Financial Summary
Management's Discussion and Analysis

This discussion and analysis is a review of the Corporation's operating results and financial condition, and should be read in conjunction with the financial statements presented on the following pages.

OVERVIEW

Both financially and operationally, 1999 was another successful year for the SLSMC.

The Corporation completed its second year of operation with a full twelve months of commercial activities under the Management, Operation and Maintenance Agreement signed with the federal government in September 1998.

The financial results of 1999 cover the period April 1, 1999, to March 31, 2000, while the comparative results in the financial statements cover the period October 1, 1998, to March 31, 1999. Therefore, in our analysis, the 1999 financial results will be compared with the 1998 12-month combined operating results for a more meaningful interpretation.

RESULTS OF OPERATIONS
Revenues

The total revenues for 1999 / 2000 amounts to $ 76 million, more than $3.5 million better than the Business Plan, but right on target with the Operating Budget for the period; this compares to $83.9 million for the fiscal year 1998 / 1999.

The revenues derived from ship transit attained $73.2 million in 1999 / 2000, a decrease of $6.1 million over the previous year which was the highest toll revenue in the Seaway history. The decline is largely the result of a 35% reduction in general cargo tonnage for iron and steel.

The revenues from other navigation activities and license fees reached $1.7 million in 1999 / 2000, a 4.1% increase compared to $1.6 million for 1998 / 1999.

The gain on sale of capital assets of $0.7 million arises from the rationalization of the number of floating equipment used in the maintenance of the Seaway infrastructure.

The investment income of $0.4 million in 1999 / 2000 compares to $2.8 million in 1998 / 1999. The treasury 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 Seaway responsibility to the Corporation. All funds in excess of short-term requirement are transferred to the Trust for reinvestment. The decline in revenue in the Corporation derives from the application of the Trust Agreement.

REVENUES
($000)

	1999/2000		1998 / 1999
	Actual	Budget	(Combined Results)
Tolls	**$ 73,234**	$ 74,130	$ 79,350
Wharfage and other navigation revenues	**1,161**	1,020	1,388
License fee	**513**	657	437
Investment income	**424**	100	2,768
Gain on disposal of assets	**694**	-	-
	$ 76,026	$ 75,907	$ 83,943

Expenses

Operating expenses for 1999 / 2000, related to the management and operation of the Seaway infrastructure, amount to $51.2 million, a substantial $3.5 million better than the Business Plan, a reduction of 6.1% from the approved budget, and $ 2.8 million below the 1998 / 1999 fiscal year.

Salaries, wages and benefits, which account for 83.9% of the current year's expenses, have decreased by $3.1 million to $43 million; in 1998 / 1999, the salaries expenses amounted to 85.3% of the total. The other manageable expenses amount to $8.3 million for 1999 / 2000, compared to $8 million for the previous fiscal year.

The asset renewal program, representing the cost of maintenance and major repairs of locks, canal bridges, buildings and other infrastructure assets, totals $20.9 million for the current year, compared to $19.6 million for the 1998 / 1999 fiscal year.

The amortization expense of $3 million is consistent with accounting policy and represents the amount for the year ending March 31, 2000; there was no comparable expenditures in the 1998 / 1999 fiscal year.

Liquidity and Capital Resources– Cash Flow

The cash derived from operations, before the refund for transaction costs, the Contribution from the Capital Fund Trust for net assets investment and the changes in operating working capital, amounts to $2.7 million for the twelve-month period ended March 31, 2000; there is no comparable amount for the corresponding 12 months of the previous fiscal year.

The net cash from all operating activities, including the contribution from the Capital Trust Fund, was less than in the previous fiscal year.

The cash used in investing amounts to $8.7 million; the main outlays cover the cost of capital acquisition of $4.1 million and a net transfer of $5.8 million made to the Capital Fund Trust in accordance with the Trust Agreement.

The net cash outflow of $8.9 million for the period leaves the current cash situation at $2.6 million on March 31, 2000. This sum is insufficient for operations in the first quarter of the fiscal year 2000 / 2001; however, a short-term transfer of $12 million from the Capital Fund Trust has been initiated in accordance with the Trust Agreement.

Management's Report

The accompanying financial statements of The St. Lawrence Seaway Management Corporation and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include some estimates, which are based on management's best judgements. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the financial statements.

To meet management's responsibility and to assure the integrity and reliability of financial reporting, the Corporation maintains a system of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded, and that transactions and events are properly recorded.

Our external auditors have full and free access to the members of the Audit Committee, who oversee management's responsibility for maintaining adequate control systems and the quality of financial reporting through the Board of Directors.

