Annual Report

2024

Marine Atlantic respectfully acknowledges that we operate in Mi'kma'ki, the ancestral and unceded territory of the Mi'kmaq Peoples, and on the island of Ktaqmkuk, the unceded, traditional territory of the Beothuk and the Mi'kmaq Peoples. We also acknowledge Labrador as the traditional and ancestral homelands of the Innu of Nitassinan, the Inuit of Nunatsiavut, and the Inuit of NunatuKavut.

Table of Contents

At a Glance

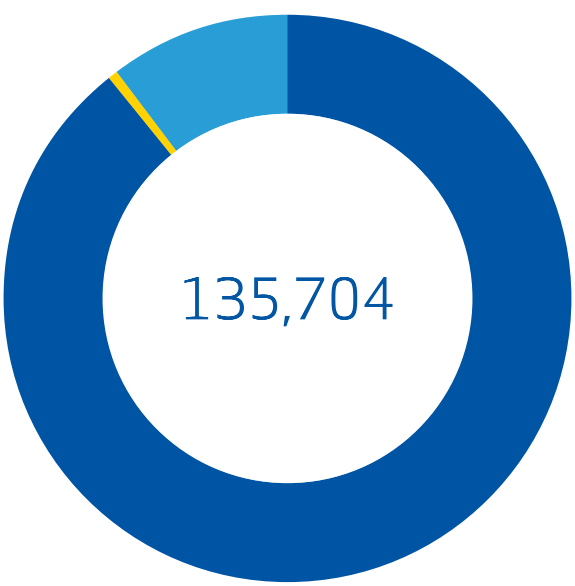
FINANCIAL OVERVIEW

Revenues

Revenues excluding gains were $15.8 million higher compared to last year and $16.6 million higher than budget. The Corporation recognized $13.9 million in revenue related to the recovery of prior period input tax credits under Part IX of the *Excise Tax Act* and cost awards resulting from the favourable decision regarding two appeal proceedings that were before the Tax Court of Canada. Passenger traffic was higher than last year and budget.

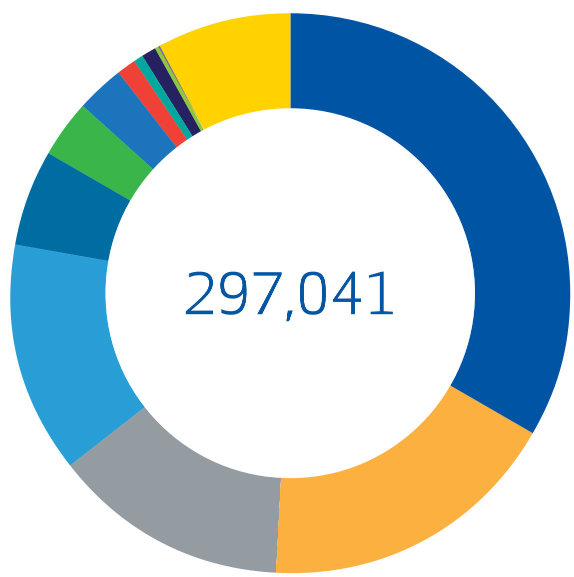
Revenues 2023/24 (in thousands)

Transportation	121,012
Interest income	788
Other income from legal proceedings	13,904
Total Revenue	**135,704**



Expenses 2023/24 (in thousands)

Wages and benefits	117,246
Amortization	61,388
Materials, supplies and services	47,672
Fuel	47,634
Charter fees	19,111
Repairs and maintenance	11,814
Insurance, rent and utilities	9,117
Loss on disposal of tangible capital assets	3,915
Administrative costs	2,763
Travel	2,391
Accretion Expense	950
Foreign currency exchange loss	15
Employee future benefits	(26,975)
Total Expenses	**297,041**



Gains

The Corporation's gains were $3.9 million higher than budgeted, while $4.7 million lower than last year. The Corporation's hedging program involves advance purchase of fuel swaps and forward exchange contracts. The price of fuel was higher than anticipated for the year resulting in higher gains. The fuel hedging gains partially mitigated these higher costs. The Corporation had higher gains last year from hedging compared to this year.

OPERATING EXPENSES

Wages and Benefits

Wages and benefit costs were $8.8 million or 8.1% higher compared to fiscal year 2022/23 and $8.9 million higher than budget. The increase compared to last year and against budget were due to several factors. The Corporation's traffic levels were higher than anticipated and higher than last year. The Corporation added more capacity to move the traffic resulting in higher labour costs. Changes were made to the fleet maintenance plans during the fall and winter to ensure the existing fleet was in the schedule during the spring arrival of the Ala'suinu. The Atlantic Vision completed service in March 2024 and began preparation for return to owner in May 2024 to coincide with the conclusion of the charter arrangement. Negotiated wage increases were also higher than anticipated due to industry trends and inflation. Staffing of the fleet renewal team responsible for overseeing and supporting the successful integration of the Ala'suinu was higher than last year as the project transitioned from construction oversight to handover, ship transit and integration activities.

Materials, Supplies and Services

Materials, supplies, and services' costs were $16.6 million higher compared to fiscal year 2022/23, and $7.9 million or 19.7% higher than budget. There was a $9.6 million increase compared to last year in fleet renewal costs relating to the Ala'suinu. These costs were also higher than budgeted mainly due to increased transit costs resulting from a change in delivery route. The Corporation hired a third party to deliver the newly chartered vessel. The original transit route was through the Suez Canal, but due to geopolitical concerns the vessel instead travelled around the Cape of Good Hope increasing the delivery costs. The Corporation also incurred increased costs compared to last year and compared to budget on professional and technical services supporting corporate initiatives relating to training, governance, and innovation projects. The Corporation continues to be impacted by the rising costs resulting from inflation.

Repairs and Maintenance

The repairs and maintenance costs were $1.7 million higher compared to the prior year and $3.7 million higher compared to budget. The maintenance plans for the vessels were updated to complete additional activity during the fiscal year to ensure required vessels were available during the integration period of the Ala'suinu.

Insurance, Rent and Utilities

Insurance, rent, and utilities were $0.8 million higher than last year and $0.5 million higher than budget. Insurance premiums increased over last year and budget due to additional insurances required for the transit of the Ala'suinu to Canada and increases in the value of shore assets. Vessel satellite services costs also increased as the Corporation piloted new technology to improve vessel network connectivity.

Travel

Travel costs were $0.9 million higher than the previous year and $0.3 million higher than budget. The year-over-year increase is mainly due to increased regulatory training and travel related to the integration of the Ala'suinu.

Administrative Costs

Administrative costs were $0.9 million higher compared to last year, while $0.4 million higher than budget. The increases were related to marketing campaigns such as the fall discount, pet friendly cabin promotion and the arrival of the Ala'suinu.

FUEL

Fuel expense was $4.4 million lower than last year while $5.1 million higher compared to budget. Fuel prices were lower compared to last year although higher than anticipated. Fuel prices increased due to global market conditions and the introduction of the Clean Fuel Regulations. Changes in the fleet configuration for the fall and winter resulted in higher consumption compared to last year and budget.

CHARTER COSTS

Charter fees were $3.4 million higher compared to last year and $1.3 million higher than budget. The charter fees consist of payments for two chartered vessels, The Atlantic Vision and the Ala'suinu. The Corporation accepted delivery and commenced charter payments of the Ala'suinu in February 2024, which was earlier than originally planned, resulting in higher costs year-over-year.

LOSSES

Loss on Disposal of Tangible Capital Assets

This year, the Corporation recognized a loss of $3.9 million on the disposal and write down of long-lived assets compared to a loss of $1.8 million last year. The Atlantic Vision was removed from active service in March 2024 resulting in a write down of several leasehold improvement projects.

EMPLOYEE FUTURE BENEFITS

The Corporation retains an independent actuary to assist in calculating expenses relating to employee future benefits based on management assumptions including discount rates, mortality rates, expected rates of return on plan assets and other provisions set out in the accounting standards for retirement and post employment benefits. This year the Corporation recognized an expense of $(27) million of which $(29.2) million is related to the pension plan. The pension expense is in a recovery position due to the amortization of actuarial gains, higher return on plan assets and a decrease in the valuation allowance which was required per the retirement accounting standard to reduce the excess adjusted benefit asset over the expected future benefit.

Amortization Expense

Amortization was $4.5 million higher this year compared to last year while $13.2 million lower than budget. Amortization expense increased due to the increased investment in capital. Amortization is lower than budget due to the difference between estimated and actual completion dates of projects. Projected useful lives for planning purposes are done in aggregate resulting in differences from actual rates of depreciation.

Accretion Expense

The Corporation has recognized an expense of $0.95 million this year compared to $0.7 million last year regarding its asset retirement obligations. The accretion expense represents the increase in the obligation due to the passage of time.

GOVERNMENT FUNDING

Government funding revenue recognized was $60.2 million higher than last year. The $37.5 million increase in operating funding was due to the costs associated with the integration of the Ala'suinu, higher operating costs, and retroactive payments relating to negotiated wage agreements. Capital spend was $22.7 million higher than last year. Two major projects this year were the leasehold improvements to the Ala'suinu and the construction of the new Port aux Basques administration building. Overall government funding was $11.5 million below budget due to the timing of planned cash outlays relating to the delayed arrival of the Ala'suinu in Canada.

TANGIBLE CAPITAL ASSET SPEND

In 2023/24, the Corporation spent $63.5 million in asset renewal compared to $40.9 million last year. Of this amount, $35.2 million was spent on fleet-related projects compared to $21.7 million last year. The fleet capital focused on regular capital upgrades, capital to meet regulatory or class requirements and leasehold improvements for the Ala'suinu. An additional $28.3 million was spent replacing and modernizing shore facilities and equipment, upgrading IT infrastructure, and investing in innovation projects compared to $19.2 million in fiscal 2022/23.

91,088 Commercial Vehicles

85% On-Time Performance
Including weather delays 83%

1,739 Number of Sailings

145,257 Passenger Vehicles

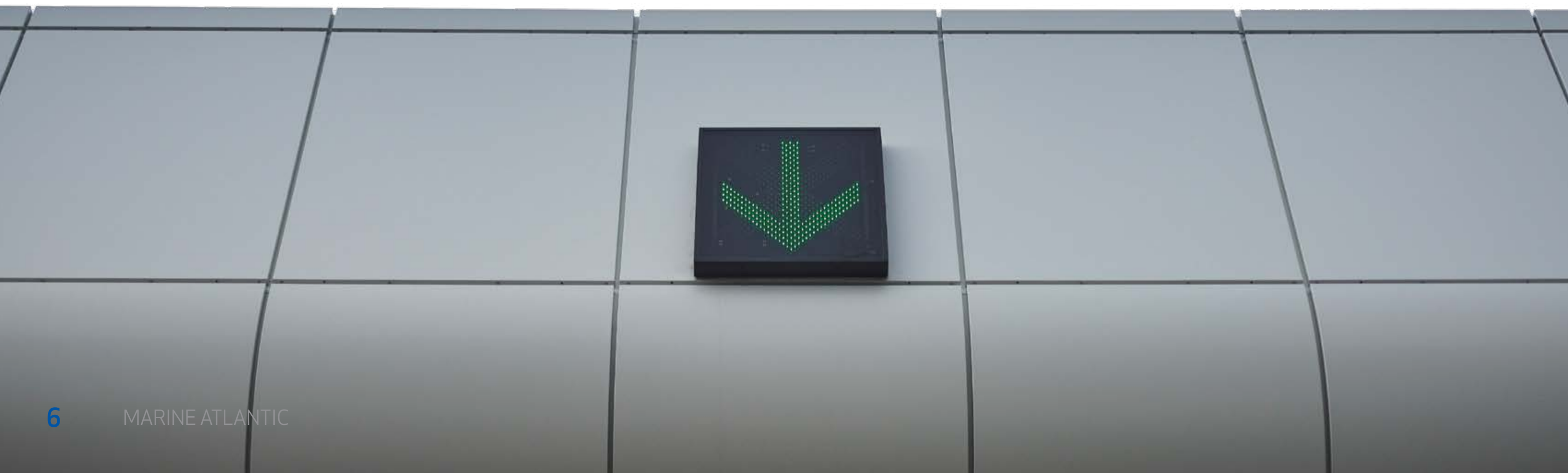
367,786 Passengers

Traffic And Employees

	2023-24	2022-23	2021-22	2020-21	2019-20
Passengers	367,786	360,388	231,298	139,988	311,499
Passenger vehicles	145,257	142,645	91,336	50,449	120,426
Commercial vehicles	91,088	92,687	90,222	89,723	82,194
AEU's*	534,321	538,289	468,157	420,009	470,095
Number of single crossings	1,739	1,750	1,642	1,498	1,632
Employees (peak employment)	1,388	1,283	1,140	1,110	1,276
Employees (full-time equivalent)**	1,126	1,082	1,009	880	1,063

** AEU or Auto Equivalent Unit is the length of an average passenger automobile .*

***Full-time equivalent (FTE) employees are calculated by dividing actual labour hours by the standard hours in a work year (2,080).*



Financial Overview Table

Year ended March 31 (2024, 2023, 2022,2021 & 2020 (in thousands)

	2023-24	2022-23	2021-22	2020-21	2019-20
Transportation Revenue	$121,012	$119,502	$96,182	$83,056	$105,396
Interest and Other income	14,692	421	79	182	229
Gains	7,729	12,396	8,488	4	-
Total Revenues	**143,433**	**132,319**	**104,749**	**83,242**	**105,625**
Operating expenses	$190,823	$161,182	$142,655	$128,795	$141,014
Fuel	47,634	51,998	27,448	14,559	28,341
Charter costs	19,111	15,744	15,446	16,768	14,468
Losses	3,930	1,834	534	11,093	306
Employee Future benefits	(26,795)	44,373	194	688	516
Amortization/Accretion	62,338	57,579	57,794	60,496	52,025
Total Expenses	**297,041**	**332,710**	**244,071**	**232,399**	**236,670**
Deficit before government funding	153,608	200,391	139,322	149,157	131,045
Government funding					
Operations	128,467	90,948	93,598	109,494	83,239
Capital	63,548	40,880	37,905	31,627	50,076
Operating surplus (deficit)	**$38,407**	**$(68,563)**	**$(7,819)**	**$(8,036)**	**$2,270**

Message from the Chair of the Board of Directors

Marine Atlantic's vessels completed more than 1700 crossings in 2023/24, transporting people and goods to and from Canada's most easterly province providing a vital connection that enables the Atlantic Canadian economy. Thank you to the employees of Marine Atlantic who worked steadfastly during the year to provide a safe and efficient ferry service.

