OVERVIEW

This review of the Corporation's financial condition and operating results after its fourth year of operation should be read in conjunction with the financial statements on the following pages. The results of 2002 cover the period from April 1, 2001 to March 31, 2002 while the comparative results cover the period from April 1, 2000 to March 31, 2001.

FINANCIAL RESULTS

The financial results for the fiscal year 2001/2002 were significantly affected by the general economic slowdown in the North American economies, which translated into reduced revenues from shipments of cargo to and from the Great Lakes/Seaway System. As a result, the excess of expenses over revenue before special examination costs, transaction costs and contribution from the Capital Fund Trust amounts to $14.625 million in the current fiscal year compared to $4.014 million for 2000/2001. The change in net operating results of $10.611 million is the consequence of a reduction in revenue of $11.536 million, while expenses decreased by $.925 million in the same period.

The Corporation incurred $259,000 for the Special Examination and the amount is included in the contribution receivable from the Capital Fund Trust for operating expenses. In addition, the Corporation disbursed $144,000 in transaction costs during this fiscal year for the transfer of employee pensions from the Public Service superannuation plan to the Corporation's pension plan; these costs are refunded to the Corporation from the Capital Fund Trust.

The contribution from the Capital Trust Fund of $12.910 million for 2001/2002 compares with $2.307 million for the previous fiscal year; the elements included in the contribution are fully disclosed in the Notes to the Financial Statements (note 11).

The contribution from the Capital Fund Trust is treated as revenue to bring the final results for 2001/2002 to an excess of expenses over revenues of $2.118 million compared to the excess of expenses over revenue of $1.821 million for the previous fiscal year.

SPECIAL EXAMINATION

The Corporation, as required by paragraph 87(1) of the *Canada Marine Act*, carried out a Special Examination of its financial and management control and information systems and management practices. In accordance with paragraph 87(2), the Special Examination is to be carried out at least every five years and the Corporation elected to do so in year four.

Overall, the Special Examiner found that the Corporation has the key systems and practices necessary to safeguard its assets, manage its resources in an economical and efficient manner, and carry out its operations effectively. Therefore, the Special Examiner expressed the opinion that during the examination period, given the criteria established, there is reasonable assurance that there are no significant deficiencies in the systems and practices.

RESULTS OF OPERATIONS

Revenues

Total revenues for 2001/2002 amounted to $64.495 million, compared to $76.031 million for 2000/2001. Tolls, which account for over 96% of all revenues, reached $62.025 million, a decline of $11.358 million or 15.5% over the previous fiscal year. (Reasons for decline in toll revenue are covered in President's message and in Traffic section.)

REVENUES (in thousands)

	Actual		
	2002	2001	%
Tolls	**$ 62,025**	$ 73,383	**(15.5)**
Wharfage and other navigation revenues	**1,360**	1,208	**12.6**
License fees	**866**	1,015	**(14.7)**
Investment income	**219**	371	**(41.0)**
Gain on disposal of assets	**25**	54	**(53.7)**
	$ 64,495	$ 76,031	

The revenues from other navigation activities and license fees reached $2.226 million in 2001/2002, compared to $2.223 million for the previous year.

The investment revenue of $0.219 million this year compares to $0.371 million in 2000/2001. The management of funds generated from current operations is subject to terms established by the Capital Fund Trust, which was created as of October 1, 1998, upon the transfer of Seaway responsibility to the Corporation. All funds in excess of short-term requirements are transferred to the Capital Fund Trust for reinvestment. The decline in investment revenue for the fiscal year 2001/2002 is attributed to the general reduction in short-term investments during the fiscal period.