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

Guy Véronneau
President & CEO

Carol Lemelin
Vice-President, Finance

Cornwall, Ontario
May 5, 2000

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, 2000 and the statements of revenue and expenses and 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, 2000 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 5, 2000

Statement of Revenue and Expenses
year ended March 31, 2000

($000's)

	2000 (12 months)	1999 (6 months)
Revenue		
Tolls	**$ 73,234**	$ 28,675
Other navigation revenue	**1,161**	395
License fees	**513**	261
Investment revenue	**424**	552
Gain on sale of capital assets	**694**	-
	76,026	29,883
Expenses		
Operating	**51,230**	27,921
Asset renewal	**20,898**	16,964
Amortization of capital assets	**3,028**	1,262
	75,156	46,147
Excess of revenue over expenses (expenses over revenue) before the undernoted	**870**	(16,264)
Departure incentive *(Note 14)*	**(512)**	(913)
Excess of revenue over expenses (expenses over revenue) before transaction costs and contribution from Capital Fund Trust	**358**	(17,177)
Transaction costs *(Note 13)*	**(352)**	(1,085)
Contribution from Capital Fund Trust *(Note 11)*	**624**	19,452
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	**$ 630**	$ 1,190

FINANCIAL STATEMENTS APPROVED BY THE BOARD

Robert J. Swenor
Director

Guy Véronneau
Director

(See accompanying notes to the financial statements.)

Balance Sheet
as at March 31, 2000

($000's)

	2000	1999
CURRENT ASSETS		
Cash	**$ 2,581**	$ 11,481
Accounts receivable *(Note 5)*	**4,377**	4,688
Supplies inventory	**2,083**	2,155
Prepaid expense	**331**	323
	9,372	18,647
DUE FROM CAPITAL FUND TRUST *(Note 6)*	**25,966**	20,145
CAPITAL ASSETS *(Note 7)*	**15,269**	14,639
EMPLOYEE TERMINATION BENEFITS TRUST FUND *(Note 8)*	**12,469**	12,542
	$ 63,076	$ 65,973
CURRENT LIABILITIES		
Accounts payable and accrued liabilities *(Note 5)*	**$ 14,619**	$ 17,348
Employee Benefits Payable	**3,214**	3,580
Due to Employee Termination Benefits Trust Fund	**179**	286
Deferred revenues	**1,045**	257
	19,057	21,471
EMPLOYEE TERMINATION BENEFITS	**11,295**	11,361
DUE TO RECEIVER GENERAL FOR CANADA *(Note 9)*	**2,092**	3,139
	13,387	14,500
	32,444	35,971
NET ASSETS		
Invested in capital assets	**15,269**	14,639
Secured contribution of Canada *(Note 10)*	**36,000**	36,000
Contribution to Capital Fund Trust *(Note 1)*	**(24,000)**	(24,000)
Contributed capital *(Note 12)*	**3,363**	3,363
	30,632	30,002
	$ 63,076	$ 65,973

(See accompanying notes to the financial statements.)

Statement of Cash Flows
year ended March 31, 2000

($000's)

	2000 (12 months)	1999 (6 months)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	**$ 630**	$ 1,190
Item not affecting cash		
Amortization of capital assets	**3,028**	1,262
(Gain) or loss on disposal of capital assets	**(694)**	9
	2, 964	2,461
Changes in non-cash operating working capital items	**(2,039)**	19,319
Changes in employee termination benefits	**(66)**	(136)
Decrease in due to Receiver General for Canada	**(1,047)**	(1,079)
	(188)	20,565
INVESTING		
Increase in due from Capital Fund Trust	**(5,821)**	(19,402)
Decrease in Employee Termination Benefits Trust Fund	**73**	770
Acquisitions of capital assets	**(4,113)**	(2,536)
Proceeds from disposal of capital assets	**1,149**	75
	(8,712)	(21,093)
NET CASH OUTFLOW	**(8,900)**	(528)
CASH, BEGINNING OF YEAR	**11,481**	12,009
CASH, END OF YEAR	**$ 2,581**	$ 11,481

Statement of Changes in Net Assets
year ended March 31, 2000

($000's)	Invested in Capital Assets	Secured Contribution of Canada	Contribution to Capital Fund Trust	Contributed Capital	Operating Surplus	Total 2000	Total 1999
BALANCE, BEGINNING OF YEAR	**$ 14,639**	**$ 36,000**	**$ (24,000)**	**$ 3,363**	**$ -**	**$ 30,002**	$ 28,812
EXCESS OF REVENUE OVER EXPENSES	-	-	-	-	**630**	**630**	1,190
NET INVESTMENT IN CAPITAL ASSETS	**3,658**	-	-	-	**(3,658)**	-	-
AMORTIZATION OF CAPITAL ASSETS	**(3,028)**	-	-	-	**3,028**	-	-
BALANCE, END OF YEAR	**$ 15,269**	**$ 36,000**	**$ (24,000)**	**$ 3,363**	**$ -**	**$ 30,632**	$ 30,002

(See accompanying notes to the financial statements.)