In February, we accepted delivery of a new ship named Ala'suinu. The vessel's name is a Mi'kmaq term meaning 'Traveller', reflecting the historic attachment of Mi'kmaq communities in both Newfoundland & Labrador and Nova Scotia. The ship will enter service in 2024/25 providing customers with expanded amenities, and meeting accessibility and environmental standards to enhance the customer experience.

The organization continued to make progress on other key priorities such as the development of its strategy to achieve Net Zero by 2050 that will see decreasing carbon emissions and an ongoing reduced environmental footprint. The Corporation also completed its first climate-related financial risk disclosures report.

Throughout the year, there was a sustained focus on people and culture with the completion of our Accessibility Plan, the continued implementation of a Psychological Health and Safety program, the development of a Pay Equity Plan, and the development of a strategic human resource plan designed to meet the needs of today's workforce and also to work with our industry partners to attract the next generation of marine industry employees.

We are committed to providing a work environment that is accessible, diverse, and inclusive that provides employees with an opportunity to advance in their career. In 2023/24, there was great progress in the construction of the new Port aux Basques administration building designed to provide an accessible, inclusive, and environmentally-friendly facility that encourages the health and well-being of employees. We look forward to its opening in late summer.

"Ninety-one percent of customers stated the ferry service met or exceeded their expectations while the cost of the service continues to be an area for improvement. To that end, the organization remained focused on the affordability and sustainability of the service of which our continued work towards a new cost recovery model is a key element."

Thank you to the Government of Canada for their continued support and investment towards a strong Marine Atlantic which supports a robust national transportation and supply chain.

Looking forward to 2024/25, the Ala'suinu, a key element of the organization's long-term fleet replacement plan, will enter service providing customers with an enhanced customer experience, while ensuring a safe, reliable, and affordable ferry service.

Sincerely,

Gary O'Brien
Chair, Board of Directors

Message from the President and CEO

One of the most distinguishable characteristics of Marine Atlantic is its fleet of large ferries. Over the years, our ships have become part of life-long memories for our customers and employees. People become attached to vessels for a variety of reasons, so it is a significant event when the organization makes changes to the fleet.

In 2023/24, we celebrated two vessel-related milestones. During the year, we accepted the delivery of our newest vessel the Ala'suinu. This ship has been constructed to operate in our tough operating environment, while emitting less carbon into the atmosphere through its efficient engine design combined with battery powered support. The vessel emits less underwater noise to reduce the impact on the wildlife that share the waters in which we operate. We are looking forward to 2024/25 when we welcome customers onboard the Ala'suinu.

The Ala'suinu proudly displays original artwork by local Indigenous artists and during the year we completed our first installments of Indigenous art at our terminals as we continue on the path towards Truth and Reconciliation.

In March, the Atlantic Vision completed its final crossing for Marine Atlantic. The ship provided customers with a reliable and comfortable experience on the Port aux Basques and Argentia services for over 15 years.

During the past 12 months, the organization focused on key initiatives that are designed to position us to meet the objectives of our five-year planning cycle. This included continuing our journey towards achieving Net Zero emissions by 2050 with the establishment of a baseline greenhouse gas inventory and implementing our roadmap that establishes targets and key performance indicators. We are making investments in electrifying our fleet of vehicles, installing energy-efficient infrastructure, actively involved in the Green Marine program, and bringing forth new technologies that will help us be successful in our environmental journey.

One of our operational goals is to provide customers with timely information to enable them to plan their travel that best meets their needs. Our customer contact system and website provides customers with up-to-date information, and upgrades during the year enabled customers to opt-in to receive text and email notifications for any advisory related to their travel itinerary.

"We have completed enhancements to our digital services for customers on the website and began work towards a customer facing app to further improve their experience."

The implementation of a new recruiting and onboarding platform to provide current and future employees with an improved user-experience was launched during the year. Whether it was to provide a smooth transition as they join the organization or taking on a new role, our focus is providing a work environment that promotes inclusion and respect for all. To ensure there are future qualified employees, we worked closely with educational institutions to implement a cadet officer scholarship program as well as partnering with a national program to reach out to young people who may consider a career in the marine sector.

There is no doubt that 2023/24 was a busy year. Thank you to all our employees for their ongoing commitment and dedication, enabling our success. I look forward to continuing to work with all our partners in the coming year as we strive to meet our goals.

Sincerely,

Murray Hupman
President and CEO

Our Guiding Principles

Our Vision

An essential, progressive transportation system that people trust to deliver.

Our Mission

To provide a safe, environmentally responsible and quality ferry service between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous, and cost-effective manner.

Commitment
We are responsible for our performance and delivering on our commitments

Integrity
We say what we mean and do what we say

Teamwork
We work together to achieve the best outcomes for the organization

Our Values

Excellence
We take pride in delivering the best possible services

Diversity
Embracing our differences leads to better performance and helps us achieve our goals

Safety
Protection of people, property and the environment is our ultimate priority

Corporate Profile

Marine Atlantic is a federal Crown Corporation tasked with fulfilling the constitutional mandate of offering freight and passenger service between Port aux Basques, Newfoundland and Labrador, and North Sydney, Nova Scotia. This service is vital to connect the Province of Newfoundland and Labrador with the rest of Canada.

Marine Atlantic operates terminals in Port aux Basques and Argentia, Newfoundland and Labrador, and North Sydney, Nova Scotia. We operate ferry services on two routes, a year-round 96 nautical mile daily ferry service between Port aux Basques and North Sydney and a seasonal 280 nautical mile ferry service between Argentia and North Sydney.

To fulfill our mandate, Marine Atlantic operates a fleet of four ice-class ferries (ships that have additional strengthening and specifications to enable navigation through sea ice) namely the Blue Puttees, Highlanders, Atlantic Vision and Leif Ericson. The Corporation reports annually to the Government of Canada through the Minister of Transport.

When Newfoundland joined Canada in 1949, the ferry service between the Province of Newfoundland and Labrador and the mainland was accorded special constitutional status under Term 32(1) of the Terms of Union (*The Newfoundland Act*, 1949) which guarantees that Canada will "maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles."

Operations

Marine Atlantic transports a diverse assortment of traffic. Daily, the Corporation transports passengers, passenger vehicles, tractor trailers and their drivers, drop trailers (trailers only - no attached truck), and other vehicles such as motorhomes, buses, motorcycles, and all-terrain vehicles.

As the only year-round daily ferry service between the Island of Newfoundland and the Province of Nova Scotia, the Corporation transports goods entering and exiting the province via the commercial trucking industry. The commercial trucking industry is a significant stakeholder and our service is a key element of the regional supply chain. Vitally important items including perishable foods and medical supplies are transported every day due to the nature of warehousing and just-in-time delivery. Local Newfoundland businesses rely on this service to maintain their supply chain to customers off the Island.

As the primary ferry service for passenger vehicle traffic on and off the Island of Newfoundland, Marine Atlantic is also a valuable transporter of people. Ferry travel supports the connection between Newfoundland and Labrador and the rest of Canada. During the summer months, Marine Atlantic transports large numbers of travellers, both resident and non-resident, playing an important role in supporting the province's tourism industry.

Marine Atlantic operates four vessels designed to meet the needs of our diverse customer base. From shipping large volumes of freight to offering modern passenger amenities, the organization strives to provide a safe, reliable, and quality travel experience.

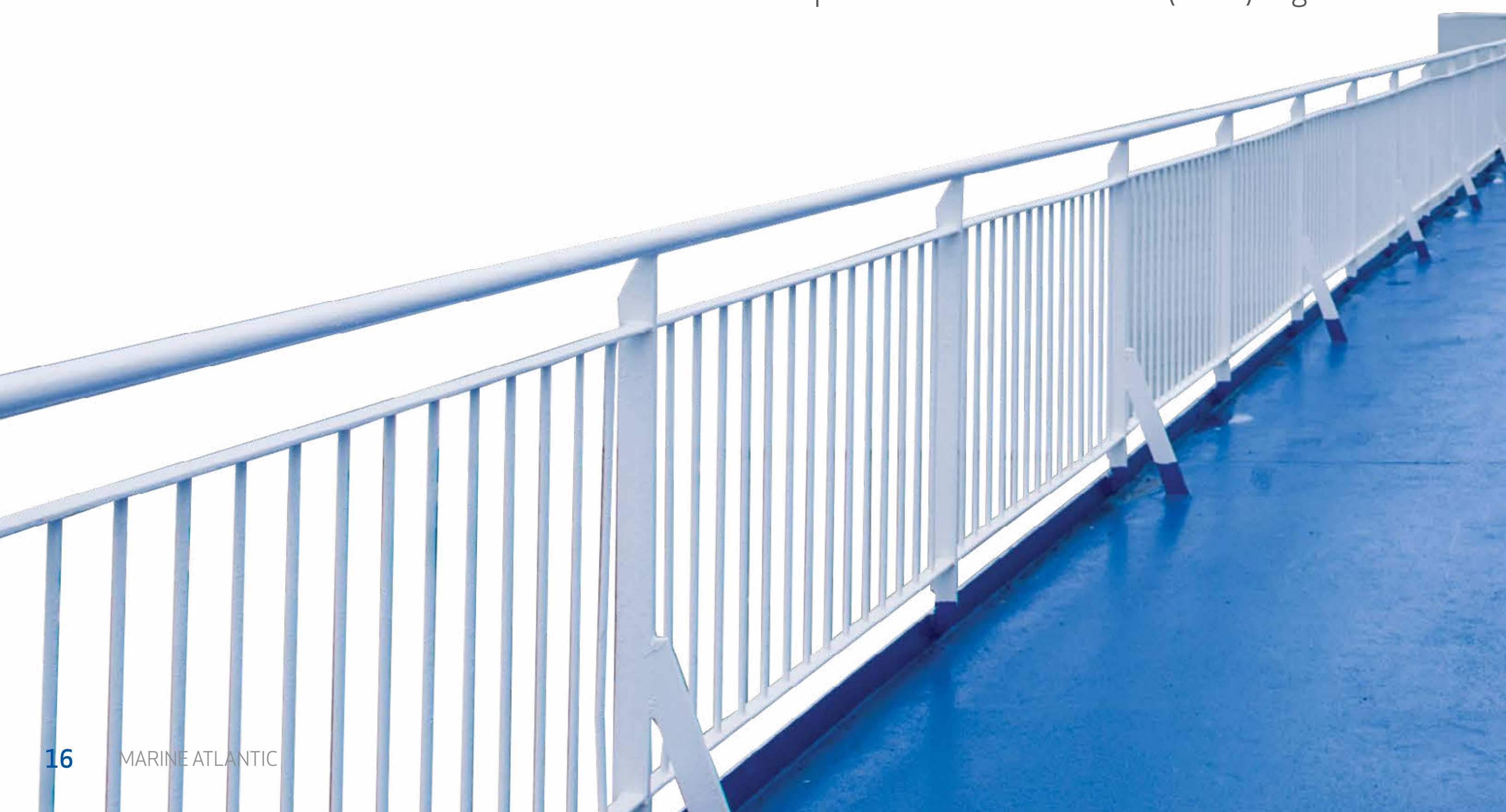
Marine Atlantic operates under the guidance of the *Transportation of Dangerous Goods Act* and the International Marine Dangerous Goods regulations that specify how cargo must be stowed and segregated onboard vessels. These regulations are constantly updated with new information to ensure safety.

Operating Environment

Operating year-round, Marine Atlantic's vessels sail during pleasant summer weather and harsh winter conditions. The captains and crews of our vessels are continuously monitoring weather conditions to ensure safety, reliability, and passenger comfort during the voyage. Marine Atlantic's service is influenced by its operating environment, which validates the requirement for modern, ice-class, well-maintained passenger-centric vessels, as well as highly trained and skilled crew.

Safety Standards and Regulations

Marine Atlantic's vessels are maintained to strict regulatory and safety standards. The vessels must comply with Transport Canada Marine Safety Codes and Regulations and are inspected by Transport Canada Marine Safety and Det Norske Veritas, a world-leading classification society, to ensure compliance. The Safety Management System is audited independently by Class Society, Lloyd's Register, to verify compliance with the requirements of the International Safety Management Code for the Safe Operations of Ships and Pollution Prevention. The operation of Marine Atlantic vessels is governed by various acts and regulations including the *Canada Labour Code, Transportation of Dangerous Goods Act* and Regulations, International Maritime Dangerous Goods Regulations, *Marine Liability Act* and Regulations, *Canada Shipping Act* and Regulations, *Financial Administration Act*, Domestic Ferries Security Regulations (DFSR) and Sulphur Emission Control Areas (SECA) Regulations.



Vessel Fleet

Blue Puttees

Proudly named after the regiment that represented Newfoundland in the Great War, this vessel joined Marine Atlantic's fleet in 2011. At approximately 200 metres in length, the vessel meets accessibility requirements and offers a wide selection of cabins, seating areas, amenities, and dining choices to meet customer needs.

Highlanders

The Highlanders joined Marine Atlantic's fleet in 2011. Named in recognition of the distinguished military service of Nova Scotia's Highland regiment, the 200-metre vessel meets accessibility requirements and offers a wide selection of cabins, seating areas, amenities, and dining choices to meet customer needs.

Atlantic Vision

Introduced to Marine Atlantic's fleet in 2009, this chartered, accessible 203-metre vessel offers a large selection of cabins, seating areas, amenities, and dining choices for customers.

**Completed service with Marine Atlantic on March 15, 2024*

Leif Ericson

Introduced to Marine Atlantic's fleet in 2001, the Leif Ericson is the Corporation's dedicated commercial vessel. Named to mark the 1000th anniversary of Norse explorer Leif Ericson's arrival in Newfoundland, the vessel offers a variety of amenities and is designed to meet the shipping needs of commercial customers.

A Fond Farewell to the Atlantic Vision

On March 15, 2024, the Atlantic Vision made its final crossing with Marine Atlantic, marking the end of 15 years of reliable service between Port aux Basques, Argentia, and North Sydney.

