**528**	**-**	**528**	1,362
		$ 34,918	**$ 23,335**	**$ 11,583**	$ 12,290

year ended March 31, 2003 ($000's)

9. Post Employment Benefits

The Corporation has defined benefits pension plans for employees and also provides post employment benefits, other than pension including supplemental health and life insurance for retired employees. Information about the defined benefit plan and post employment benefits, other than pension, is as follows:

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefits Plan
Accrued benefit obligation			
Balance at beginning of year	$ 86,062	$ 293	$ 30,500
Current service cost (employer)	4,883	76	1,105
Interest cost	6,000	25	2,030
Member contributions	1,550	-	-
Benefits paid	(789)	-	(1,326)
Plan amendments	-	24	-
Actuarial loss	-	24	1,093
Balance at the end of the year	$ 97,706	$ 442	$ 33,402
Plan assets			
Fair value at beginning of year	$ 94,170	$ -	$ 14,254
Return on plan assets	6,487	12	-
Corporation contribution	4,227	720	1,549
Investment experience gain (loss)	(13,840)	(8)	-
Member contributions	1,550	-	-
Benefits paid	(789)	-	(1,326)
Fair value at end of year	$ 91,805	$ 724	$ 14,477
Funded status plan surplus (deficit)	$ (5,901)	$ 282	$ (18,925)
Unamortized past service cost	1,888	58	-
Unamortized net actuarial loss	6,350	92	1,866
Accrued benefit asset (liability) recognized	$ 2,337	$ 432	$ (17,059)

year ended March 31, 2003 ($000's)

9. *Post Employment Benefits (cont'd)*

Significant assumptions

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

(Weighted average assumptions as of January 1, 2003)

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefits Plan
Discount rate	6.75%	6.75%	6.75%
Expected rate of return on plan assets	6.75%	6.75%	0.00%
Rate of compensation increase	4.50%	4.50%	4.50%

For measurement purposes, an 11% health care cost trend rate was assumed for 2003, decreasing gradually to 5% in 2010 and remaining at that level thereafter.

The expected rate of return on other benefits plan is 0% because the terms whereby the Employee Termination Benefits Trust Fund was established provide that all the income earned by the Trust Fund is to be transferred to the Capital Trust Fund.

10. *Employee Termination Benefits Trust Fund*

This amount represents the funds set aside for the accrued employee termination benefits liability of the Corporation which is represented by the assets in the Employee Termination Benefits Trust Fund.

11. *Deferred Contributions Related to Capital Assets*

Deferred contributions related to capital assets represent contributions from the Government of Canada for the acquisition of capital assets as per the Management, Operation and Maintenance Agreement and are amortized at the same rate as the capital assets they represent.

The deferred contributions balance for the year are composed of the following:

	2003	2002
Balance, beginning of year	**$ 7,104**	$ 6,576
Plus: Current year acquisitions of capital assets	**2,732**	1,763
Less: Amortization of assets acquired with deferred contributions	**(1,450)**	(1,235)
Balance, end of year	**$ 8,386**	$ 7,104

year ended March 31, 2003 ($000's)

12. *Equity of Canada*

Upon transfer of certain assets of SLSA to the Corporation on October 1, 1998, the Corporation signed a general security agreement with the Government of Canada covering all the assets of the Corporation, evidenced by a limited recourse term promissory note with a face value of $36,000. The note is payable without interest on the earlier of (a) March 31, 2018, and (b) the termination for any reason whatsoever, of the Management, Operation and Maintenance Agreement. Recourse by the Government of Canada is limited to a) the collateral as defined in the general security agreement; and b) the Hypothecated Property (as defined in the Deed of Movable Hypothec between the Corporation and SLSA); and set off against the Purchase Price (as defined in the Option Agreement between the Corporation and Her Majesty).

The amount recorded as contributed capital arose from the write-up of assets, other than capital assets transferred from SLSA to the Corporation for one dollar ($1) on October 1, 1998, to their book value prior to transfer. Contributed capital is adjusted annually for the post retirement benefits variance.

	2003	2002
Secured contribution of Canada	**$ 36,000**	$ 36,000
Contribution to the Capital Fund Trust	**(24,000)**	(24,000)
Contributed Capital	**541**	2,567
	$ 12,541	$ 14,567

13. *Contribution From the Capital Fund Trust*

The Corporation is entitled to a contribution from the Capital Fund Trust to fund the operating deficit and capital asset acquisitions in accordance with the Operations and Management Agreement.

