The review of the Corporation's financial condition and operating results after its sixth year of operations should be read in conjunction with the financial statements on the following pages. The results of 2004 cover the period from April 1, 2003, to March 31, 2004, while the comparative numbers are for the period of April 1, 2002, to March 31, 2003.

OVERVIEW

Financial Performance and Corporation Reserve

In 2004, the Corporation completed its sixth year of operations, which is the first year of the second five-year 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 costs is SLSMC's key to cost control. Regional management teams in Maisonneuve, Niagara and at the Head Office review financial results monthly and revised forecasts and variance analyses 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 on manageable costs and asset renewal expenses amounted to $86.2 million, compared to the business plan target of $89.1 million. The favourable variance of $2.9 million is added to the Notional Corporation Reserve. This notional reserve is the benchmark for determining whether the Corporation needs to increase Commercial Tolls over and above the preset percentage toll increases contemplated in the Agreement. The notional reserve balance at the end of the 6th year of operations is $11.2 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%, starting with the 2003 navigation season. The toll reduction increases the Seaway's competitiveness. The present value over 10 years of this 1% toll reduction amounts to $5.79 million, which has been reflected as a one-time reduction to the Notional Corporation Reserve.

Notional Reserve amount March 31, 2003	$14.170MM
Increase due to Cost Savings vs. Business Plan in 2003-04	$2.856MM
Less permanent toll reduction starting with 2003 Navigation Season	($5.794MM)
Net Corporation Reserve March 31,2004	**$11.232MM**

Financial Results

RESULTS OF OPERATIONS

Revenues

Revenue continued below the business plan target for the third year in a row. The Corporation's total revenue amounted to $66.56 million in 2003–04, compared to last year's $66.82 million, a decrease of $0.26 million.

The $62.67 million toll revenue for 2003–04 was below the business plan's projected revenue of $73.49 million. This revenue shortfall of $10.83 million has a direct effect on the cash contribution required from the Capital Fund Trust.

The amortization of deferred contributions related to capital assets amounts to $1.93 million in 2003–04, compared to $1.45 million in the previous year. Capital assets acquisitions are funded by the Capital Fund Trust and the net contribution is credited 100% to a deferred balance sheet account, and amortized on the same basis as the assets for which the contribution was made.

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 Trust Fund Agreement.

Expenses

Operating expenses for 2003–04, related to the management and operation of the Seaway infrastructure, amount to $59.16 million, an increase of 1.25% from the previous year's total of $58.43 million, and under the business plan target of $60.66 million.

Salaries and wages paid to employees amounted to $35.78 million, an increase of 1.50% over last year's $35.25 million. The current and future employee benefits and pension costs rose by 6.82% to $14.53 million from last year's $13.6 million. Continued high health insurance and pension plan costs contributed to the increased costs of employee benefits. The combined salaries and wages paid to employees plus the employee benefits and pension costs totalled $50.31 million or 85.0% of the total operating costs. In 2002–03, the total salaries and wages paid plus the employee benefits and pension costs totalled $48.85 million, or 83.6% of total operating costs.

The Corporation reduced its full-time equivalents (FTEs) from 606 in 2002–03 to 600 in 2003–04, with tighter control on overtime and attendance management and reducing positions by attrition where possible.

The other operating costs amount to $8.9 million for 2003–04, compared to $9.6 million for the previous fiscal year. Insurance costs remain a major expense amounting to $2.85 million, compared to the previous year's $2.29 million. 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 more active risk management will have a positive effect on insurance premiums.

The other operating costs, excluding insurance expenses, amount to $6.0 million this year, as opposed to $7.29 million in the previous year – a decrease of $1.29 million. Professional and special services decreased by $440,000, travel and relocation decreased by $203,000 and expense recoveries increased by $200,000. The Corporation continues to seek ways to reduce its operating costs. The improved vehicle management process put into place during the year helped decrease vehicle costs by some $210,000.

Asset Renewal

The asset renewal program, representing the cost of maintenance and major repairs of locks, canals, bridges, buildings and other infrastructure assets, totals $26 million for the current year, compared to $24.2 million for the fiscal year 2002–03.

In late December 2003, SLSMC received a favourable ruling on a request for exemption from the Ontario sales tax of 8% on large equipment purchases for the hydraulics project and other asset renewal. SLSMC argued successfully that these assets belong to the Crown, and the exemption the federal government receives should apply to our purchases as well. The tax savings on hydraulic equipment alone will amount to approximately $2 million over the next five years.