Introduced to the fleet in 2009, and given its name through a community contest, the vessel connected our communities, provinces, and hundreds of thousands of customers during its years of service.

For many of our crew members, past and present, it was a second home that provided memories that will last a lifetime. For our customers, the Atlantic Vision has become part of their stories and experiences. It was a place where they met new friends, reminisced with old acquaintances, and began new adventures.

Thank you to everyone who has been a part of the Atlantic Vision's journey. It will hold a special place in our history and join a proud list of former vessels that have effectively served the people of our region.

Welcoming the Ala’suinu

On February 7, 2024, Marine Atlantic accepted delivery of its newest vessel, the Ala’suinu, meaning “Traveller” in Mi’kmaq.

The vessel’s design focuses on protecting the environment in which we operate. Through efficient engine design that reduces fuel consumption complemented with battery power, and measures to decrease underwater noise, we are focused on reducing the impact on marine life and our carbon footprint.

For customers, the Ala’suinu incorporates the latest Canadian accessibility standards and offers amenities such as passenger cabins (including pet-friendly cabins), passenger pods, food service options, seating lounges, a children’s play area, and a kennel for pets.

The five-year vessel charter provides for the option to purchase the vessel. We are excited for the enhancements this vessel will offer our customers and look forward to the Ala’suinu entering service in the summer of 2024.

New Administration Building

Following years of design, planning and construction, Marine Atlantic is looking forward to the official opening of the new Port aux Basques administration building in late summer 2024.

Upon completion, this building will address space and infrastructure challenges for employees providing a consolidated administrative function. The new facility is an important element in the Corporation's vision for a healthy, accessible, inclusive, and environmentally friendly workplace for employees.

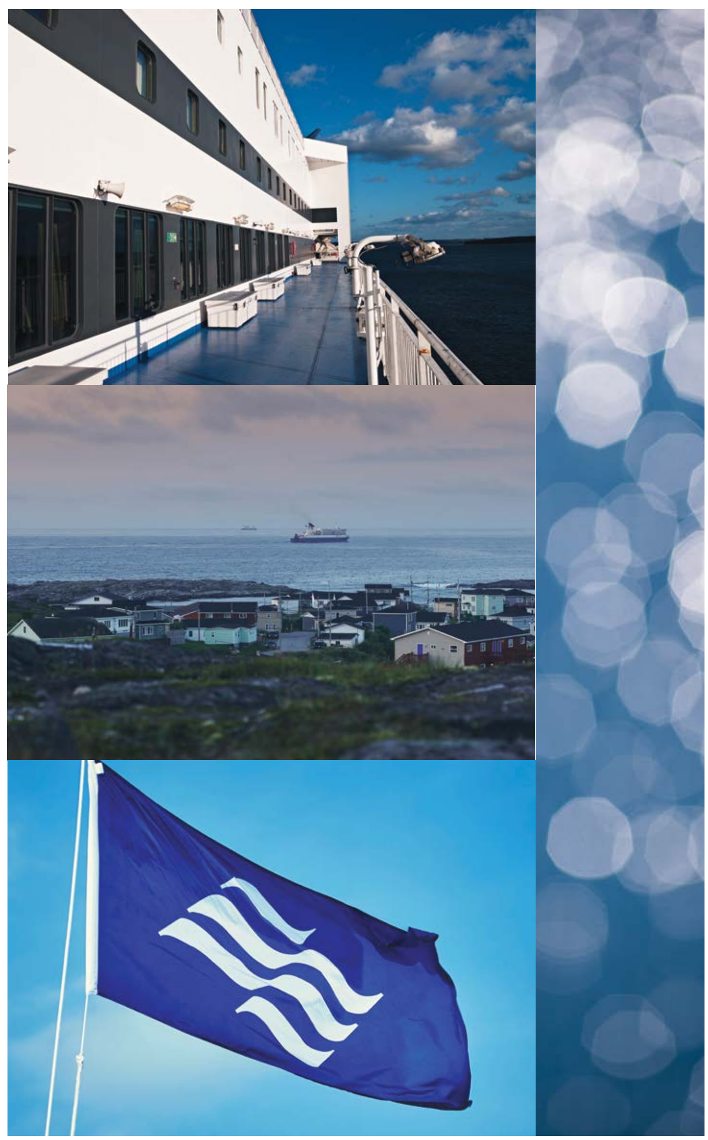
The facility incorporates modern amenities and new environmental technologies, including electric vehicle charging stations and solar panels. The building's structural design includes energy-efficient tilt panel construction, window glazings and sturdy weather-resistant materials designed to require less maintenance. Design and construction follow the Leader in Energy Efficient Design (LEED) certification requirements, with a goal of achieving LEED Silver.

Environmental Commitment

We are living in a time in which climate change is having an adverse impact on our environment. The team at Marine Atlantic is committed to doing its part to protect the areas in which we operate. The impacts of climate change also present opportunities for the organization. Three organizational strategic initiatives recognize the importance of addressing the impacts of climate change on operations including the achievement of Net Zero by 2050, development of a long-term fleet replacement strategy, and ensuring the affordability and sustainability of the service.

Marine Atlantic is continuing to develop its Net Zero by 2050 strategy. Marine Atlantic completed its Net Zero roadmap and has also established a baseline greenhouse gas (GHG) inventory. This roadmap will help the organization to establish specific KPIs and targets, centralize data inputs to facilitate monitoring and Net Zero metrics, and develop a reporting dashboard. An Environmental Stewardship Committee has also been established to provide guidance to ensure that the organization achieves its environmental performance objectives, fulfills its compliance obligations, and minimizes environmental impacts from operations.

This year Marine Atlantic published its first climate-related financial risk disclosures report. The full report is in appendix A.



In December 2015, the Financial Stability Board (FSB), an international body that monitors and makes recommendations about the global financial system, established the Task Force on Climate-related Financial Disclosure (TCFD) to develop voluntary, consistent climate-related financial risk disclosures for companies to use when providing information to investors, lenders, insurers, and other stakeholders.

The TCFD released the final recommendations in June 2017 following a collaborative process of global stakeholder consultations. The TCFD recommendations focus on enhancing market transparency and enabling the efficient allocation of capital in the transition to a low-carbon economy as envisioned by the Paris Agreement.

The Government of Canada's 2022 budget committed to mandating Canadian companies to report climate-related financial risks. Effective 2024, Marine Atlantic joined other Government entities in annually reporting climate disclosures according to the TCFD framework.

Battery Recycling and Disposal Program

Batteries power the modern world, whether it's your tablet, a mouse, a power tool, or a digital camera. When batteries lose their charge or ability to recharge, it's time to recycle them. Our Waste Management Team has partnered with a not-for-profit organization to safely recycle and reduce waste, helping us with our overall environmental goals.


CLARENCE


STARCRAFT

A Safe and Secure Service

Safety is everyone's responsibility and at Marine Atlantic we are committed to putting in place measures that promote safety and security, and continuously undertaking reviews, making updates and changes, based on our experiences. We aspire to a goal where no person is injured, and no asset is damaged. Through our policies, procedures, plans and actions, we are placing the highest focus on a safe and secure operation.

1,236 DAYS

Lost Time Incident Free

Congratulations to the Port aux Basques Maintenance Shop.

Safety is everyone's responsibility

Working together, Marine Atlantic's Occupational Health and Safety Committees pursue goals through collaboration, cooperation, and education.

Our joint Occupational Health and Safety Committees promote management and non-management employees working together towards a healthy and safe work environment and are responsible to:

- Promote health and safety in the workplace.
- Assist with the implementation and monitoring of Health and Safety education programs.
- Assist with the implementation and monitoring of the Hazard Prevention Program.
- Assist with the implementation and monitoring of the Personal Protective Equipment Program.
- Participate in inquiries and studies relating to the health and safety of employees.
- Consider and expeditiously resolve issues relating to the health and safety of employees.
- Regularly monitor data relating to incidents, injuries, hazards, and any related incident analyses.
- Participate in the implementation of changes to work processes and procedures that might affect occupational health and safety.
- Conduct monthly workplace inspections at every workplace.

Visitor and Contractor Management Programs

As part of our ongoing efforts to protect all those who visit our sites, we continued to implement updates throughout the year to the Contractor Management and Visitor Management Programs. These programs guide contractors, subcontractors and visitors in the expected health and safety standards when visiting and performing work on Marine Atlantic property. Participants in these programs receive an overview of the Corporation's safety procedures, review of the required safety equipment, and rules of conduct while on site. Our team lives this commitment each day as they outline clear guidelines at the beginning of these work and visitor relationships.

Marine Atlantic celebrated Safety and Health Week from May 1-6. Replacing North American Occupational Safety and Health (NAOSH) Week, this celebration places a greater focus on safety and health within Canada, and allows us to reflect on the role that we can all play to create workplaces and communities where everyone can feel safe, healthy, and thrive.

A New incident Management Tool

During the year, our organization implemented a new cloud-based incident reporting and security management platform. The tool is designed to manage safety and security operations efficiently and effectively by providing access to a modern incident management and reporting system geared towards greater access and simplifying reporting needs.

The new app component of this tool provides mobile users with key on-the-go features including information management that reduces the amount of information entered manually as well as more easily identifying opportunities for corrective actions to reduce potential for future incidents.

Emergency Exercise Preparedness and Training

In October, employees participated in an annual emergency preparedness tabletop exercise designed to assess security and environmental response capabilities of the organization. These annual exercises are devised to further strengthen emergency response capabilities throughout the organization through a combination of classroom and simulated training. During the year, approximately 80 employees completed ICS 100 certification, Emergency Preparedness, and Emergency Management Planning Cycle training.

Cybersecurity and Information Protection

Cyber threats are a risk for organizations around the globe. Marine Atlantic continues to evolve in the protection of its digital assets through the introduction of new initiatives and measures to protect against these illegal activities in protecting corporate and customer information. Working with external organizations like the Canadian Centre for Cyber Security Monitoring, mitigation activities are continuously being reviewed, developed, and implemented. Through a combination of technology, process, education and policy-based solutions, the Corporation is working with employees and external partners to protect against unauthorized access to systems and information.

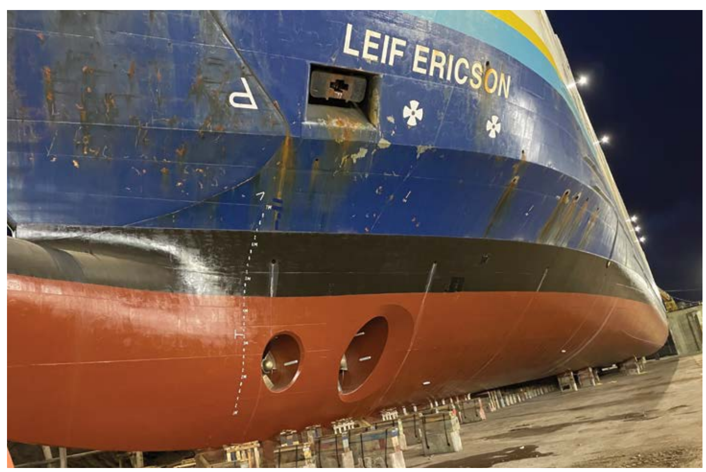
Investment and Innovation

Investment and innovation plays a strong and integral role in establishing a safe, reliable, and efficient ferry service. Through the establishment of the Innovation Committee, we are identifying, developing, and prioritizing innovative strategies that are having positive impacts on our service, customers, and employees. Significant investments have been made towards fleet renewal with the introduction of the Ala'suinu and shore-based infrastructure enhancements including the new Port aux Basques administration building. At the core of each of these projects is our commitment to have the necessary infrastructure and processes in place to provide a safe, reliable, and affordable ferry service.

The Blue Puttees underwent a complete upgrade of the vessel's integrated alarm, monitoring and control system, and gearbox inspections and repairs which are designed to modernize our vessel assets.

Fleet Renewal and Maintenance

Maintaining our assets to provide for a high level of reliability is at the core of our preventative maintenance philosophy. During the year, projects were completed on the Highlanders, Blue Puttees and Leif Ericson to meet this commitment.



The Leif Ericson underwent its regulatory drydocking where Class inspections were completed along with repairs to keep the oldest vessel in our fleet operating at its optimal performance while the organization develops plans for its eventual replacement.

Highlights of the Ala'suinu

We are looking forward to the year ahead as we prepare for the Ala'suinu to enter service in summer 2024. The vessel is an important addition as we look to meet customer needs while minimizing our impact on the environment in which we operate.

