The review of the Corporation's financial condition and operating results after its seventh year of operations should be read in conjunction with the financial statements on the following pages. The results for 2005 cover the period from April 1, 2004, to March 31, 2005, while the comparative numbers are for the period from April 1, 2003, to March 31, 2004.

OVERVIEW

Financial Performance and Corporation Reserve

In 2005, the Corporation completed its seventh year of operations, as well as Year two of its second five-year business plan under the Management, Operation and Maintenance Agreement signed with the federal government in 1998. The financial performance of the Corporation is measured by comparing the total operating expenses for a given fiscal against the business plan established for the same 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. 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 spending on manageable costs and asset renewal projects amounted to $93.2 million compared to a business plan target of $96.4 million. The favourable variance of $3.2 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 percentage toll increases contemplated in the Agreement. The notional reserve balance at the end of the seventh year of operations is $14.5 million.

Financial Results

RESULTS OF OPERATIONS

Revenues

Toll revenue rose 12% in the fiscal year, from $62.7million in 2003 to $70.3 million in 2004, while total revenue rose by 11%, to $74.0 million. However, this amount is still below the business plan target of $83.2 million. The revenue shortfall of $9.2 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 $1.6 million in 2004/05, compared to $1.9 million in the previous year. Capital assets acquisitions are funded by the Capital Fund Trust; 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 maintained in our bank accounts. On a quarterly basis, the Corporation either remits any excess cash to the Capital Fund Trust or, in case of a cash shortfall, obtains funds from the Capital Fund Trust in accordance with the Trust Agreement.

Expenses

Operating expenses for 2004/05, related to the management and operation of the Seaway infrastructure, amount to $60.2 million. While this is an increase of 1.72% from the previous year's $59.2 million, it is still below the business plan target of $63.01 million.

Salaries and wages paid to employees amounted to $36.6 million, an increase of 2.22% over last year's $35.8 million. Current and future employee benefits and pension costs rose by 4.14% to $15.1 million from last year's $14.5 million. Continued high health insurance and pension plan costs, including $1.7 million in additional pension contribution made in accordance with the Actuarial Valuation Report to fund the solvency deficit of the Pension Plan, contributed to the increased costs of employee benefits. The combined salaries and wages paid to employees, plus employee benefits and pension costs, totalled $51.7 million, or 86.0% of total operating costs. In 2003/04, the total salaries and wages paid, plus the employee benefits and pension costs, totalled $50.3 million, or 85.0% of total operating costs.

The Corporation maintained the number of its full-time equivalent employees (FTEs) at 600 in 2004/05, the same level as in 2003/04.

The other operating costs amount to $8.5 million for 2004/05, compared to $8.9 million for the previous fiscal year. Insurance costs remain a major expense, amounting to $2.8 million; the general increase in premiums of 4% was offset in part by an Ontario sales tax refund of $0.2 million, received as the result of a favourable ruling during the year. 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 remaining operating costs, excluding insurance expenses, amount to $5.7 million this year, as opposed to $6.0 million in the previous year – a decrease of $0.3 million.

Asset Renewal

The asset renewal expenditures, representing the cost of maintenance and major repairs of locks, canal bridges, buildings and other infrastructure assets, totals $32.1 million for the current year, compared to $24.3 million for the fiscal year 2003/04. In addition to this year's asset renewal expenses an amount of $4.2 million was spent for the Welland Canal power generation equipment. The two turbines needed major rehabilitation and were at the end of their useful life; the work done is expected to extend their useful life for an additional 25 years. The electricity generated in the Welland Canal is first used to power all of SLSMC's Niagara Region electricity needs, to the value of $1.2 million annually; the surplus power is sold to the Ontario grid through a connection agreement with a local electricity distributor.

The amortization expense of $1.9 million for the year ending March 31, 2005 is consistent with the accounting policy described in Note 4(d). Full amortization of major Information Technology assets was reached at the beginning of the fiscal year and explains the reduction of $0.9 million in this type of expense compared to 2003/04.

Liquidity and Funding – Cash Flow

Guidelines for the liquidity and funding of the Corporation are clearly set out in the Management, Operations and Management Agreement and the Trust 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 2004/05, the Corporation remained in a negative cash flow position. The total revenue generated, less the amortization of deferred contribution related to capital assets ($72.4 million) was sufficient to cover the Corporation's operating expenses of $60.2 million and allowed for a contribution of $12.2 million towards the asset renewal expenditures of $32.1 million during the year.