Expenses

The Corporation shows a slight reduction in operating expenses over the previous fiscal year, despite a series of unforeseen events such as the high cost of an early opening, heightened security needs, a major accident in the Welland Canal and finally, a steep increase of 269% in its insurance premium costs. The operating expenses for management and operation of the Seaway infrastructure amount to $53.216 million, a reduction of 0.4% compared to the operating expenses of $53.455 million for the previous fiscal year. Salaries, wages and benefits, which account for 84.9% of the current year's operating expenses, have decreased by $0.525 million to reach $45.190 million in 2001/2002. The other manageable expenses totalled $8.026 million for 2001/2002, compared to $7.740 million in the previous year; the 2001/2002 results were affected by the higher cost of insurance during the period, while savings from rental of equipment and lower communications costs limited the overall increase to $0.286 million.

The asset renewal program, representing the cost of maintenance and major repairs of locks, canal bridges, buildings and other infrastructure assets, totaled $22.750 million for the current year, compared to $23.398 million for the fiscal year 2000/2001. Cross reference for more details on pages 16 and 17.

The amortization of capital assets decreased by $38,000 to $3.154 million in 2001/2002 compared to $3.192 million recorded for the previous year; the expense is consistent with the accounting policy described in note 4d) of the Notes to the Financial Statements.

Liquidity and Capital Resources – Cash Flow

For 2002, the cash flows from operating activities decreased by $4.075 million compared to an increase of $0.554 million in 2001. The net cash inflow from revenues and expenses, including the contribution from the Capital Fund Trust, is $1.705 million and represents the cash reimbursed for the net acquisition costs of Capital Assets.

The Corporation obtains its current operating working capital from the Capital Fund Trust in accordance with the Trust Agreement; during the 2001-2002 fiscal year $7.501 million of the amount receivable was paid by the Capital Fund Trust.

The funds were used as follows:

- $4.933 million to reduce current liabilities, from $18.009 million at March 31, 2001 to $13.076 million at March 31, 2002; $.582 million to increase the non-cash current assets as at March 31, 2002;
- $1.046 million to fund a long-term commitment with the Receiver General for Canada;
- $0.940 million to increase the cash position, to close with $1.394 million on hand.

FOUR-YEAR REVIEW

	2002	2001	2000	1999 (6 months)
Revenues				
Tolls	**$ 62,025**	$73,383	$73,234	$28,675
Other navigation revenue	**1,360**	1,208	1,161	395
License fees	**866**	1,015	513	261
Investment income	**219**	371	424	552
Gain on sale of capital assets	**25**	54	694	-
	64,495	76,031	76,026	29,883
Expenses				
Operating	**53,216**	53,455	51,230	27,921
Asset renewal	**22,750**	23,398	20,898	16,964
Amortization of capital assets	**3,154**	3,192	3,028	1,262
	79,120	80,045	75,156	46,147
Excess of (expenses over revenue) revenue over expenses before the undernoted	**(14,625)**	(4,014)	870	(16,264)
Departure incentives	-	-	(512)	(913)
Special Examination	**(259)**	-	-	-
Transaction costs	**(144)**	(114)	(352)	(1,085)
Contribution from Capital Fund Trust	**12,910**	2,307	624	19,452
Net excess of (expenses over revenue) revenue over expenses	**$ (2,118)**	$(1,821)	$ 630	$ 1,190

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

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

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

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

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

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

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

Guy Véronneau
President & CEO

Carol Lemelin
Vice-President, Finance and Administration

Cornwall, Ontario
May 3, 2002

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, 2002 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, 2002 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 3, 2002

Statement of Revenue and Expenses

YEAR ENDED MARCH 31, 2002 ($000'S)

	2002	2001
Revenue		
Tolls	**$ 62,025**	$ 73,383
Other navigation revenue	**1,360**	1,208
License fees	**866**	1,015
Investment revenue	**219**	371
Gain on sale of capital assets	**25**	54
	64,495	76,031
Expenses		
Operating	**53,216**	53,455
Asset renewal	**22,750**	23,398
Amortization of capital assets	**3,154**	3,192
	79,120	80,045
Excess of expenses over revenue before special examination costs, transaction costs and contribution from Capital Fund Trust	**(14,625)**	(4,014)
Special examination costs	**(259)**	-
Transaction costs (Note 13)	**(144)**	(114)
Contribution from Capital Fund Trust (Note 11)	**12,910**	2,307
EXCESS OF EXPENSES OVER REVENUE	**$ (2,118)**	$ (1,821)

FINANCIAL STATEMENTS APPROVED BY THE BOARD

Denise Verreault
Director

Guy Véronneau
Director

(See accompanying notes to the financial statements.)