- Approximately 200 metres in length
- Ice-class
- Enhanced Power and Thruster Capability
- Latest Accessibility Standards
- Green Ship and Dual-Fuel Technology
- Carry up to 1000 Passengers
- 146 Passenger Cabins
- 31 Pet-Friendly Cabins
- 40 Passenger Pods
- Food Service Options
- Seating Lounges
- Children's Play Area
- Pet Kennel

Shore-based Investments

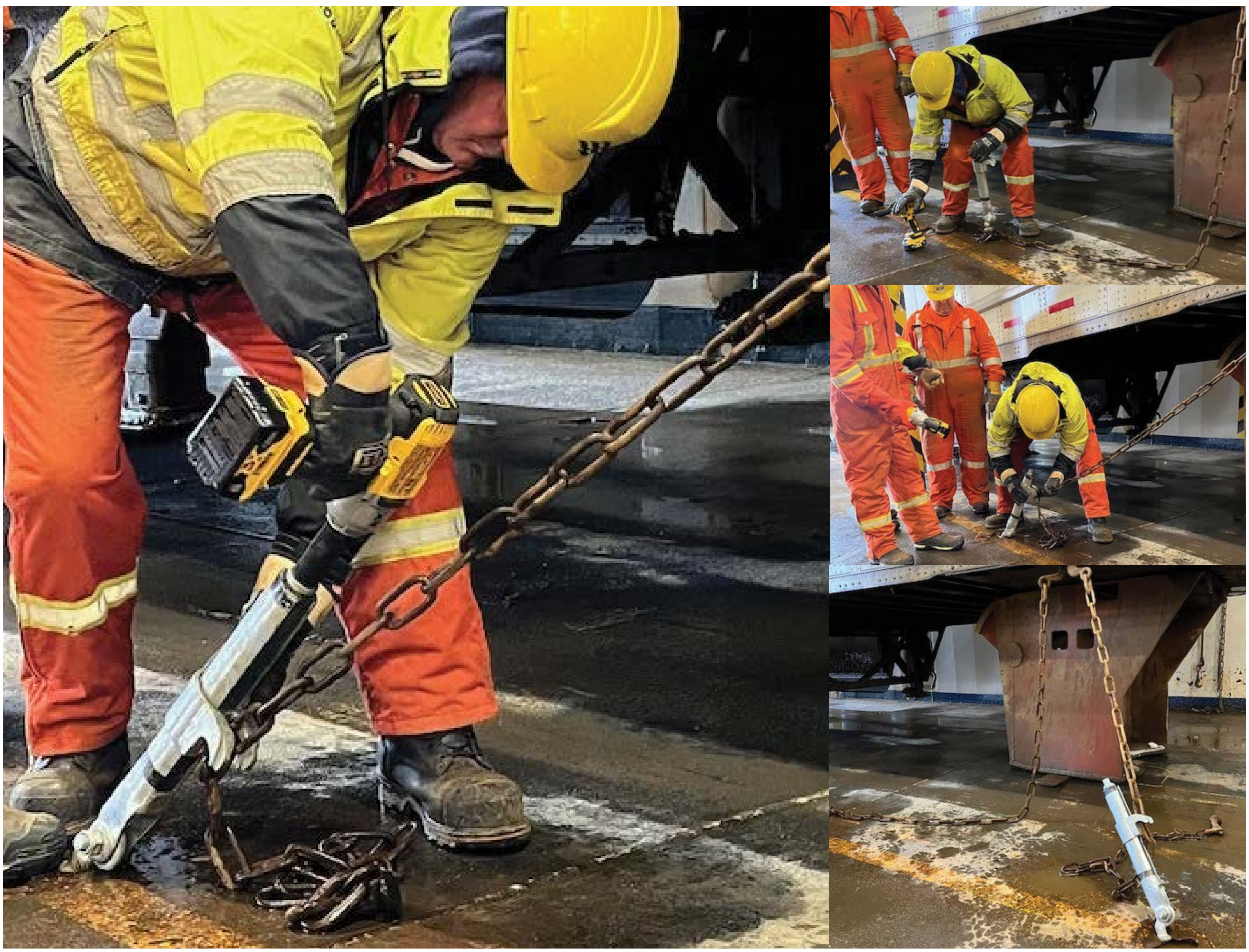
The new Port aux Basques administration building is a central highlight of the shore-based infrastructure agenda with a focus on accessibility, inclusion and the environment.

Through innovation and infrastructure investments during the year, two new electric scissor lifts were introduced and we are awaiting the delivery of two new electric shuttle buses. Additional electric vehicle chargers are being installed at facilities throughout the organization, lighting infrastructure is being upgraded, HVAC system and sewage system upgrades are taking place, and general dock and terminal maintenance activities continue on a year-round basis, all contributing to our overall greening strategy.

New Lashing System piloted

Drop trailers are an integral component of the commercial service provided by Marine Atlantic. Each time a drop trailer is transported on a vessel, the unit has a roloc box attached under the front portion, and it is secured/lashed to the deck of the vessel using steel chains. Together, these items provide the unit with the stability needed to prevent it from moving while the vessel is in motion.

At year-end, the team was participating in a pilot project testing a new type of mechanical securing/lashing system. The system, if implemented, will mean employees will not have to exert physical force to secure and release the steel chains to the deck of the vessel thereby reducing the risk for injury.



Vessel Connectivity

High quality internet connectivity, particularly when at sea, remains a challenge for the organization. To provide reliable cellular connection on the vessel requires access to cell towers and this is not always available while at sea. In addition, high demand for the limited bandwidth can adversely impact the user experience.

Marine Atlantic is working to overcome these challenges and throughout the year focused on several projects designed to lead to a more robust vessel connection network. These projects are designed to improve connectivity options for vessels at all locations whether at sea or the dock, regardless of route. The system will automatically select the best option available without any loss of network connectivity.

Starlink

The Starlink Project provides a high-speed, low latency (meaning it will respond quickly) network connection option for vessels while at sea, regardless of route. The objective of this project is to provide a fast and reliable network connection while sailing for business needs, entertainment, and communication. Starlink has been deployed on all vessels and has allowed Marine Atlantic to deploy enterprise applications. We continue to look for opportunities to utilize this technology.

Cellular Connectivity

Distributing a cellular connection throughout a steel vessel requires numerous network antennas. The objective of this project is to increase the cellular coverage within the existing vessels. Upgrades have been made to the antennas and infrastructure wiring has been completed. Future projects will include additional cellular boosters within the fleet.

Intelligent network (firewall on vessel)

This project leverages our modern network firewall technology to seamlessly select the best available network. The objective of this project is to provide secure seamless switching of available network connections based on the best available signal. The intelligent firewalls have been deployed across the fleet and we continue to monitor and improve the service.

IPTV On Demand Wi-Fi TV (New)

An IPTV system will provide passengers and crew with an additional entertainment option through Wi-Fi and their personal devices. This will allow Marine Atlantic to promote, inform, and educate as well as entertain. The objective of this project is to provide Wi-Fi media streaming on demand as an option for customers and crew. The IPTV has been deployed on the Leif Ericson and we are looking to provide this as an alternative option for the remaining vessels.

A Customer Focus

Every day, the team at Marine Atlantic strives to provide customers with a safe, reliable, accessible, and affordable ferry service. Providing customers with a high-quality experience begins at first contact through to the completion of their journey, by supporting and responding to customer needs and requests along the way.

Official Languages

As a federal Crown Corporation, Marine Atlantic is committed to providing customers with the option of receiving service in either of Canada's two official languages. As part of that commitment, Marine Atlantic participates in an advisory committee that reports to the Official Languages Centre of Excellence and works with the Office of the Commissioner of Official Languages, Treasury Board, and the Department of Canadian Heritage to report and meet our requirements under the *Official Languages Act*.

During the year, Marine Atlantic implemented a new bilingual e-mail domain (@ma.ca) to better serve customers and the public when interacting with employees in the official language of their choice.

96%

of customers highly satisfied with the courtesy of staff onboard and at the terminal

95%

of customers likely to recommend Marine Atlantic to family and friends

91%

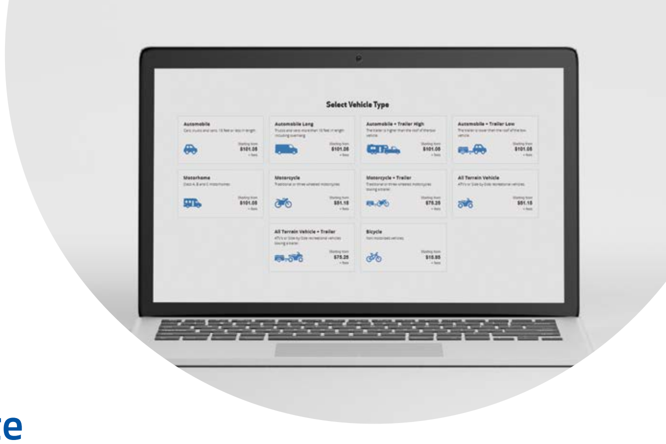
of customers told us that their expectations were met or exceeded

82%

of customers highly satisfied with the onboard experience

85%

of customers positively assess the reliability of Marine Atlantic's service



Pet-Friendly Cabins

2023/24 marked the second year for pet-friendly accommodations on the ferries. These accommodations are highly popular, and customers continue to express their appreciation for this offering. During the year, to better accommodate commercial customers travelling with pets, 6 cabins were converted to pet-friendly on the Leif Ericson.

Website Upgrades

Marine Atlantic's Innovation Strategy has a dedicated focus towards the continued modernization of the customer journey. During the year, upgrades to the website enabled customers and the public to view automatic notices when a travel advisory is posted, increased access to commercial operational information, and updates regarding vessel and sailing mode changes in real-time. This enhanced access to information provides customers with better information to plan their travel with Marine Atlantic.

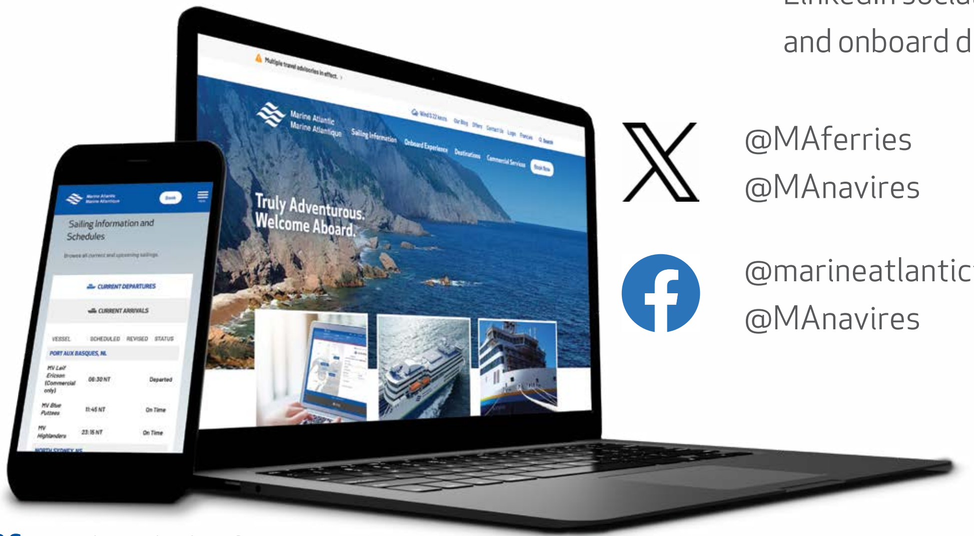
Website

The website conforms with the recognized and accepted standards for website accessibility, including WCAG 2.0 and ATAG 2.0 guidelines. Our online booking system provides an accessible online experience that includes descriptions, iconography, and additional context to improve comprehension for all customers.

Customer Communications

Providing customers with timely information enables them to plan their travel and reserve the crossing that best meets their needs. Our customer contact system and website efficiently share timely communication with passengers and commercial customers. Upgrades to the customer contact system during the year enabled customers to opt-in to receive text and email notifications should any advisory be posted related to their travel itinerary.

The information is also shared on the organization's X (Twitter), Facebook, Instagram, YouTube, and LinkedIn social media accounts, as well as terminal and onboard digital signage.



@MAferries
@MAnavires

@marineatlanticferries
@MAnavires

@maferries
@manavires

Marine Atlantic
Marine Atlantique

Marine Atlantic
Marine Atlantique

A Commitment to Accessibility and Inclusivity

Marine Atlantic is committed to providing a positive, accessible transportation experience for all our passengers. The Accessibility and Inclusion Advisory Committee provides the organization with community feedback as part of our continual improvement process. Employees complete accessibility awareness training and receive regular refreshers and communication to provide customers with a barrier-free travel experience.

Last year, Marine Atlantic published its Accessibility Plan which outlines our goal to remove barriers to accessibility as well as the actions and processes ongoing to help us achieve our vision. During the year, Marine Atlantic published its first progress report on the Accessibility Plan which highlighted the successful completion of several initiatives and laid out plans for future progress.

Terminals

All terminals have accessible parking, elevators, and washrooms, as well as signage that includes tactile and/or braille where applicable, audio and visual passenger announcements.

Terminals offer curbside assistance, providing passengers with support navigation, baggage, and wheelchair assistance.

Vessels

All vessels have accessible parking, elevators, and washrooms, as well as signage that includes tactile and/or braille where applicable, audio and visual passenger announcements.

Accessibility features on the vessels include adapted cabins with washroom and shower facilities that accommodate mobility aids. Passenger safety briefings are available as videos with closed-captioning, or in alternate formats including large-print text or as one-on-one briefings from a crew member.

Proud to Support our Regional Tourism Industry

Through sponsorship events with tourism associations, government agencies, and not-for-profit groups, trade shows and promotional activities, Marine Atlantic is a proud participant and supporter of our region's efforts to develop new strategies and generate new tourism opportunities.

A Strong and Progressive Team

At Marine Atlantic, we are proud of the strong, talented, experienced, and dedicated team that makes up our organization. We are committed to attracting and retaining a skilled, diverse, and inclusive workforce that represents the people and communities in which we operate through training opportunities and continued skills growth.

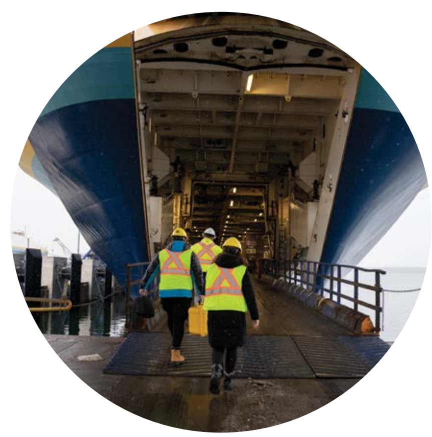
Recruiting and Onboarding Technology

We are committed to supporting employees with their career needs by providing new and innovative solutions. During the year, we launched a new recruiting and onboarding platform that provides current and future employees with access to an improved career site. For current employees, the new platform provides virtual access to electronic forms, information, and training to facilitate the transition to new roles. New employees will experience a smooth transition as they join the Marine Atlantic team.

Investing in Talent

A strong, diverse, and vibrant workforce is critical for the success of an organization. Investing in hiring, training and succession planning continues to be a focus for the organization. With the marine industry globally experiencing a shortage in some vessel-based positions, the organization continues to focus on recruiting and retaining for critical operational areas. The organization is subscribing to a variety of efforts including internal promotion, an employee referral program, sponsorship programs and signing incentives.

Cadet Officer Scholarship Program partnership agreements



Our goal is to attract and retain a talented, diverse workforce for a great career providing a healthy work-life balance. Partnership agreements with the Marine Institute at Memorial University and the Nova Scotia Community College Nautical Institute support recruitment efforts.

Day of the Seafarer

Every June, we celebrate the important role our seafarers play in the marine industry. Seafarers spend a great deal of time at sea and are a big part of the solution when it comes to protecting the marine environment. The 2023 Day of the Seafarer theme focused on the seafarers' contribution to protecting the marine environment.