The 2004/05 contribution to operations from the Capital Fund Trust is $22.7 million, compared to $16.6 million in the previous year. The contribution required for capital acquisitions in 2004/05 amounted to $1.7 million compared to $0.8 million in the previous fiscal year. (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, 2005, was $6.7 million, compared to the previous year's $6.2 million.

Five Year Review

year ended March 31, 2005 ($000s)

Revenues	**2005**	2004	2003	2002	2001
Tolls	**$70,271**	$62,669	$63,524	$62,025	$73,383
Other navigational revenue	**1,476**	1,329	1,380	1,360	1,208
License fees	**434**	397	402	866	1,015
Investment income	**191**	231	273	219	371
Gain on sale of capital assets	**20**	2	(214)	25	54
Amortization of deferred contributions related to capital assets	**1,613**	1,927	1,450	1,235	1,066
	74,005	66,555	66,815	65,730	77,097
Expenses					
Operating	**60,179**	59,163	58,429	53,216	53,455
Asset renewal	**32,147**	24,321	22,897	22,750	23,398
Power generation maintenance	**4,212**	-	-	-	-
Amortization of capital assets	**1,901**	2,763	3,068	3,154	3,192
	98,439	86,247	84,394	79,120	80,045
Excess of expenses over revenue before the undernoted	**(24,434)**	(19,692)	(17,579)	(13,390)	(2,948)
Special examination	**-**	-	(6)	(259)	-
Transaction costs	**-**	-	(18)	(144)	(114)
Contribution (to) from Capital Trust Fund	**22,697**	16,605	13,588	11,147	630
Excess of expenses over revenue	**($1,737)**	($3,087)	($4,015)	($2,646)	($2,432)

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 29, 2005

Carol Lemelin
Vice-President
Finance and Administration

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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, 2005 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, 2005 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.

Chartered Accountants
April 29, 2005

Statement of Revenue and Expenses

year ended March 31, 2005 ($000s)

	2005	2004
Revenue		
Tolls	**$70,271**	$62,669
Other navigation revenue	**1,476**	1,329
License fees	**434**	397
Investment revenue	**191**	231
Gain on disposal of capital assets	**20**	2
Amortization of deferred contributions related to capital assets (Note 9)	**1,613**	1,927
	74,005	66,555
Expenses		
Operating	**60,179**	59,163
Asset renewal (Note 4d)	**32,147**	24,321
Power Generation Maintenance	**4,212**	-
Amortization of capital assets	**1,901**	2,763
	98,439	86,247
Excess of expenses over revenue before special examination costs, transaction costs and contribution from Capital Fund Trust	**(24,434)**	(19,692)
Contribution from Capital Fund Trust (Note 11)	**22,697**	16,605
EXCESS OF EXPENSES OVER REVENUE	**$(1,737)**	$(3,087)

Balance Sheet

as at March 31, 2005 ($000s)

	2005	2004
CURRENT ASSETS		
Cash	**$6,686**	$6,188
Accounts receivable	**4,425**	3,049
Supplies inventory	**2,462**	2,529
Prepaid expenses	**474**	544
	14,047	12,310
DUE FROM CAPITAL FUND TRUST (Note 5)	**27,011**	28,279
CAPITAL ASSETS (Note 6)	**9,300**	10,422
DUE FROM EMPLOYEE TERMINATION BENEFITS TRUST FUND (Note 7)	**14,231**	14,007
ACCRUED BENEFIT ASSET (Note 8)	**2,950**	1,884
	$67,539	$66,922
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$11,105**	$10,623
Employee Benefits Payable	**1,567**	1,423
Due to Employee Termination Benefits Trust Fund (Note 7)	**112**	59
Deferred revenues	**1,439**	1,588
	14,223	13,693
EMPLOYEE TERMINATION BENEFITS	**14,231**	14,007
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	**7,370**	8,160
ACCRUED BENEFIT LIABILITY (Note 8)	**20,801**	18,411
	42,402	40,578
	56,625	54,271
CONTINGENCIES (Note 13)		
NET ASSETS		
Invested in capital assets	**1,930**	2,282
Equity of Canada (Note 10)	**8,984**	10,369
	10,914	12,651
	$67,539	$66,922

FINANCIAL STATEMENTS APPROVED BY THE BOARD

Director

Director

Statement of Cash Flows

year ended March 31, 2005 ($000s)