Balance Sheet

As at March 31, 2002 ($000's)

	2002	2001
Current assets		
Cash	**$ 1,394**	$ 454
Accounts receivable (Note 5)	**4,121**	4,183
Supplies inventory	**2,340**	2,238
Prepaid expense	**934**	392
	8,789	7,267
Due from Capital Fund Trust (Note 6)	**31,550**	39,051
Capital Assets (Note 7)	**12,290**	13,714
Due from Employee Termination Benefits Trust Fund (Note 9)	**13,283**	12,502
Accrued Benefit Asset (Note 8)	**2,776**	2,696
	$ 68,688	$ 75,230
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	**10,234**	15,563
Employee Benefits Payable	**1,424**	1,359
Due to Employee Termination Benefits Trust Fund (Note 9)	**390**	16
Deferred revenues	**1,028**	1,071
	13,076	18,009
Employee Termination Benefits	**13,283**	12,502
Due to Receiver General for Canada	**-**	1,046
Accrued Benefit Liability (Note 8)	**15,472**	14,698
	28,755	28,246
	41,831	46,255
Net assets		
Invested in capital assets	**12,290**	13,714
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)	**2,567**	3,261
	26,857	28,975
	$ 68,688	$ 75,230

Statement of Cash Flows

YEAR ENDED MARCH 31, 2002 ($000'S)

	2002	2001
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of expenses over revenue	**$ (2,118)**	$ (1,821)
Items not affecting cash		
Amortization of capital assets	**3,154**	3,192
Gain on disposal of capital assets	**(25)**	(54)
Employee future benefits variance	**694**	266
	1,705	1,583
Changes in non-cash operating working capital items	**(5,515)**	(8)
Increase in employee termination benefits	**781**	25
Decrease in due to Receiver General for Canada	**(1,046)**	(1,046)
	(4,075)	554
Investing		
Decrease (increase) in due from Capital Fund Trust	**7,501**	(1,065)
Increase in Employee Termination Benefits Trust Fund	**(781)**	(33)
Acquisitions of capital assets	**(1,763)**	(1,677)
Proceeds from disposal of capital assets	**58**	94
	5,015	(2,681)
Net Cash Inflow (Outflow)	**940**	(2,127)
Cash, beginning of year	**454**	2,581
Cash, end of year	**$ 1,394**	$ 454

Statement of Changes in Net Assets

YEAR ENDED MARCH 31, 2002 ($000'S)

	Invested in Capital Assets	Secured Contribution of Canada	Contribution to Capital Fund Trust	Contributed Capital	Operating Deficit	**Total 2002**	Total 2001
Balance, beginning of year	**$ 13,714**	**$ 36,000**	**$ (24,000)**	**$ 3,261**	**$ -**	**$ 28,975**	$ 30,796
Excess of expenses over revenue	**-**	**-**	**-**	**-**	**(2,118)**	**(2,118)**	(1,821)
Net investment in capital assets	**1,730**	**-**	**-**	**-**	**(1,730)**	-	-
Employee future benefits variance	**-**	**-**	**-**	**(694)**	**694**	-	-
Amortization of capital assets	**(3,154)**	**-**	**-**	**-**	**3,154**	-	-
Balance, end of year	**$ 12,290**	**$ 36,000**	**$ (24,000)**	**$ 2,567**	**$ -**	**$ 26,857**	$ 28,975

Notes to the Financial Statements

YEAR ENDED MARCH 31, 2002 ($000'S)

1. INCORPORATION

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

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

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

Furthermore, on wind-up of SLSA, the surplus funds of the Corporation were transferred to a second trust created for the purpose of funding future deficits arising from the operation and maintenance of the Seaway. This trust, the Capital Fund Trust, was created on October 1, 1998 with a capital of $29,401. The current assets and current liabilities of SLSA as at that date were transferred to the new corporation with the requirement that the net proceeds from realization of accounts receivable, after discharging the transferred debts of SLSA, would be paid into the Capital Fund Trust on a quarterly basis.