Continuing Education

Growing employees' skills is part of our commitment to personal and professional growth. Training and development activities are designed to strengthen employees' skills and continue to develop leaders for tomorrow. Each year, employees participate in a wide variety of regulatory training programs to position themselves to meet the requirements of our organization. Through leadership training programs, current and future leaders develop skills that provide foundational support for workforce planning and interactions.

The organization's Learning Management System provides flexibility for employees when completing online self-study programs in a variety of organizational priority areas.

In addition, the Educational Financial Assistance Program is designed to encourage employees to continue external educational opportunities specific to their desired career path. This program includes financial support.

These training opportunities are helping to retain highly experienced and skilled individuals and plan for future succession opportunities.

Did You Know?

All voices are important when considering how best to accommodate everyone's needs. As an organization, we are committed to be a leader in accessibility, reconciliation with Indigenous peoples, and inclusivity for members of the 2SLGBTQIA+ community, newcomers, people of colour, and members of any other equity deserving groups. Megan Bateman, a Diversity, Equity and Inclusion Specialist, is one member of our team who champions Marine Atlantic to be an inclusive, comfortable, and safe to access space for everyone. This includes our staff, our customers, and the broader communities in which we operate.

Closing the Gender Wage Gap

The *Pay Equity Act* is an important part of the Government of Canada's commitment to closing the gender wage gap and ensuring that workers receive equal pay for work of equal value. It provides for long-term, sustainable changes ensuring women's work is valued and compensated fairly, now and into the future.

Marine Atlantic is committed to the principle of equal pay for work of equal value and is working toward the development of this plan. Aligning with the *Pay Equity Act*, Marine Atlantic will establish its pay equity plan in 2024. During the year, significant progress occurred towards the plan including the establishment of a Pay Equity Committee representing all areas of the organization as outlined in the Act. The Committee is supported by external expertise to help develop the pay equity plan.

Women's Mentorship Program

Marine Atlantic's Women Coaching and Mentorship Program is inclusive of all individuals who identify with the term woman, regardless of whether they are transgender, intersex, Two-Spirit, gender non-conforming, etc. Selected employees provide support to interested mentees. Mentorship Programs are designed to assist in both professional and personal development providing an opportunity for both the Mentor and Mentee to grow and learn from one another.

Access to Menstrual Products in the Workplace

During the year, amendments to the Canada Occupational Health and Safety Regulations came into effect providing for menstruating employees in federally-regulated workplaces to always have access to clean and hygienic menstrual products while in the workplace controlled by the employer. Aligning with these regulations, menstrual products are available in employee-only washrooms throughout the organization.

Psychological Health and Safety

Supporting employees' physical and mental well-being is an integral part of a healthy workforce. Marine Atlantic's Psychological Health and Safety (PHS) program is working to improve the overall psychological health, safety, and well-being of all employees. During the 2023/24 fiscal year, the PHS Plan focused on developing core program objectives which will form the foundation for training, governance, and program development positioning the program for success.

Employee and Family Assistance Program (EFAP)

We are committed to supporting the mental health and overall well-being of our employees and believe in the importance of having ongoing support to build and sustain personal resiliency. Marine Atlantic's EFAP provides employees with access to qualified support for mental, physical, social, and financial well-being, 24 hours a day, 7 days a week. Employees have access to resources and tools on topics ranging from family and life to health, money, and work. Program advisors are available to provide expert advice, resources, and referrals.

The MyHealth Wellness Program

Focused on improving health and wellness, employees are provided with enhanced access to medical professionals, support programs, and activities. Employees are encouraged and provided with opportunities to adopt and sustain healthy behaviours that will improve physical, mental, and emotional well-being.

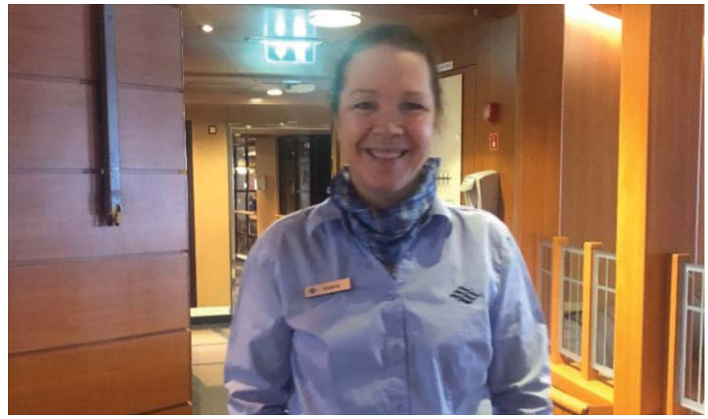
Pink Shirt Day

Pink Shirt Day promotes kindness and taking a stand against bullying. Marine Atlantic employees shared random acts of kindness they've done for others or have witnessed during the month of February in recognition of Pink Shirt Day.

Continuing the Path to Reconciliation

In honour of National Day for Truth and Reconciliation 2023, Marine Atlantic installed eight new pieces of art in our three terminals, showcasing work from artists across Mi'kma'ki and Labrador. The artists featured are Loretta Gould, Nancy Oakley, Kayla Bridget Williams, Agathe Aster, Melissa Peter-Paul, Jordan Bennett, Jerry Evans, and Marcus Gosse.

To view the pieces of art, the public is welcome to visit our terminals to learn about the artists and Indigenous Peoples.



The Naming of the Ala'suinu

Language is a critical part of how we understand the world. It is how we build relationships with others, and how we give meaning to people, places, and things. The Truth and Reconciliation Commission's (TRC) calls to action include five recommendations around language and culture, citing that "Aboriginal languages are a fundamental and valued element of Canadian culture and society, and there is an urgency to preserve them".

The naming of our new vessel the Ala'suinu means that every day, a word will be spoken by a wide audience of individuals, both Indigenous and non-Indigenous. Thank you to Marine Atlantic employee Alverna Flynn for submitting Ala'suinu as a suggestion from the perspective of reconciliation.

EMPLOYMENT EQUITY

Marine Atlantic is committed to Employment Equity which creates a more inclusive, and respectful work environment. This includes our commitment to ensuring full participation and opportunity of the four groups designated in the *Employment Equity Act*:

- Women
- Aboriginal Peoples
- Persons with disabilities
- Members of visible minorities groups.

We have made a commitment to equity, diversity, and inclusion for persons of all sexual orientations, genders, gender identities and gender expressions.

We are committed to a diverse and inclusive workplace. Our employees are encouraged to:

- Become culturally competent
- Treat people with respect
- Be an ally and drive positive change
- Welcome different ideas
- Understand personal contributions
- Communicate and educate

Awards and Distinction

Recognizing the work and accomplishments of employees is a priority within Marine Atlantic. The organization's award and recognition program include Ripple Awards, Awards of Distinction, and the President's Award, which are presented to employees who show tremendous commitment and display corporate values through their actions in the workplace and community. The Volunteer of the Year award is presented to an employee who is making a difference in their community through volunteer activities.

680
0-10 years of service

470
11-20 years of service

218
21-30 years of service

39
31+ years of service

Supporting Our Regions and People

The port communities in which Marine Atlantic operates provides our organization with the support needed to offer the essential service. Each year, we give back to initiatives that are important to our employees, communities, and regions. Through sponsorships, educational opportunities, and knowledge transfer, the organization and its employees are committed to supporting various causes and initiatives that hold special meaning, overcome obstacles, and help others.

Good Samaritan Award

Marine Atlantic is proud to partner with the Atlantic Provinces Trucking Association (APTA) to recognize commercial drivers who go above and beyond to help others through the Good Samaritan Award. This year's award was given to Matt Saunders and Keith Boutlier. Congratulations to both on their award and recognition.

Community Investment

Every year, through sponsorships, the organization provides support to not-for-profit organizations throughout our communities. Our goal is to give back to communities and organizations that align with our values and to support the volunteer efforts of our employees.

During the year, we partnered with port area organizations to support key events and initiatives including:

- Francophone Tent NL Folk Festival
- Makin Waves Festival
- Isle aux Morts Ann Harvey Days
- Pride Cape Breton
- Astrolobe Festival
- Atlantic Burn Camp
- Voices of Placentia Bay
- Iris Kirby House
- Every Woman's Centre
- Dr. Charles L. LeGrow Foundation
- Placentia Bay Industrial Showcase
- Master Mariners of Canada Nautical Skills Competition



Scholarships

Marine Atlantic is proud to support the post-secondary pursuits of current and future employees, as well as the pursuits of employees' children. Every year, scholarships are awarded to the dependent children of employees or pensioners with funds for post-secondary education on a merit basis. Marine Atlantic is also proud to provide four scholarships annually to students enrolled in either the Nautical Science or Marine Engineering programs at Memorial University's Marine Institute.

Educational Partnerships

The educational institutions in our communities are providing students with incredible learning opportunities, which we are proud to support. Through partnerships on our vessels, at our terminals and in our administration facilities, we provide high school and post-secondary students with the opportunity to learn about the many career options available in the marine industry.

Marine Atlantic's cadet tuition support program continues with the Marine Institute and the Nova Scotia Community College, which provides an opportunity for participating students to work onboard our vessels during their education and the opportunity for a position upon graduation.

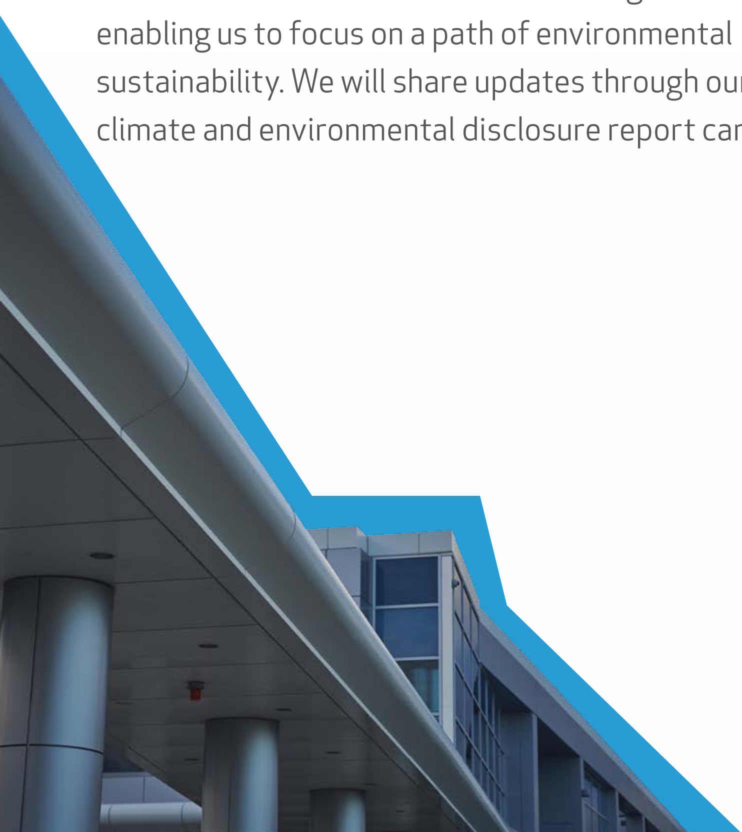
Marine Month

This year, Marine Atlantic participated in the inaugural Marine Month, a program designed to educate students in Canada about the boundless career opportunities in the marine sector. The program, created by the Canadian Marine Careers Foundation and Canadian Geographic Education, provided the opportunity to showcase Marine Atlantic to students across Canada. One activity was a live virtual presentation from marine-based employees. Thank you to our presenters Dwayne Symes and Brendan Walsh.

Our Future Focus

There is great excitement within Marine Atlantic as we await the arrival of the Ala'suinu and the opening of our new administration building in Port aux Basques. These infrastructure projects have been several years in the making and when complete, will have a positive impact on our service, customers, and employees. Through these infrastructure and innovation investments, the year ahead looks very bright.

We are making real progress towards our goal of reaching Net Zero emissions by 2050. Through investments in electric vehicle infrastructure, more energy efficient technologies, and implementing renewed waste management strategies, we are focused on reducing our carbon footprint. The efficient Ala'suinu will further reduce total emissions. Continued dedication within the Green Marine Program is enabling us to focus on a path of environmental sustainability. We will share updates through our climate and environmental disclosure report card.



Focusing on the health and safety of our customers and employees will remain the highest priority. Through our actions and initiatives, we will learn from our experiences and make the necessary changes to reduce the possibility of incidents. The well-being of our employees will continue to be a focus through our healthy living programs and workplace policies that prioritize the physical, psychological, and emotional needs of everyone. Diversity, inclusion, and accessibility are strong pillars that will continue to influence our actions and decision-making processes.

Our customers can expect new amenities throughout our fleet, particularly the Ala'suinu, and continued investments to enhance technology including new bridge equipment and key card access to cabins. Our focus on offering a reliable Wi-Fi service remains a commitment and one that we will continue to work towards in the year ahead. We will also make additional enhancements to our web and digital strategies to provide a seamless overall experience to customers, with innovation being used wherever possible for positive change.

The next 12 months promise to be an exciting period. With new infrastructure, innovative ideas, and expanding technologies, there is much opportunity for our service. We look forward to what is to come and are confident that our customers and stakeholders will be proud to join us in our journey ahead.