The amortization expense of $2.76 million for the year ended March 31, 2004, is lower by $305,000 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 Management, Operation and Maintenance Agreement and the Trust Fund Agreement with Transport Canada. The Corporation's deficits (if any) are to be reimbursed by the Capital Fund Trust, while the Corporation's surplus funds (if any) are to be returned to the Capital Fund Trust.

In 2003–04, the Corporation remained in a negative cash flow position before the contribution from the Capital Fund Trust for a third year in a row, due to substantially reduced toll revenues. The total revenue generated, less the amortization of deferred contribution related to capital assets

($64.63 million) was sufficient to pay for the Corporation's operating expenses of $59.16 million and left a balance of $5.47 million towards the asset renewal expenditures of $26 million during the year. The 2003–04 contribution towards operating expenses is $16.61 million, compared to $13.59 million in the previous year. The contribution towards capital acquisitions was down in 2003–04 from $2.73 million to $1.7 million. (Notes 5 and 11 explain the amounts owed or paid by the Capital Fund Trust 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, 2004, was $6.19 million, compared to the previous year's $5.91 million.

Five Year Review
year ended March 31, 2004 (000s)

Revenues	**2004**	2003	2002	2001	2000
Tolls	**$62,669**	$63,524	$62,025	$73,383	$73,234
Other navigational revenue	**1,329**	1,380	1,360	1,208	1,161
License fees	**397**	402	866	1,015	513
Investment income	**231**	273	219	371	424
Gain (loss) on sale of capital assets	**2**	(214)	25	54	694
Amortization of deferred contributions related to capital assets	**1,927**	1,450	1,235	1,066	576
	66,555	66,815	65,730	77,097	76,602
Expenses					
Operating	**59,163**	58,429	53,216	53,455	51,230
Asset renewal	**24,321**	22,897	22,750	23,398	20,898
Amortization of capital assets	**2,763**	3,068	3,154	3,192	3,028
	86,247	84,394	79,120	80,045	75,156
Excess of (expenses over revenue) revenue over expenses before the undernoted	**(19,692)**	(17,579)	(13,390)	(2,948)	1,446
Departure incentives	**-**	-	-	-	(512)
Special examination	**-**	(6)	(259)	-	-
Transaction costs	**-**	(18)	(144)	(114)	(352)
Contribution (to) from Capital Trust Fund	**16,605**	13,588	11,147	630	(4,113)
Net excess of (expenses over revenue) revenue over expenses	**$(3,087)**	$(4,015)	$(2,646)	$(2,432)	$(3,531)

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 accounting transactions. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the financial statements.

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

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

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

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

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

Richard Corfe
President & CEO
April 30, 2004

Carol Lemelin
Vice-President, Finance and Administration

Auditor’s 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, 2004 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, 2004 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
April 30, 2004

Statement of Revenue and Expenses

year ended March 31, 2004 (000s)

	2004	2003
Revenue		
Tolls	**$62,669**	$63,524
Other navigation revenue	**1,329**	1,380
License fees	**397**	402
Investment revenue	**231**	273
Gain (loss) on disposal of capital assets	**2**	(214)
Amortization of deferred contributions related to capital assets (Note 9)	**1,927**	1,450
	66,555	66,815
Expenses		
Operating	**59,163**	58,429
Asset renewal	**24,321**	22,897
Amortization of capital assets	**2,763**	3,068
	86,247	84,394
Excess of expenses over revenue before special examination costs, transaction costs and contribution from Capital Fund Trust	**(19,692)**	(17,579)
Special examination costs	**-**	(6)
Transaction costs	**-**	(18)
Contribution from Capital Fund Trust (Note 11)	**16,605**	13,588
EXCESS OF EXPENSES OVER REVENUE	**$(3,087)**	$(4,015)

FINANCIAL STATEMENTS APPROVED BY THE BOARD

Denise Verreault
Director

Richard Corfe
Director

Balance Sheet

year ended March 31, 2004 (000s)

	2004	2003
CURRENT ASSETS		
Cash	**$6,188**	$5,910
Accounts receivable	**3,049**	3,830
Supplies inventory	**2,529**	2,496
Prepaid expenses	**544**	1,569
	12,310	13,805
DUE FROM CAPITAL FUND TRUST (Note 5)	**28,279**	28,039
CAPITAL ASSETS (Note 6)	**10,442**	11,583
DUE FROM EMPLOYEE TERMINATION BENEFITS TRUST FUND (Note 8)	**14,007**	13,890
ACCRUED BENEFIT ASSET (Note 7)	**1,884**	2,769
	$66,922	$70,086
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$10,623**	$11,670
Employee Benefits Payable	**1,423**	1,394
Due to Employee Termination Benefits Trust Fund (Note 8)	**59**	303
Deferred revenues	**1,588**	1,646
	13,693	15,013
EMPLOYEE TERMINATION BENEFITS	**14,007**	13,890
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	**8,160**	8,386
ACCRUED BENEFIT LIABILITY (Note 7)	**18,411**	17,059
	40,578	39,335
	54,271	54,348
NET ASSETS		
Invested in capital assets	**2,282**	3,197
Equity of Canada (Note 10)	**10,369**	12,541
	12,651	15,738
	$66,922	$70,086