	2005	2004
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of expenses over revenue	**$(1,737)**	$(3,087)
Items not affecting cash		
Amortization of capital assets	**1,901**	2,763
Gain on disposal of capital assets	**(20)**	(2)
Amortization of deferred contributions related to capital assets	**(1,613)**	(1,927)
Employee future benefits variance	**1,324**	2,237
	(145)	(16)
Changes in non-cash operating working capital items	**(709)**	453
	(854)	(437)
FINANCING		
Contributions from the Capital Fund Trust towards acquisitions of capital assets	**823**	1,701
(Increase) decrease in due from Capital Fund Trust	**1,268**	(240)
	2,091	1,461
INVESTING		
Acquisitions of capital assets	**(823)**	(1,701)
Proceeds from disposal of capital assets	**84**	81
	(739)	(1,620)
NET CASH INFLOW	**498**	278
CASH, BEGINNING OF YEAR	**6,188**	5,910
CASH, END OF YEAR	**$6,686**	$6,188

Statement of Changes in Net Assets

year ended March 31, 2005 ($000s)

	Invested in Capital Assets	Equity of Canada	Operating Deficit	Total 2005	Total 2004
BALANCE, BEGINNING OF YEAR	**$2,282**	**$10,369**	**$ -**	**$12,651**	$15,738
EXCESS OF EXPENSES OVER REVENUE	**-**	**-**	**(1,737)**	**(1,737)**	(3,087)
Net acquisition of capital assets	**759**	**-**	**(759)**	**-**	-
Capital assets contributions, net of amortization	**790**	**-**	**(790)**	**-**	-
Employee future benefits variance	**-**	**(1,324)**	**1,324**	**-**	-
Net supplementary pension plan variance	**-**	**(61)**	**61**	**-**	-
Amortization of capital assets	**(1,901)**	**-**	**1,901**	**-**	-
BALANCE, END OF YEAR	**$1,930**	**$8,984**	**$ -**	**$10,914**	$12,651

Notes to the Financial Statements

year ended March 31, 2005 ($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 negotiate five-year business plans throughout the term of the agreement with the Minister of Transport. The business plan includes anticipated revenues and operating costs and an "Asset Renewal Plan". The Corporation is mandated to charge tolls and other revenues to finance the operation and maintenance of the Seaway, and to recover from the 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 preset percentage toll increase contemplated in the Agreement. The Corporation's notional reserve has a positive balance of $14,486 in 2005 (2004 - $11,230).

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 and 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 the Government of Canada on the wind-up of SLSA, (defined as "existing managed assets"), as asset renewal expenses.

e) *Contributions related to capital assets*

The deferral method of accounting for contributions related to capital assets is followed. Contributions are deferred and amortized 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.

Notes to the Financial Statements year ended March 31, 2005 ($000s)

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. No terms of repayment exist for this receivable.

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

(Note 5)	**2005**	2004
Net balance, beginning of year	**$28,279**	$28,039
Net set off of opening accounts receivable and accounts payable	**12**	(66)
Cash requirement paid by the Capital Fund Trust	**(6,494)**	(1,680)
Payment of previous year's deficit	**(18,306)**	(16,320)
Contribution receivable for capital acquisitions	**823**	1,701
Contribution receivable for operating expenses	**22,697**	16,605
Net balance, end of year	**$27,011**	$28,279

6. Capital Assets

	Annual Amortization Rate	2005 Cost	2005 Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Information technology systems	20%	**$13,319**	**$11,768**	**$1,551**	$2,160
Vehicles	10-20%	**5,485**	**3,654**	**1,831**	2,009
Floating equipment	2-20%	**4,071**	**3,349**	**722**	831
Machinery and office equipment	2-20%	**3,898**	**2,318**	**1,580**	1,680
Infrastructure equipment	2-20%	**6,852**	**3,483**	**3,369**	3,547
Assets under construction	-	**247**	**-**	**247**	215
		$33,872	**$24,572**	**$9,300**	$10,442

year ended March 31, 2005 ($000s)

7. Due to 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.

8. 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:

	2005		
	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation			
Balance, beginning of year	$123,992	$561	$39,630
Current service cost (employer)	5,663	24	1,134
Interest cost	7,262	34	2,336
Member contributions	1,677	-	-
Benefits paid	(2,178)	(22)	(1,539)
Actuarial (gain) loss	(5,533)	107	(2,661)
Balance, end of year	$130,883	$704	$38,900
Plan assets			
Fair value, beginning of year	$111,121	$719	$14,644
Return on plan assets	7,637	26	-
Corporation contribution	6,563	132	1,425
Investment experience gain	1,676	33	-
Member contributions	1,677	-	-
Benefits paid	(2,178)	(22)	(1,539)
Fair value, end of year	$126,496	$888	$14,530
Funded status - plan surplus (deficit)	$(4,387)	$184	$(24,370)
Unamortized past service cost	1,348	18	-
Unamortized net actuarial loss	5,561	226	3,569
Accrued benefit asset (liability) recognized	$2,522	$428	$(20,801)