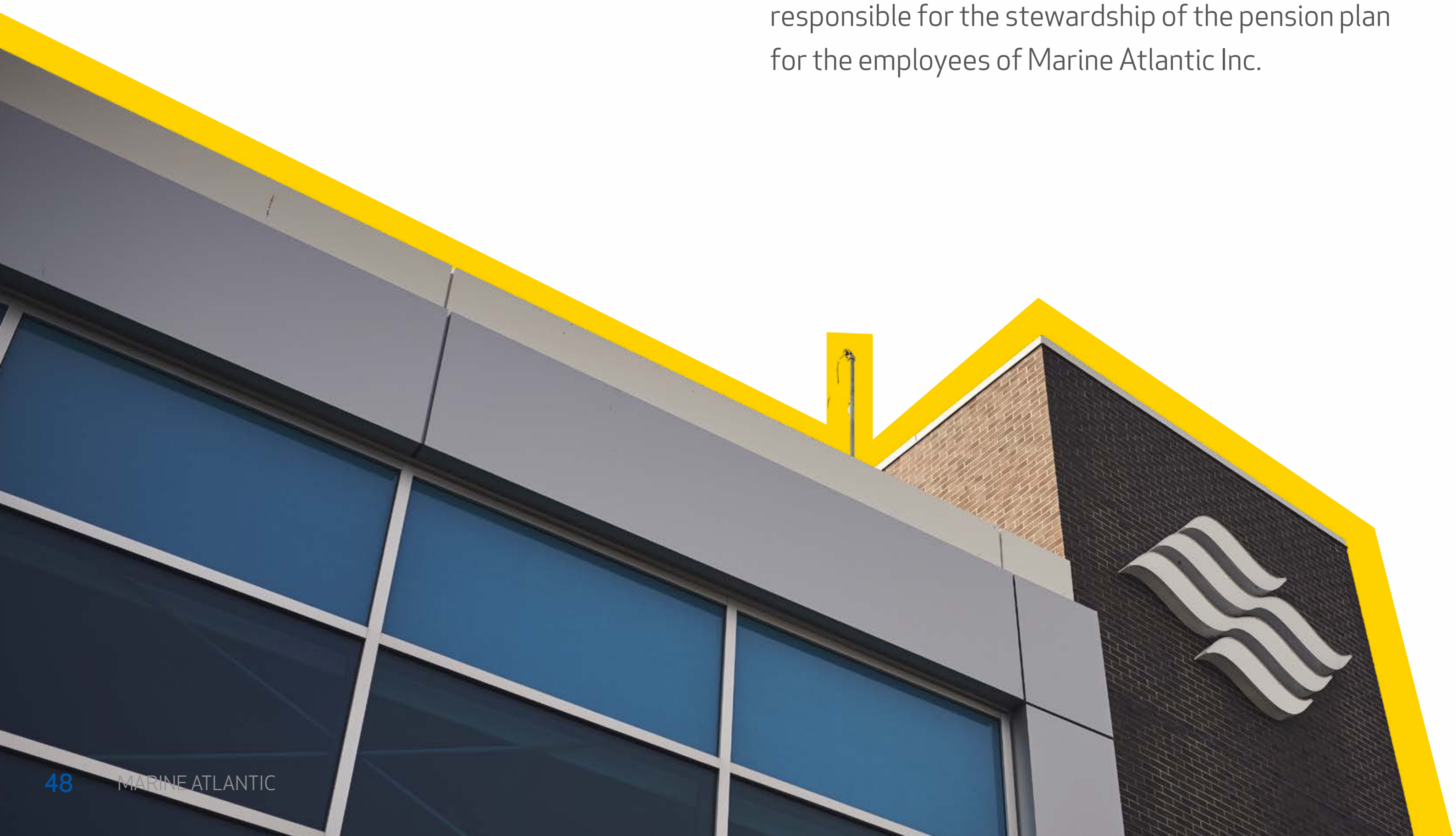
Governance

Marine Atlantic's Board of Directors provides oversight and strategic direction to the management team, which in turn is responsible for the day-to-day functions of the Corporation. Together, the Board and management team make a united effort to provide a safe, environmentally responsible, quality, and efficient interprovincial ferry service for our customers, governed by a strong set of corporate values.

Marine Atlantic is governed by a 10-person Board of Directors. The independent directors are chosen and appointed for specific terms by the Government of Canada. The President and CEO is also a member of the Board.

The Board of Directors operates within a highly regulated environment. The *Financial Administration Act* and the *Canada Business Corporations Act* provide direction to the Corporation's business affairs. The Corporation's Articles of Incorporation, its by-laws, vision, mission statement, and values, further direct both the Board and management in their decision-making.

The Board has a strong commitment to good corporate governance and stakeholder engagement. It also provides prudent fiscal direction and guidance to the management team, ensuring effective budgeting and financial management, as well as management of corporate risks. The Board is responsible for the stewardship of the pension plan for the employees of Marine Atlantic Inc.



Working to Ethical Standards

The Corporation prides itself on maintaining high ethical standards while operating in a fiscally responsible manner. The management team adheres to conflict-of-interest guidelines to deliver on the corporate mandate in an ethical manner, and all employees are guided by Marine Atlantic's values along with the Value and Ethics Code for the Public Service. The Corporation also has a Disclosure of Wrongdoings policy established in accordance with the *Public Servants Disclosure Protection Act* which outlines ways for employees and former employees to report wrongdoings.

Committees of the Board

The Board's standing committees engage and support its efforts through several governance responsibilities including *Audit and Finance; Governance, Risk and Strategy; Human Resources; and Innovation and Infrastructure*.

Audit and Finance Committee

The Audit and Finance Committee is mandated to provide the Board advice and services in the areas of financial management and reporting, internal control, information systems and management, procurement, and internal/external audit practices.

Human Resources Committee

The Human Resources Committee is mandated to provide advice and oversight on behalf of the Board of Directors in the areas of Human Resources.

Innovation and Infrastructure Committee

The Innovation and Infrastructure Committee is mandated to monitor and provide oversight on behalf of the Board of Directors in the areas of customer service, innovation, IT/IM, capital projects, safety and environmental management, and fleet management.

Governance, Risk and Strategy Committee

The Governance, Risk and Strategy Committee is mandated to provide advice and oversight on behalf of the Board of Directors in the areas of strategic planning, enterprise risk management, governance, ethics, and corporate social responsibility.

Board and Committee Membership

Gary O'Brien (he/him)

Channel-Port aux Basques, NL

Chair
Board of Directors

Chair
Governance, Risk and Strategy Committee

Member
Audit and Finance Committee

Member
Innovation and Infrastructure Committee

Member
Human Resources Committee

Murray Hupman (he/him)

Channel-Port aux Basques, NL

Ex-officio member of the Board

Member
Audit and Finance Committee

Member
Innovation and Infrastructure Committee

Member
Governance, Risk and Strategy Committee

Member
Human Resources Committee

Carla Arsenault (she/her)

Sydney River, NS

Chair
Innovation and Infrastructure Committee

Member
Governance, Risk and Strategy Committee

Janie Bussey, K.C. (she/her) | (Until September 25, 2023)

Logy Bay, NL

Chair
Human Resources Committee

Member
Governance, Risk and Strategy Committee

John Butler (he/him)

St. John's, NL

Member
Human Resources Committee

Member
Innovation and Infrastructure Committee

John B. Chaffey (he/him) | (Until September 25, 2023)

Saint David's, NL

Member
Audit and Finance Committee

Member
Innovation and Infrastructure Committee

Randolph Drover (he/him) | (Effective September 25, 2023)

Bishop's Falls, NL

Member
Audit and Finance Committee

Member
Human Resources Committee

Owen Fitzgerald (he/him)

Sydney, NS

Member
Audit and Finance Committee

Member
Innovation and Infrastructure Committee

Lynn Kendall (she/her)

Corner Brook, NL

Chair
Human Resources Committee

Member
Governance, Risk and Strategy Committee

Craig Priddle, CPA (he/him)

Corner Brook, NL

Chair
Audit and Finance Committee

Member
Governance, Risk and Strategy Committee

Jennifer Warren (she/her) | (Effective September 25, 2023)

St. John's, NL

Member
Audit and Finance Committee

Member
Human Resources Committee

Ann-Margaret White (she/her)

St. John's, NL

Member
Audit and Finance Committee

Member
Innovation and Infrastructure Committee

Financial Statements of

MARINE ATLANTIC INC.

For the year ended
March 31, 2024

MARINE ATLANTIC INC.
Table of Contents
For the year ended March 31, 2024

MARINE ATLANTIC INC.

Management's Responsibility for Financial Reporting

The preparation and presentation of the financial statements is the responsibility of Marine Atlantic Inc.'s (the Corporation) management. These financial statements have been prepared in accordance with Canadian public sector accounting standards. These standards have been applied using management's best estimates and judgments that are considered appropriate to the Corporation's circumstances. Management obtains actuarial reports in support of amounts recorded in relation to the pension plan and accrued obligations for post-employment and non-pension post-retirement benefits.

Management is responsible for the reliability and integrity of the financial statements, including the notes to the financial statements and other financial information contained in the annual report. Management is also responsible for maintaining books of account, information systems, systems of financial and management control, and an internal audit function. These controls and procedures are intended to provide reasonable assurance that accurate financial information is reported; that assets are safeguarded and controlled; that resources are managed efficiently; and that transactions are conducted in accordance with relevant legislation and the articles of incorporation and by-law of the Corporation.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit and Finance Committee, on behalf of the Board, fulfills this responsibility. The Audit and Finance Committee reviews matters related to accounting, auditing, internal control systems and the financial statements. The Corporation has an internal audit department whose activities include reviewing internal controls and their application on an ongoing basis.

The Auditor General of Canada, the independent auditor of the Corporation appointed under the *Financial Administration Act*, audits the Corporation's financial statements and reports to the Minister responsible for Marine Atlantic Inc. The independent auditor has full and unrestricted access to the Audit and Finance Committee to discuss the audit and related findings.

The financial statements and the annual report have been approved by the Board of Directors.

Shawn Leamon, CPA, CGA
Vice President of Finance

Murray Hupman, P.Eng.
President and CEO

St. John's, Canada
June 14, 2024

Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Marine Atlantic Inc., which comprise the statement of financial position as at 31 March 2024, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Marine Atlantic Inc. as at 31 March 2024, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Marine Atlantic Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Marine Atlantic Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Marine Atlantic Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Marine Atlantic Inc.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Marine Atlantic Inc.'s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Marine Atlantic Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Marine Atlantic Inc. to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of Marine Atlantic Inc. coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Marine Atlantic Inc. Acquisition Authorization Act*, the *Canada Business Corporations Act* and regulations, the articles of incorporation and by-law of Marine Atlantic Inc., and the directives issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of Marine Atlantic Inc. that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Marine Atlantic Inc.'s compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Marine Atlantic Inc. to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Heather McManaman, CPA, CA
Principal
for the Auditor General of Canada

Halifax, Canada
14 June 2024

MARINE ATLANTIC INC.
Statement of Financial Position
As at March 31, 2024
(in thousands of dollars)

	2024	2023
Financial assets		
Cash (Note 4)	$ 9,919	$ 10,248
Accounts receivable (Note 14(a))	11,688	10,178
Receivable from Government of Canada (Note 5)	29,329	15,566
Inventories held for resale (Note 6)	338	392
Derivative financial instruments (Note 13)	2,857	4,889
Accrued pension asset (Note 8)	151,316	122,000
	205,447	163,273
Liabilities		
Accounts payable and accrued liabilities (Note 7)	44,767	36,779
Asset retirement obligations (Note 12)	30,893	34,024
Derivative financial instruments (Note 13)	47	-
Deferred revenue	14,909	13,595
Accrued vacation pay	8,345	7,193
Accrued pension liability (Note 8)	3,559	3,545
Accrued liability for non-pension post-retirement benefits (Note 9)	50,359	52,407
Accrued liability for post-employment benefits (Note 10)	12,522	11,285
	165,401	158,828
Net financial assets	40,046	4,445
Non-financial assets		
Tangible capital assets (Note 11)	353,415	358,457
Inventories held for consumption (Note 6)	36,241	29,781
Prepaid expenses	8,606	9,224
	398,262	397,462
Accumulated surplus (Note 16)	$ 438,308	$ 401,907

Contractual obligations (Note 18)
Contingencies (Note 19)

The accompanying notes are an integral part of these financial statements.

On behalf of the Board of Directors:

Director

Director

MARINE ATLANTIC INC.
Statement of Operations
For the year ended March 31, 2024
(in thousands of dollars)

	2024 Budget (Note 22)	2024 Actual	2023 Actual
Generated revenues			
Transportation (Note 15)	$ 118,945	$ 121,012	$ 119,502
Interest income	150	788	421
Other income from legal proceedings (Note 20)	-	13,904	-
Foreign currency exchange gain	-	-	295
Realized gain on derivative financial instruments	3,850	7,729	12,101
	122,945	143,433	132,319
Expenditures			
Wages and benefits	108,307	117,246	108,417
Amortization (Note 11)	74,572	61,388	56,883
Fuel	42,534	47,634	51,998
Materials, supplies and services	39,815	47,672	31,061
Charter fees	17,777	19,111	15,744
Repairs and maintenance	8,097	11,814	10,082
Insurance, rent and utilities	8,598	9,117	8,318
Loss on disposal and write-downs of tangible capital assets	-	3,915	1,834
Administrative costs	2,335	2,763	1,849
Travel	2,067	2,391	1,456
Accretion expense	-	950	696
Foreign currency exchange loss	-	15	-
Employee future benefits (Notes 8, 9 and 10)	(15,444)	(26,975)	44,372
	288,658	297,041	332,710
Deficit before government funding	(165,713)	(153,608)	(200,391)
Government funding (Note 5)			
Operations	142,631	128,467	90,948
Capital	60,875	63,548	40,880
	203,506	192,015	131,828
Operating surplus (deficit)	37,793	38,407	(68,563)
Accumulated operating surplus, beginning of year	395,981	395,981	464,544
Accumulated operating surplus, end of year (Note 16)	$ 433,774	$ 434,388	$ 395,981

The accompanying notes are an integral part of these financial statements.

MARINE ATLANTIC INC.
Statement of Remeasurement Gains and Losses
For the year ended March 31, 2024
(in thousands of dollars)

	2024	2023
Accumulated remeasurement gains, beginning of year	$ 5,926	$ 10,677
Remeasurement gains arising during the year		
Unrealized gains on foreign exchange of cash	72	398
Unrealized gains on derivatives	5,651	6,952
Reclassification to the statement of operations		
Realized gains on derivatives	(7,729)	(12,101)
Net remeasurement losses for the year	(2,006)	(4,751)
Accumulated remeasurement gains, end of year (Note 16)	$ 3,920	$ 5,926

The accompanying notes are an integral part of these financial statements.