Statement of Cash Flows
year ended March 31, 2004 (000s)

	2004	2003
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of expenses over revenue	**$(3,087)**	$(4,015)
Items not affecting cash		
Amortization of capital assets	**2,763**	3,068
(Gain) loss on disposal of capital assets	**(2)**	214
Amortization of deferred contributions related to capital assets	**(1,927)**	(1,450)
Increase in employee termination benefits	**117**	607
Employee future benefits variance	**2,237**	1,594
	101	18
Changes in non-cash operating working capital items	**453**	1,437
	554	1,455
FINANCING		
Contributions from the Capital Fund Trust towards acquisitions of capital assets	**1,701**	2,732
(Increase) decrease in due from Capital Fund Trust	**(240)**	3,511
	1,461	6,243
INVESTING		
Increase in Employee Termination Benefits Trust Fund	**(117)**	(607)
Acquisitions of capital assets	**(1,701)**	(2,732)
Proceeds from disposal of capital assets	**81**	157
	(1,737)	(3,182)
NET CASH INFLOW	**278**	4,516
CASH, BEGINNING OF YEAR	**5,910**	1,394
CASH, END OF YEAR	**$6,188**	$5,910

Statement in Changes of Net Assets
Year ended March 31, 2004 (000s)

	Invested in Capital Assets	Equity of Canada	Operating Deficit	Total 2004	Total 2003
BALANCE, BEGINNING OF YEAR	**$3,197**	**$12,541**	**$ -**	**$15,738**	$19,753
EXCESS OF EXPENSES OVER REVENUE	**-**	**-**	**(3,087)**	**(3,087)**	(4,015)
Net acquisition of capital assets	**1,622**	**-**	**(1,622)**	**-**	-
Capital assets contributions, net of amortization	**226**	**-**	**(226)**	**-**	-
Employee future benefits variance	**-**	**(2,237)**	**2,237**	**-**	-
Net supplementary pension plan variance	**-**	**65**	**(65)**	**-**	-
Amortization of capital assets	**(2,763)**	**-**	**2,763**	**-**	-
BALANCE, END OF YEAR	**$2,282**	**$10,369**	**$ -**	**$12,651**	$15,738

Notes to the Financial Statements
year ended March 31, 2004 (000s)

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. Transfers of funds to the Corporation to cover operating deficits and capital assets acquisitions 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.

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.

3. CORPORATION'S RESERVE ACCOUNT

The Corporation is mandated under the Management, Operation and Maintenance Agreement to establish a notional reserve account. The account is increased in respect of recoveries of operating costs incurred by the Corporation, through government contribution, insurance or indemnity, as well as favourable variances in operating costs and asset renewal costs between those incurred in any year and the projected costs according to the business plan. The notional reserve is reduced by unfavourable variances in actual operating costs and other adjustments. A negative balance would require the Corporation to increase Commercial Tolls over and above the preset percentage toll increase contemplated in the Agreement. The Corporation's notional reserve has a positive balance of $11,230 in 2004 (2003 - $14,170).

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 (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.

year ended March 31, 2004 (000s)

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

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. 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:

(Note 5)	**2004**	2003
Net balance, beginning of year	**$28,039**	$31,550
Net set off of opening accounts receivable and accounts payable	**(66)**	79
Cash requirement paid by the Capital Fund Trust	**(1,680)**	(7,000)
Payment of previous year's deficit	**(16,320)**	(12,910)
Contribution receivable for capital acquisitions	**1,701**	2,732
Contribution receivable for operating expenses	**16,605**	13,588
Net balance, end of year	**$28,279**	$28,039

6. CAPITAL ASSETS

	Annual Amortization Rate	**2004**			2003
		Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Information technology systems	20%	**$13,501**	**$11,341**	**$2,160**	$3,027
Vehicles	10-20%	**5,620**	**3,611**	**2,009**	1,604
Floating equipment	2-20%	**4,085**	**3,254**	**831**	955
Machinery and office equipment	2-20%	**3,981**	**2,301**	**1,680**	1,686
Infrastructure equipment	2-20%	**6,860**	**3,313**	**3,547**	3,783
Assets under construction	-	**215**	**-**	**215**	528
		$34,262	**$23,820**	**$10,442**	$11,583

year ended March 31, 2004 (000 s)