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

The Corporation is the Trustee for both of these trusts.

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

2. OPERATING AGREEMENT

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

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

3. CORPORATION'S RESERVE ACCOUNT

The Corporation is mandated under the Management, Operation and Maintenance Agreement to establish a notional reserve account. The account is increased in respect of recoveries of operating costs incurred by the Corporation, through government contribution, insurance or indemnity, as well as favourable variances in operating costs and asset renewal costs between those incurred in any year and the projected costs according to the business plan. The notional reserve is reduced by unfavourable variances in actual operating costs and other adjustments. The notional reserve is to be used as an indicator of the amount by which future toll increases may be adjusted, when taking into account the future operations of the Seaway, as evidenced by the Corporation's business plan. The Corporation's notional reserve as at 2002 is $12,057 (2001 - $8,475).

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.

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, 2002 ($000'S)

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 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.

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 Plan.

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.

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

	2002	2001
Net balance, beginning of year	**$ 39,051**	$ 25,966
SLSA post employment benefit obligation	**-**	12,020
Settlement of workers compensation liability	**-**	(1,046)
Net set off of opening accounts receivable and accounts payable	**196**	(196)
Operating cash requirement	**(20,607)**	-
Contribution receivable for operating expenses	**12,910**	2,307
Net balance, end of year	**$ 31,550**	$ 39,051

YEAR ENDED MARCH 31, 2002 ($000'S)

7. CAPITAL ASSETS

	Annual Amortization Rate	2002 Cost	2002 Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Information technology systems	20%	**$14,962**	**$ 11,175**	**$ 3,787**	$ 5,508
Vehicles	10-20%	**5,291**	**3,636**	**1,655**	1,590
Floating equipment	2-20%	**4,334**	**3,218**	**1,116**	1,222
Machinery and office equipment	2-20%	**4,370**	**2,716**	**1,654**	1,609
Infrastructure equipment	2-20%	**6,472**	**3,756**	**2,716**	2,988
Assets under construction	-	**1,362**	**-**	**1,362**	797
		$ 36,791	**$ 24,501**	**$ 12,290**	$ 13,714

YEAR ENDED MARCH 31, 2002 ($000'S)

8. POST EMPLOYMENT BENEFITS

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

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefits Plan
Accrued benefit obligation			
Balance at beginning of year	$ 22,522	$ 129	$ 30,838
Current service cost (employer)	3,903	40	1,047
Interest cost	4,332	10	2,123
Member contributions	1,489	-	-
Benefits paid	(431)	-	(1,199)
Public Service Superannuation Transfer assumed	59,253	-	-
Plan amendments	2,158	54	-
Actuarial loss	(7,164)	60	(2,309)
Balance at the end of the year	$ 86,062	$ 293	$ 30,500
Plan assets			
Fair value at beginning of year	$ 23,291	$ -	$ 12,000
Return on plan assets	6,103	-	-
Corporation contribution	4,465	-	3,453
Public Service Superannuation Transfer	59,253	-	-
Member contributions	1,489	-	-
Benefits paid	(431)	-	(1,199)
Fair value at end of year	$ 94,170	$ -	$ 14,254
Funded status plan surplus (deficit)	$ 8,108	$ (293)	$ (16,246)
Unamortized plan amendments	2,158	54	-
Unamortized net actuarial loss	(7,490)	69	774
Accrued benefit asset (liability) recognized	$ 2,776	$ (170)	$ (15,472)

YEAR ENDED MARCH 31, 2002 ($000'S)

8. POST EMPLOYMENT BENEFITS cont'd

Supplementary Pension Benefit Plan is grouped with accounts payable and accrued liabilities as funding of this plan is expected to occur in the next fiscal period.