MARINE ATLANTIC INC.
Statement of Change in Net Financial Assets
For the year ended March 31, 2024
(in thousands of dollars)

	2024 Budget	2024 Actual	2023 Actual
Operating surplus (deficit)	$ 37,793	$ 38,407	$ (68,563)
Change in tangible capital assets			
Acquisition of tangible capital assets (Note 11)	(60,875)	(60,261)	(40,880)
Amortization of tangible capital assets (Note 11)	74,572	61,388	56,883
Loss on disposal and write-downs of tangible capital assets	-	3,915	1,834
Proceeds on disposal of tangible capital assets	-	-	68
Decrease in tangible capital assets	13,697	5,042	17,905
Change in other non-financial assets			
Acquisition of inventories held for consumption	(41,657)	(58,145)	(48,798)
Use of inventories held for consumption	41,657	51,685	49,667
Purchase of prepaid expenses	(34,238)	(23,267)	(11,420)
Use of prepaid expenses	17,143	23,885	7,540
(Increase) in other non-financial assets	(17,095)	(5,842)	(3,011)
Net remeasurement losses	(2,965)	(2,006)	(4,751)
Increase (decrease) in net financial assets	31,430	35,601	(58,420)
Net financial assets, beginning of year	4,445	4,445	62,865
Net financial assets, end of year	$ 35,875	$ 40,046	$ 4,445

The accompanying notes are an integral part of these financial statements.

MARINE ATLANTIC INC.
Statement of Cash Flow
For the year ended March 31, 2024
(in thousands of dollars)

	2024	2023
Operating transactions		
Cash receipts from customers	$ 121,125	$ 122,189
Interest income received	788	421
Government funding - operations	121,288	90,377
Government funding - capital	56,964	39,839
Cash received from legal proceedings	12,464	-
Net cash receipts for settlement of derivatives	8,184	16,238
Cash payments to suppliers for fuel	(53,316)	(53,309)
Cash payments to suppliers for charter fees	(17,670)	(16,358)
Cash payments to other suppliers	(65,869)	(53,931)
Cash payments to and on behalf of employees	(124,258)	(101,647)
Cash payments for employee future benefits	(3,137)	(4,155)
	56,563	39,664
Capital transactions		
Purchase of tangible capital assets	(56,964)	(39,838)
Proceeds on disposal of tangible capital assets	-	68
	(56,964)	(39,770)
Effect of exchange rate changes on cash	72	398
Net (decrease) increase in cash	(329)	292
Cash, beginning of year	10,248	9,956
Cash, end of year	$ 9,919	$ 10,248
Cash consists of:		
Restricted cash (Note 4)	$ 6,066	$ 6,098
Unrestricted cash	3,853	4,150
	$ 9,919	$ 10,248

1. NATURE OF OPERATIONS AND AUTHORITY

Marine Atlantic Inc. is incorporated under the *Canada Business Corporations Act*. The *Marine Atlantic Inc. Acquisition Authorization Act* of 1986 established the Corporation as a parent Crown corporation. Marine Atlantic Inc. is a federal Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*. The Corporation is not an agent of Her Majesty. In accordance with the *Marine Atlantic Inc. Acquisition Authorization Act*, the Corporation's articles restrict its business to the acquisition, establishment, management and operation of a marine transportation service, a marine maintenance repair and refit service, a marine construction business and any service or business related thereto. As a result of the *National Marine Policy* (1995), the mandate was narrowed to the operation of the ferry system. The Corporation considers this to be its sole line of business.

The corporate mission is "to provide a safe, environmentally responsible and quality ferry services between the Island of Newfoundland and the Province of Nova Scotia in a reliable, courteous and cost-effective manner." This service encompasses the year-round ferry services between North Sydney, Nova Scotia and Port aux Basques, Newfoundland and Labrador (constitutional route) and the seasonal summer service between North Sydney, Nova Scotia and Argentia, Newfoundland and Labrador (non-constitutional route). The Corporation operates its services with one chartered vessel and three corporate-owned vessels and owns terminals in each of the three ports.

The Corporation receives funding for its operations from the Government of Canada to the extent that the cost of providing ferry services is not recovered from generated revenues. The acquisition of tangible capital assets is subject to approval of parliamentary appropriations. The Corporation is economically dependent on the Government of Canada.

The Corporation's Board of Directors is responsible for price changes across all services, with a maximum of 5% per year on constitutional fares. The Corporation also sets a fuel surcharge based on the historical average price of fuel.

In December 2014, the Corporation was issued directive P.C. 2014-1382 pursuant to section 89 of the *Financial Administration Act* directing the Corporation to implement pension plan reforms. These reforms are to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions by December 31, 2017 and to raise the normal age of retirement to 65 years for employees hired after January 1, 2015. These requirements were fully implemented as of December 31, 2017. As of June 1, 2021 the Corporation ceased contributions due to a contribution holiday on its registered plan.

In July 2015, the Corporation was issued directive P.C. 2015-1114 pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. The Corporation implemented new policies and revised existing policies and procedures effective July 1, 2016 and has been compliant with the directive since then.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with Canadian public sector accounting standards. All figures are stated in thousands of dollars except for the authorized share capital.

(a) Government funding

The Corporation receives government funding to finance its current cash requirements, related to operating expenses in excess of generated revenues and to acquire tangible capital assets. The funding received is included in income for the period when funding has been authorized and all eligibility criteria have been met by the Corporation. Any difference between amounts provided and amounts authorized and eligible represents a (receivable from) payable to the Government of Canada. On occasion, the Corporation sells assets for which the net proceeds are required to be returned to the Consolidated Revenue Fund. On these occasions, the net proceeds are applied against the operating funding requirements in the period of disposition.

(b) Financial instruments

Cash, accounts receivable, accounts payable and accrued liabilities are measured at cost or amortized cost.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to fair value at the end of each reporting period. Changes in fair value are recognized in the statement of remeasurement gains and losses until the derivative financial instrument is derecognized, at which point the accumulated remeasurement gain (loss) is reversed and reclassified to the statement of operations. Derivatives are derecognized at the expiry date of the derivative contract. Transaction costs are expensed as incurred.

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The estimates are subjective in nature involving uncertainties and significant judgment. Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

(c) Inventories

Inventories include fuel, valued at the lower of historical or replacement cost, and vessel spare parts, valued at historical cost.

(d) Tangible capital assets

Tangible capital assets are comprised of vessels, shore facilities and equipment which are carried at cost less accumulated amortization.

Vessels include corporate-owned vessels and vessel projects; shore facilities include terminal buildings, stevedore buildings, docks and related infrastructure. Equipment includes computer hardware and software, furniture and vehicles.

Major spare parts are accounted for as tangible capital assets and are not amortized until they are put into use. For this purpose, major spare parts are those that are expected to be used for more than one fiscal period in connection with a tangible capital asset.

(in thousands of dollars)

The cost of work in progress includes materials, direct labour and overhead. Amounts included in work in progress are transferred to the appropriate tangible capital asset class when available and ready for use and are then amortized.

Amortization is calculated at rates sufficient to write off the cost, less any residual value, of tangible capital assets over their estimated useful lives on a straight-line basis. The cost, less any residual value, of capital vessel projects are amortized over the lesser of the useful life of the asset or the useful life of the vessel.

Estimated useful lives and amortization methods are reviewed annually. The rates for significant classes of tangible capital assets are as follows:

Vessels	5% to 10%
Shore facilities	2.5% to 5%
Equipment	10% to 25%
Leasehold improvements	Shorter of term of lease agreement or the asset's useful life

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide goods and services, the cost of the asset is written down to its residual value, if any. Write-downs are not reversed.

(e) Employee future benefits

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets, as the benefits accrue to employees for expected retirement projections.

i) Accrued pension asset (liability)

The Corporation maintains, through a trustee, a registered defined benefit pension plan covering substantially all employees; and three unfunded supplementary retirement arrangements.

The registered pension plan is a defined benefit pension plan. The pension formula for current active members of the plan provides a pension for each year of allowable service up to a maximum of 35 years, equal to 1.6% of best or final average earnings up to the average maximum pensionable earnings under the Canada Pension Plan, plus 2% of best or final average earnings in excess of the average maximum pensionable earnings under the Canada Pension Plan. The plan provides for possible indexation adjustments for pension and survivor benefits payable during a calendar year following the third anniversary of the member's retirement or death, whichever occurs first. The indexation adjustment is calculated as the annual increase in the Consumer Price Index less 3%, subject to a maximum annual increase of 3%. No indexation adjustment is provided if the annual increase in the Consumer Price Index is below 3%.

The supplementary retirement arrangement adopted on June 2, 1994 and the supplementary retirement arrangement adopted on June 6, 1990 plan were terminated effective March 1, 2001 (thereafter referred to as the former supplementary retirement arrangements), with coverage for inactive members entitled to benefits prior to this date continuing.

In 2006 a supplementary retirement arrangement was introduced for designated positions providing benefits for service since 2004. Eligibility under this supplementary arrangement was extended to benefits accrued for service since 2009 for all members of the registered defined benefit pension plan who are affected by the maximum pension payable by the registered plan.

Benefits are generally based on employees' length of service and final or best average earnings for all benefits.

The cost of pensions is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, inflation and retirement ages of employees. The discount rate used to calculate the interest cost on the pension obligations is based on the expected long-term rate of return on plan assets for the registered pension plan.

The expected long-term rate of return on plan assets is based on estimated returns, consistent with market conditions applicable at the measurement date, for each major asset class and the target asset mix specified in the plan's investment policy. A market-related value of plan assets is used for purposes of these financial statements, and the expected return on plan assets is based thereon. The market-related value of plan assets is determined using a method which amortizes gains or losses relative to the expected return over five years. Actuarial gains or losses arise from the difference between the actual rate of return and the expected long-term rate of return on plan assets and from changes in the pension obligations due to changes in actuarial assumptions used or actual experience differing from that which was expected based on the assumptions.

Actuarial gains and losses are amortized over the expected average remaining service life of active members expected to receive benefits. Actuarial gains and losses for the former supplementary retirement arrangements are recognized immediately on the determination of the gain or loss.

Adjustments for plan amendments, net of offsetting unamortized actuarial gains and losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

ii) Non-pension post-retirement benefits

The Corporation provides life insurance and health and dental care benefits to current and retired employees. Union and non-union/management employees become eligible for basic and optional life insurance the first of the month following 60 days of continuous employment. Union employees become eligible for extended health and dental benefits the first of the month following the attainment of 1,040 hours of work, and non-union/management employees become eligible the first of the month following date of hire.

The cost of non-pension post-retirement benefits is actuarially determined using the projected benefit method prorated on service and management's best estimate of future participation rates in the retiree health and dental plan, average health care cost per plan member, health care trend rates and utilization, salary escalation and mortality rates. A proxy for the cost of borrowing has been used to calculate the discount rate for the obligation and the interest cost. The costs for current employees are expensed as they are incurred. The costs projected to be incurred during retirement are accrued and expensed evenly over the expected remaining service life of the employee.

Adjustments arising from actuarial gains and losses are amortized over the expected average remaining service life of the related employee group.

Adjustments for plan amendments, net of offsetting unamortized actuarial gain and losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

iii) Post-employment benefits

For certain employees and former employees, the Corporation is a self-insured employer and is accountable for workers' compensation liabilities incurred. The Corporation's accrued obligation for workers' compensation benefits represents the unfunded liability for the costs of self-insured benefits specified and administered by the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador, the Workplace Health, Safety and Compensation Commission of New Brunswick and the Workers Compensation Board of Prince Edward Island, collectively the boards for work-related injuries of current and former employees.

The cost of workers' compensation liabilities is actuarially determined using the net present value of liabilities for work-related injuries of current and former employees when awards are approved by the boards; or legislative amendments are made and the anticipated future costs can be reasonably calculated. Management recognizes changes in the net present value of the liability, based on updated actuarial estimates of future costs, as a result of actual experience and changes in actuarial assumptions. A proxy for the cost of borrowing is used to calculate the discount rate for the obligation and the interest cost.

(f) Revenue recognition

Transportation revenue is derived primarily from fares charged to users of the ferry services, which include passenger and commercial vehicle fares, passenger fees and fuel surcharge and are recognized at the point in time when the ferry services are provided. Transportation revenue is measured as the amount of consideration the Corporation expects to receive in exchange for ferry services provided. Revenue from fares represents a single performance obligation to which the entire transaction price is allocated. A fuel surcharge, calculated as a percentage of transportation revenue, is recognized and measured on the same basis as transportation revenue.

Payment of fares in advance when booking a reservation is recorded as deferred revenue and are recognized as revenue when the ferry services are provided.

Other transportation revenue is made up of vehicle service fees such as storage fees, freight, security fees, and wharfage and demurrage. Onboard sales revenue is primarily related to passenger services such as accommodations, restaurant, and gift shop sales. These revenues are recognized at the point in time the goods or services are provided to the customer. This revenue is measured as the amount of consideration the Corporation expects to receive in exchange for services and goods provided.

Other income, such as interest income and income from derivatives are recognized when they are earned.

(g) Expenses

Expenses are recorded on an accrual basis. Expenses for the operations of the Corporation are recognized when goods or services are received.

Expenses also include provisions to reflect changes in the value of assets or liabilities, including provisions for bad debt and inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

(h) Prepaid expenses

Prepaid expenses are disbursements made before the completion of the work, delivery of the goods or rendering of services or advance payment under the terms of lease agreements.

(i) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the financial statement date. Revenues and expenses are translated using exchange rates in effect at the transaction date. Commitments and contingencies denominated in foreign currencies are translated at exchange rates in effect at the financial statement date. An unrealized exchange gain or loss that arises prior to settlement is recorded in the statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of unrealized gains and losses is reversed in the statement of remeasurement gains and losses and an exchange gain or loss measured in relation to the exchange rate at the date of initial recognition is recognized in the statement of operations.

(j) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements, and a reasonable estimate of the loss can be made, an estimated liability is accrued, and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(k) Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Corporation to incur retirement costs, a past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at the financial statement date. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods. The discount rate used reflects the Government of Canada's cost of borrowing, associated with the estimated number of years to complete the retirement or remediation.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset and amortized over the asset's estimated useful life. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period. An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized or no longer in productive use. In this case, the asset retirement cost would be expensed.

At each financial statement date, the carrying amount of the liability is reviewed. The Corporation recognizes period-to-period changes to the liability due to the passage of time as accretion expense.

Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. Once the related tangible capital asset is no longer in productive use, changes to the liability are recognized as an expense in the period in which they are incurred. The Corporation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(l) Measurement uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities, revenues and expenses in the financial statements and accompanying notes at March 31. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

Measurement uncertainty that is material exists when it is reasonably possible that a material variance could occur in the reported or disclosed amount in the near term (within one year from March 31). Management determined that measurement uncertainty exists with respect to the reported amounts related to asset retirement obligations, the accrued pension asset and expected useful lives of tangible capital assets.