7. POST EMPLOYMENT BENEFITS

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

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation			
Balance at beginning of year	$97,706	$442	$33,402
Current service cost (employer)	4,988	43	1,235
Interest cost	6,783	26	2,234
Member contributions	1,657	-	-
Benefits paid	(1,268)	(14)	(1,991)
Actuarial loss	14,126	64	4,750
Balance at the end of the year	$123,992	$561	$39,630
Plan assets			
Fair value at beginning of year	$91,805	$724	$14,477
Return on plan assets	6,316	24	-
Corporation contribution	4,905	-	2,158
Investment experience gain (loss)	7,706	(15)	-
Member contributions	1,657	-	-
Benefits paid	(1,268)	(14)	(1,991)
Fair value at end of year	$111,121	$719	$14,644
Funded status - plan surplus (deficit)	$(12,871)	$158	$(24,986)
Unamortized past service cost	1,618	38	-
Unamortized net actuarial loss	12,770	171	6,575
Accrued benefit asset (liability) recognized	$1,517	$367	$(18,411)

year ended March 31, 2004 (000 s)

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 Benefit Plans
Discount rate	6.00%	6.00%	6.00%
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 7.85% health care cost trend rate was assumed for 2004, decreasing gradually to 4.35% in 2014 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.

8. 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.

9. 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:

	2004	2003
Balance, beginning of year	**$8,386**	$7,104
Plus: Current year acquisitions of capital assets	**1,701**	2,732
Less: Amortization of assets acquired with deferred contributions	**(1,927)**	(1,450)
Balance, end of year	**$8,160**	$8,386

10. EQUITY OF CANADA

	2004	2003
Secured contribution of Canada	**$36,000**	$36,000
Contribution to the Capital Fund Trust	**(24,000)**	(24,000)
Contributed Capital (deficit)	**(1,631)**	541
	$10,369	$12,541

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).

year ended March 31, 2004 (000s)

11. 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.

12. COMMITMENTS

As at March 31, 2004, contractual commitments for capital and other expenditures amounted to $4,155 (2003 - $4,273).

13. CONTINGENCIES

The Corporation, in the normal course of business, experiences claims for a variety of reasons. Claims outstanding at March 31, 2004 totalling $24,905 (2003 - $24,281) 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.

(Note 11)	**2004**	2003
Excess of expenses over revenue before adjustments	**$ 19,692**	$ 17,579
Plus: Transaction costs	**-**	18
(Loss) Gain on disposal of assets	**2**	(214)
Special examination costs	**-**	6
Amortization of deferred contributions related to capital assets	**1,927**	1,450
Less: Proceeds from disposal of capital assets	**(81)**	(157)
Post retirement benefits	**(2,172)**	(2,026)
Amortization of capital assets	**(2,763)**	(3,068)
Contribution from Capital Fund Trust towards operations	**$ 16,605**	$ 13,588
Contribution from Capital Fund Trust towards acquisitions of capital assets	**$ 1,701**	$ 2,732

year ended March 31, 2004 (000 s)

14. DIRECTORS' AND OFFICERS' REMUNERATION

The remuneration earned by the directors and officers, in actual dollars, was as follows:

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

Name	Appointment Date	Committee and position		Remuneration in 2003/2004
Robert J. Swenor	July 1998	Board	Chair	
	November 1998	Governance	Member	
	September 2000	Human Resources	Member	$ 23,600
Georges H. Robichon	July 1998	Board	Director	
	November 1998	Governance	Chair	17,200
Alan R. Holt	August 1998	Board	Director	
	August 2001	Human Resources	Chair	18,200
Denise Verreault	September 1998	Board	Director	
	November 1998	Governance	Member	
	November 2000	Audit	Chair	19,200
Marc Dulude	November 1998	Board	Director	
	November 2001	Human Resources	Member	17,000
Douglas Smith	December 2000	Board	Director	
	January 2001	Audit	Member	18,600
Ian MacGregor	October 2001	Board	Director	
	December 2001	Audit	Member	18,600
Nick Fox	January 2002	Board	Director	
	May 2002	Human Resources	Member	17,600
Total of directors' remuneration for the period				$150,000

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

Name	Appointment Date	Committee and position	Remuneration in 2004/2003
Alan R. Holt	January 2001	Chairman	$ 1,400
Douglas Smith	January 2001	Member	1,200
			$ 2,600

c) Remuneration paid for the (6) officers was $870,951.