The contribution towards operations is equal to the excess of expenses over revenue, increased by transaction costs related to the commercialization of the Seaway adjusted for the non-cash items for amortization, the undepreciated cost of capital assets disposed of, and the post retirement benefits variation.

	2003	2002
Excess of expenses over revenue	**$ 17,579**	$ 13,390
Plus: Transaction costs	**18**	144
(Loss) Gain on disposal of assets	**(214)**	25
Special examination costs	**6**	259
Amortization of deferred contributions related to capital assets	**1,450**	1,235
Less: Proceed from sale of capital assets	**(157)**	(58)
Post retirement benefits	**(2,026)**	(694)
Amortization of capital assets	**(3,068)**	(3,154)
Contribution from Capital Fund Trust towards operations	**$ 13,588**	$ 11,147
Contribution from Capital Fund Trust towards acquisitions of capital assets	**$ 2,732**	$ 1,763

14. TRANSACTION COSTS

Costs associated with the transfer of assets and operating responsibility of the Seaway from SLSA to the Corporation, as defined in the Management Operation and Maintenance Agreement, which are not anticipated to recur, have been separately charged to operations as transaction costs.

15. RECOVERABLE EXPENSES

In the normal course of business, the Corporation performs services for other entities and can be reimbursed for expenses incurred relating to maintenance and labour costs. In the current year, the total of expenses recovered is $3,677 (2002 - $3,488) which has been treated as a reduction in operating expenses.

16. COMMITMENTS

As at March 31, 2003, contractual commitments for capital and other expenditures amounted to $4,273 (2002 - $5,115).

17. CONTINGENCIES

The Corporation, in the normal course of business, experiences claims for a variety of reasons. Claims outstanding at March 31, 2003 totalling $24,281 (2002 - $14,188) have not been provided for in the accounts. Management is of the opinion that these actions will not result in any material losses to the Corporation. Claims relating to operation and maintenance of the Seaway incurred by SLSA prior to October 1, 1998 became the obligation of Transport Canada.

18. DIRECTORS' AND OFFICERS' REMUNERATION

As required by the *Canada Marine Act*, the remuneration earned by the directors and officers, in actual dollars, was as follows:

a) Directors' remuneration comprises a fixed fee and a per diem based on attendance at meetings of the Board and its committees.

Name	Appointment Date	Committee and position		Remuneration in 2002/2003
Robert J. Swenor	July 1998	Board	Chair	
	November 1998	Governance	Member	
	September 2000	Human Resources	Member	$ 28,600
George H. Robichon	July 1998	Board	Director	18,600
	November 1998	Governance	Chair	
Alan R. Holt	August 1998	Board	Director	
	August 2001	Human Resources	Chair	22,000
Denise Verreault	September 1998	Board	Director	
	November 1998	Governance	Member	
	November 2000	Audit	Chair	21,400
Marc Dulude	November 1998	Board	Director	
	November 2001	Human Resources	Member	19,200
Douglas Smith	December 2000	Board	Director	
	January 2001	Audit	Member	20,000
Ian MacGregor	October 2001	Board	Director	
	December 2001	Audit	Member	20,000
Nick Fox	January 2002	Board	Director	
	May 2002	Human Resources	Member	17,600
Total of directors' remuneration for the period				$ 167,400

b) Directors' remuneration in respect of their responsibilities as members of the Capital Committee:

Name	Appointment Date	Committee and position	Remuneration in 2002/2003
Alan R. Holt	January 2001	Chairman	$ 4,200
Douglas Smith	January 2001	Member	2,600
			$ 6,800

c) Remuneration paid for the (9) officers, including remuneration as directors, was $1,485,255.

The St. Lawrence Seaway Management Corporation

Corporate Office
The St. Lawrence Seaway
Management Corporation
202 Pitt Street
Cornwall, Ontario
K6J 3P7

Maisonneuve Region
151 Ecluse Street
St. Lambert, Québec
J4R 2V6

Niagara Region
508 Glendale Avenue
St. Catharines, Ontario
L2R 6V8

E-mail
marketing@seaway.ca

Web site
www.greatlakes-seaway.com