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 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 determine 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 with an initial balance of $NIL. The account is to be 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 2000 is $5,273 (1999 - $2,020).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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.

year ended March 31, 2000 ($000's)

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) *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 under termination of employment. Usually, the benefits correspond to the higher 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.

f) *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.

The Corporation is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

5. 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.

6. 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 and other short-term cash requirements in accordance with the Trust Agreement.

The balance due from the Capital Fund Trust at March 31, 2000 was comprised of:

Funds held for the discharge of SLSA's workers' compensation liability	**$ 3,139**
Plus: Net surplus cash transferred to the Capital Fund	**20,079**
Net funds from set off of opening accounts receivable and accounts payable	**2,124**
Contribution receivable for 1999 / 2000 operating expenses	**624**
	$25,966

year ended March 31, 2000 ($000's)

7. CAPITAL ASSETS

	Annual Amortization Rate	2000 Cost	2000 Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Information technology systems	20%	**$ 14,055**	**$ 7,162**	**$ 6,893**	$ 7,096
Vehicles	10-20%	**4,922**	**3,161**	**1,761**	2,021
Floating equipment	2-20%	**4,406**	**3,039**	**1,367**	1,887
Machinery and office equipment	2-20%	**4,421**	**2,797**	**1,624**	1,451
Infrastructure equipment	2-20%	**6,302**	**3,089**	**3,213**	1,881
Assets under construction	-	**411**	**-**	**411**	303
		$ 34,517	**$ 19,248**	**$ 15,269**	$ 14,639

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. DUE TO RECEIVER GENERAL FOR CANADA

This balance represents the liability for workers' compensation in respect of the former employees of SLSA which was assumed by the Corporation on wind-up of SLSA. The funds to discharge the obligation were transferred to the Capital Fund Trust on October 1, 1998 and will be drawn down by the Corporation as claims are paid by the Government of Canada and reimbursed by the Corporation.

10. SECURED CONTRIBUTION 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).

11. CONTRIBUTION FROM THE CAPITAL FUND TRUST

The contribution from the Capital Fund Trust for the years ended March 31, 1999 and March 31, 2000 equals an amount sufficient to cover the excess of expenses over revenue, increased by the net capital asset acquisitions in the period less the amortization charge.

12. CONTRIBUTED CAPITAL

The amount recorded as contributed capital arises from the write-up of assets, other than capital assets transferred from SLSA to the Corporation for $1 on October 1, 1998, to their book value prior to transfer.

13. 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.

14. DEPARTURE INCENTIVE

Upon assumption of operating responsibility and maintenance of the Seaway, certain staff positions were considered redundant and accordingly, the Corporation continued a program originally instituted by SLSA to allow certain employees to take early retirement. The costs associated with this program, which are not anticipated to recur, are included in a separate charge to operations described as departure incentive.

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 $3,716 (1999 - $2,069) which has been related as a reduction in operating expenses.

16. COMMITMENTS

As at March 31, 2000, contractual commitments for capital and other expenditures amounted to $956 (1999 - $1,747).

17. CONTINGENCIES

The Corporation, in the normal course of business experiences claims for a variety of reasons. Management is of the opinion that these actions will not result in any material losses to the Corporation. Claims outstanding at March 31, 2000 are $181 (1999 - $NIL). Claims relating to operation and maintenance of the Seaway incurred by SLSA prior to October 1, 1998 became the obligation of Transport Canada.

18. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

19. 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 1999 / 2000
Robert J. Swenor	July 1998	Board Governance Human Resources	Chairman Member Member	**$ 25,000**
Allan J. Donaldson	July 1998	Board Audit	Director Chairman	**19,400**
Georges H. Robichon	July 1998	Board Governance	Director Chairman	**18,600**
Adrian D.C. Tew	July 1998	Board Audit	Director Member	**18,600**
Alan R. Holt	August 1998	Board Human Resources	Director Chairman	**19,400**
Denise Verreault	September 1998	Board Governance Audit	Director Member Member	**21,000**
John E. F. Misener	September 1998	Board Human Resources	Director Member	**21,000**
Marc Dulude	November 1998	Board Human Resources	Director Member	**21,000**
Total of directors' remuneration for the period				**$ 164,000**

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

Name	A ppointment date	Committee and position	Remuneration in 1999 / 2000
Allan J. Donaldson	September 1998	Chairman	**$ 4,400**
Alan R. Holt	September 1998	Member	**4,400**
			$ 8,800

c) Remuneration paid for the (7) officers, including remuneration as directors, was $765,951.