Significant assumptions

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

	Pension Benefit Plan	Supplementary Pension Benefit Plan	Other Benefits Plan
Discount rate	6.75%	6.75%	6.75%
Expected rate of return on plan assets	6.75%	6.75%	0.00%
Rate of compensation increase	3.50%	3.50%	3.50%

(Weighted average assumptions as of January 1, 2002)

For measurement purposes, an 8% health care cost trend rate was assumed for 2002, decreasing gradually to 4.4% in 2007 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. 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.

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 Corporation is entitled to a contribution from the Capital Fund Trust to fund the operating deficit in accordance with the Operations and Management Agreement. The contribution is equal to the excess of expenses over revenue, increased by the net capital asset acquisitions in the period and transaction costs related to the commercialization of the Seaway adjusted for the non-cash items for amortization expense, the undepreciated cost of capital assets disposed of, and the post retirement benefits variation.

	2002	2001
Excess of expenses over revenue	**$ 14,625**	$ 4,014
Plus: Transaction costs	**144**	114
Net capital asset acquisitions	**1,763**	1,677
Gain on sale of assets	**25**	54
Special examination costs	**259**	-
Less: Proceed from sale of capital assets	**(58)**	(94)
Post retirement benefits	**(694)**	(266)
Amortization	**(3,154)**	(3,192)
Contribution from Capital Fund Trust	**$ 12,910**	$ 2,307

12. CONTRIBUTED CAPITAL

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

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. 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 $3,488 (2001 - $3,380) which has been treated as a reduction in operating expenses.

15. COMMITMENTS

As at March 31, 2002, contractual commitments for capital and other expenditures amounted to $5,115 (2001 - $1,782).

16. CONTINGENCIES

The Corporation, in the normal course of business, experiences claims for a variety of reasons. Claims outstanding at March 31, 2002 totalling $14,188 (2001 - $1,380) 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.

17. DIRECTORS' AND OFFICERS' REMUNERATION (see page 38)

18. COMPARATIVE FIGURES

Certain of the comparative figures have been changed to conform to the presentation of the current year.

YEAR ENDED MARCH 31, 2002 ($000'S)

17. 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 2001/2002
Robert J. Swenor	July 1998	Board	Chairman	
		Governance	Member	
		Human Resources	Member	**$ 25,000**
George H.Robichon	July 1998	Board	Director	**17,600**
		Governance	Chairman	
Adrian D.C. Tew (R)	July 1998	Board	Director	
	December 1999	Human Resources	Member	**16,700**
Alan R. Holt	August 1998	Board	Director	
		Human Resources	Chairman	**19,600**
Denise Verreault	September 1998	Board	Director	
		Governance	Member	
	November 2000	Audit	Chairman	**20,400**
John E. F. Misener (R)	September 1998	Board	Director	
	December 1999	Audit	Member	**12,400**
Marc Dulude	November 1998	Board	Director	
		Human Resources	Member	**19,000**
Douglas Smith	December 2000	Board	Director	
		Audit	Member	**19,000**
Ian MacGregor	October 2001	Board	Director	
	December 2001	Audit	Member	**9,400**
Nick Fox	January 2002	Board	Director	**3,800**
Total of directors' remuneration for the period				**$ 162,900**

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

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

Name	Appointment Date	Committee and position	Remuneration in 2001/2002
Alan R. Holt	January 2001	Chairman	**$ 5,000**
Douglas Smith	January 2001	Member	**4,200**
			$ 9,200

c) Remuneration paid for the (8) officers, including remuneration as directors, was $1,209,037.