Notes to the Financial Statements year ended March 31, 2005 ($000s)

8. Post Employment Benefits (continued)

	2004		
	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation			
Balance, 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, end of year	$123,992	$561	$39,630
Plan assets			
Fair value, 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, 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)

Notes to the Financial Statements year ended March 31, 2005 ($000s)

8. Post Employment Benefits (continued)

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, 2004)

	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%	3.38%	0.00%
Rate of compensation increase	4.00%	4.00%	4.00%

(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%	3.38%	0.00%
Rate of compensation increase	4.50%	4.50%	4.50%

For measurement purposes, a 7.85% health care cost trend rate was assumed for 2005 (2004 - 7.85%), decreasing gradually to 4.68% 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.

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:

	2005	2004
Balance, beginning of year	**$8,160**	$8,386
Plus: Current year acquisitions of capital assets	**823**	1,701
Less: Amortization of assets acquired with deferred contributions	**(1,613)**	(1,927)
Balance, end of year	**$7,370**	$8,160

Notes to the Financial Statements year ended March 31, 2005 ($000s)

10. EQUITY OF CANADA

	2005	2004
Secured contribution of Canada	**$36,000**	$36,000
Contribution to the Capital Fund Trust	**(24,000)**	(24,000)
Deficit	**(3,016)**	(1,631)
	$8,984	$10,369

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).

11. CONTRIBUTIONS FROM THE CAPITAL FUND TRUST

The Corporation is entitled to contributions from the Capital Fund Trust to fund the operating deficit and for capital asset acquisitions in accordance with the 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.

	2005	2004
Excess of expenses over revenue before adjustments	**$ 24,434**	$ 19,692
Plus: Gain on disposal of assets	**20**	2
Amortization of deferred contributions related to capital assets	**1,613**	1,927
Less: Proceeds from disposal of capital assets	**(84)**	(81)
Post retirement benefits	**(1,385)**	(2,172)
Amortization of capital assets	**(1,901)**	(2,763)
Contribution from Capital Fund Trust towards operations	**$ 22,697**	$ 16,605
Contribution from Capital Fund Trust towards acquisitions of capital assets	**$ 823**	$ 1,701

12. COMMITMENTS

As at March 31, 2005, contractual commitments for capital and other expenditures amounted to $2,578 (2004 - $4,155).

13. CONTINGENCIES

The Corporation, in the normal course of business, experiences claims for a variety of reasons. Claims outstanding at March 31, 2005 totalling $23,927 (2004 - $24,905) 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.

Notes to the Financial Statements year ended March 31, 2005 ($000s)

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 2004/2005
Robert J. Swenor	July 1998	Board	Chair	
	November 1998	Governance	Member	
	September 2000	Human Resources	Member	$ 22,400
Georges H.Robichon	July 1998	Board	Director	
	November 1998	Governance	Chair	17,800
Alan R. Holt (R)	August 1998	Board	Director	
	August 2001	Human Resources	Chair	10,200
Denise Verreault (R)	September 1998	Board	Director	
	November 1998	Governance	Member	
	November 2000	Audit	Chair	10,400
Marc Dulude (R)	November 1998	Board	Director	
	November 2001	Human Resources	Member	13,000
Douglas Smith	December 2000	Board	Director	
	January 2001	Audit	Member	
	August 2004	Governance	Member	
	August 2004	Human Resources	Member	23,200
Ian MacGregor (R)	October 2001	Board	Member	
	December 2001	Audit	Member	9,200
Nick Fox	January 2002	Board	Director	
	May 2002	Human Resources	Member	18,400
Guy Véronneau	August 2004	Board	Director	
	February 2005	Audit	Member	10,400
Peter Cathcart	October 2004	Board	Director	
	February 2005	Human Resources	Member	8,400
William Keays	November 2004	Board	Director	
	February 2005	Audit	Chair	7,600
Richard Gaudreau	February 2005	Board	Director	
	February 2005	Audit	Member	
	March 2005	Governance	Member	3,600
Total of directors' remuneration for the period				$ 154,600

(R) - denotes members who have retired or resigned during the current year.

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

Name	Appointment Date	Committee and position	Remuneration in 2004/2005
Alan R. Holt (R)	January 2001	Chairman	$ 1,000
Nick Fox	August 2004	Chairman	1,000
Douglas Smith	January 2001	Member	1,600
			$ 3,600

(R) - denotes members who have retired or resigned during the current year.

c)- Remuneration paid for the (5) officers, as employees of the Corporation, was $858,027.