3. ADOPTION OF NEW ACCOUNTING STANDARD

Effective April 1, 2023 the Corporation adopted the new Public Sector Accounting Standard PS 3400 Revenue. This standard requires public sector entities to differentiate revenues between exchange transactions and non-exchange transactions. The distinguishing feature between the two is the existence of a performance obligation, an enforceable promise to provide a good or service to a payor in return for promised consideration. Exchange transactions are characterized by one or more performance obligations, while non-exchange transactions have no direct transfer of goods or services to a payor.

This new standard was adopted prospectively and did not have a significant impact on the financial statements, except for additional disclosure provided in Note 15.

4. CASH

Cash includes restricted cash consisting of cash denominated in euros held in an escrow account with a German bank as security for the charter of the *MV Atlantic Vision*. Restricted cash is €4,146, which translates to $6,066 Canadian dollars at March 31, 2024 (2023 – $6,098). These monies are to be released to the ferry's owners if there is a breach of the charter agreement by the Corporation.

The charter period expires in May 2024. Negotiations related to the return of funds to the Corporation will commence following the redelivery of the vessel.

(in thousands of dollars)

5. (RECEIVABLE FROM) PAYABLE TO GOVERNMENT OF CANADA

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the statement of operations in one year may be funded by the Government of Canada in different years. Accordingly, the Corporation has a different surplus (deficit) for the year on a government funding basis than on a generally accepted accounting principles basis.

	2024	2023
Net receivable, beginning of year	$(15,566)	$(13,954)
Parliamentary appropriations received during the year	178,252	130,216
Recognized during the year:		
Government funding – operations	(128,467)	(90,948)
Government funding – capital	(63,548)	(40,880)
Government funding (deficit)	(13,763)	(1,612)
Net receivable, end of year	(29,329)	(15,566)

6. INVENTORIES

	2024	2023
Inventories held for consumption		
Fuel inventory	$24,185	$17,948
Vessel spare parts – ship based	6,596	6,784
Vessel spare parts – shore based	5,460	5,049
	36,241	29,781
Inventories held for resale		
Catering inventory	338	392
Total inventories	$36,579	$30,173

Inventories expensed during the year amounted to $53,664 (2023 – $52,340). During the year, the Corporation also wrote down $2,685 (2023 – $4,642) of inventory.

(in thousands of dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Accounts payable	$18,543	$ 7,153
Accrued liabilities	11,483	8,448
Wages and benefits payable	11,707	17,387
Government remittances payable	3,034	3,791
Accounts payable and accrued liabilities	$44,767	$36,779

The accounts payable balance is due within 60 days.

8. ACCRUED PENSION ASSET (LIABILITY)

The Corporation's independent actuary measures the pension obligations and the value of plan assets for accounting purposes as at the measurement date of December 31, 2022 for the year ended March 31, 2024 and March 31, 2023. The most recent actuarial valuation for funding purposes was completed in 2023 and is as of December 31, 2022.

Based on the actuarial valuations and projections to December 31, the summary of the principal valuation results, in aggregate, is as follows:

	2024	2023
Pension obligations (actuarial value)		
Balance, beginning of year	$627,813	$716,454
Current service cost	5,976	7,829
Employee contributions	9,632	8,180
Interest costs	33,415	26,254
Benefits paid	(38,031)	(35,692)
Actuarial (gain) loss	2,891	(95,212)
Balance, end of year	$641,696	$627,813
Pension plan assets (market-related value)		
Balance, beginning of year	$855,688	$914,774
Return (loss) on plan assets	41,824	(31,705)
Employer contributions	133	131
Employee contributions	9,632	8,180
Benefits paid	(38,031)	(35,692)
Balance, end of year	$869,246	$855,688

(in thousands of dollars)

The following presents the financial position of the Corporation's pension arrangements:

	2024		2023	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Pension plan assets	$869,246	$ -	$855,688	$ -
Pension obligations	638,517	3,179	624,943	2,870
Excess (shortfall)	230,729	(3,179)	230,745	(2,870)
Unamortized net actuarial (gains)	(44,657)	(417)	(61,818)	(711)
Employer contributions during period from measurement date to March 31	-	37	-	36
Accrued benefit asset (Retirement benefit liability) before valuation allowance	186,072	(3,559)	168,927	(3,545)
Valuation allowance against accrued benefit asset	(34,756)	-	(46,927)	-
Accrued pension asset (liability)	$151,316	$ (3,559)	$122,000	$ (3,545)

The following presents a summary of pension contributions and benefit payments during the fiscal year:

	2024		2023	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Contributions				
Employer	$ -	$ 133	$ -	$ 131
Employee	9,632	-	8,180	-
Total contributions	$ 9,632	$ 133	$ 8,180	$ 131
Benefits paid	$ 37,899	$ 133	$ 35,561	$ 131

Employer pension contributions are made in accordance with the actuarial valuations for funding purposes. The maximum permissible employer funding contributions must be set in accordance with the *Income Tax Act*. A plan which is fully funded on both going concern and hypothetical wind-up basis may not retain its registered status if the employer contributes to plan if the going concern funding excess exceeds 25% of the going concern funding target. At December 31, 2022 the Corporation's funded ratio was 123.6% (December 31, 2021– 133.2%) for the registered pension plan. Therefore, as required under legislation the Corporation ceased employer contributions to this plan effective June 1, 2021.

(in thousands of dollars)

Retirement benefit expense is comprised of the following:

	2024		2023	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Determination of pension expenses for the year are calculated as:				
Current period benefit cost	$ 15,507	$ 100	$ 15,886	$ 123
Amortization of net actuarial (gains) losses	(9,726)	(51)	(5,025)	374
Less: Employee contributions	(9,632)	-	(8,180)	-
Retirement benefit (recovery) expense	(3,851)	49	2,681	497
Interest cost on the average accrued benefit obligation	33,317	98	26,197	56
Less: Expected return on average plan assets	(46,610)	-	(36,172)	-
Retirement benefit interest (recovery) expense	(13,293)	98	(9,975)	56
Total expenses related to retirement benefit (before adjustment for valuation allowance)	(17,144)	147	(7,294)	553
(Decrease) increase in valuation allowance provided against accrued benefit asset	(12,172)	-	46,927	-
Total (recovery) expenses related to retirement benefit (after adjustment for valuation allowance)	$(29,316)	$ 147	$ 39,633	$ 553

The registered pension plan assets are invested in debt securities, equity securities and buy-in annuities. The asset mix at March 31, 2024, was 17% in debt securities, 32% in equity securities, 5% in real estate and 45% in annuities (2023 – 11% debt securities, 36% equity, 4% real estate, 49% in annuities).

The market value of plan assets is $514,957 (2023 – $448,111); in addition, the actuarially determined value of the buy-in annuities is $349,924 (2023 – $372,305). The actual gain on the market value of plan assets was $63,028 or 14.07% (2023 – loss of $59,637 or 11.8%) and the actual gain on the market-related value of plan assets was $41,824 or 4.89% (2023 – loss of $31,705 or 3.47%).

Gains and losses incurred are as follows: loss on market-related value of plan assets $3,002 (2023 – loss $5,643); actuarial loss on registered plan accrued benefit obligation $2,648 (2023 – gain of $94,512); actuarial gain on supplementary arrangements accrued benefit obligation $243 (2023 – $700).

The estimated average remaining service period of the members covered by the registered pension plan and the remaining supplementary retirement arrangement is 10.5 years (2023 – 9.9 years).

(in thousands of dollars)

The significant assumptions are:

	2024	2023
Pension obligations (actuarial value)		
Discount rate – registered plan	5.90%	6.00%
Discount rate – supplementary arrangements	3.05%	3.29%
Rate of compensation increase	3.50%	4.50%
Inflation rate	2.00%	2.00%
Retirement benefit expense		
Discount rate – registered plan	6.00%	5.20%
Discount rate – supplementary arrangements	3.29%	1.65%
Expected return on assets	6.00%	5.20%
Rate of compensation increase	3.50%	4.50%
Inflation rate	2.00%	2.00%

The sensitivity analysis of the significant actuarial assumptions on the obligation was as follows:

	2024		2023	
	Non-insured Registered Pension Plan	**Supplementary Retirement Arrangements**	Non-insured Registered Pension Plan	Supplementary Retirement Arrangements
Discount rate sensitivity:				
1% increase in discount rate	$ (40,469)	$ (422)	$ (35,119)	$ (354)
1% decrease in discount rate	51,321	537	44,474	443
Inflation sensitivity:				
1% increase in inflation	6,106	76	5,069	62
1% decrease in inflation	(3,549)	(44)	(2,948)	(36)
General wage increase:				
1% increase in general wages	14,015	(56)	12,830	(58)
1% decrease in general wages	$ (12,496)	$ 64	$ (11,420)	$ 60

9. ACCRUED LIABILITY FOR NON-PENSION POST-RETIREMENT BENEFITS

An actuarial valuation for life insurance and health and dental care benefits for current and future retirees was conducted as of December 31, 2022 for the years ended March 31, 2024 and March 31, 2023. The valuations were extrapolated for accounting purposes to March 31.

The plan is unfunded and requires no contributions from employees. The following presents the financial position of the Corporation’s non-pension post-retirement benefits at March 31:

(in thousands of dollars)

	2024	2023
Obligation for non-pension post-retirement benefits (actuarial value)	$(27,215)	$(25,083)
Unamortized net actuarial gain	(23,353)	(27,531)
Employer contributions during the year from measurement date to March 31	209	207
Accrued benefit liability for non-pension post-retirement benefits	$(50,359)	$(52,407)

As the plan is unfunded, contributions equal benefits paid during the year of $644 (2023 – $615).

Non-pension post-retirement benefit recovery of $1,404 (2023 – expense of $764) are included in the statement of operations.

The significant assumptions are:

	2024	2023
Non-pension post-retirement benefits obligations		
Discount rate	3.05%	3.29%
Initial weighted-average health care trend rate	4.70%	4.80%
Ultimate weighted-average health care trend rate	4.00%	4.00%
Year ultimate rate reached	2040	2040
Non-pension post-retirement benefits costs		
Discount rate	3.29%	1.65%
Initial weighted-average health care trend rate	4.80%	4.80%
Ultimate weighted-average health care trend rate	4.00%	4.00%
Year ultimate rate reached	2040	2040

The estimated average remaining service period of members covered by non-pension post-retirement benefits is 11.5 years (2023 – 11.5 years).

10. ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS (WORKERS' COMPENSATION AND OTHER BENEFITS)

An actuarial valuation for the workers' compensation benefit was conducted as of December 31, 2022 for the years ended March 31, 2024 and March 31, 2023 and the valuation was extrapolated for accounting purposes to March 31. The plan is unfunded and requires no contributions from employees.

The following presents the financial position of the Corporation's post-employment benefits at March 31:

	2024	2023
Obligation for post-employment benefits (actuarial value)	$(18,184)	$(17,610)
Unamortized net actuarial losses	4,866	5,606
Employer contributions during the year from measurement date	796	719
Accrued benefit liability for post-employment benefits	$(12,522)	$(11,285)

(in thousands of dollars)

As the plan is unfunded, contributions equal benefits paid during the year of $2,360 (2023 – $3,409).

Post-employment benefit charges of $3,597 (2023 – $3,422) are included in the statement of operations.

The significant assumptions are:

	2024	2023
Post-employment benefits obligations		
Discount rate	3.05%	3.29%
Inflation rate	2.50%	2.00%
Health care cost increases	5.60%	4.00%
Post-employment benefits costs		
Discount rate	3.29%	1.65%
Inflation rate	2.50%	2.00%
Health care cost increases	5.60%	4.00%

Adjustments arising from actuarial gains and losses are amortized over the average expected period over which benefits will be paid which is 9.0 years (2023 – 9.0 years).

For the year ended March 31, 2024, the Corporation paid $685 (2023 – $758) in premiums to the Workers' Compensation Board of Nova Scotia which are included in wages and benefits in the statement of operations. These premiums represent the workers' compensation costs for Nova Scotia employees given that the Corporation is on an assessment basis.

(in thousands of dollars)

11. TANGIBLE CAPITAL ASSETS

2024

	Vessels	Shore facilities	Leasehold improve-ments	Equipment	Work in progress	Total
Cost						
Balance, beginning of year	$ 494,043	$ 257,149	$ 57,039	$ 92,967	$ 27,095	$ 928,293
2024 additions	15,405	3,090	2,433	3,686	35,647	60,261
2023 transfer from work in progress	1,045	2,512	9,219	2,055	(14,831)	-
Disposals and write-downs	(70,245)	(197)	(68,372)	(691)	-	(139,505)
Balance, end of year	$ 440,248	$ 262,554	$ 319	$ 98,017	$ 47,911	$ 849,049
Accumulated amortization						
Balance, beginning of year	$ 333,094	$ 123,187	$ 55,541	$ 58,014	$ -	$ 569,836
Amortization	26,723	12,342	9,428	12,895	-	61,388
Disposals and write-downs	(70,091)	(168)	(64,652)	(679)	-	(135,590)
Balance, end of year	$ 289,726	$ 135,361	$ 317	$ 70,230	$ -	$ 495,634
Net book value	**$150,522**	**$127,193**	**$ 2**	**$27,787**	**$47,911**	**$353,415**

2023

	Vessels	Shore facilities	Leasehold improve-ments	Equipment	Work in progress	Total
Cost						
Balance, beginning of year	$ 474,726	$ 259,114	$ 56,424	$ 85,610	$ 15,818	$ 891,692
2023 additions	14,778	1,620	250	6,037	18,195	40,880
2022 transfer from work in progress	4,539	531	365	1,483	(6,918)	-
Disposals and write-downs	-	(4,116)	-	(163)	-	(4,279)
Balance, end of year	$ 494,043	$ 257,149	$ 57,039	$ 92,967	$ 27,095	$ 928,293
Accumulated amortization						
Balance, beginning of year	$ 304,553	$ 112,816	$ 52,936	$ 45,025	$ -	$ 515,330
Amortization	28,541	12,585	2,605	13,152	-	56,883
Disposals and write-downs	-	(2,214)	-	(163)	-	(2,377)
Balance, end of year	$ 333,094	$ 123,187	$ 55,541	$ 58,014	$ -	$ 569,836
Net book value	$ 160,949	$ 133,962	$ 1,498	$ 34,953	$ 27,095	$ 358,457

Work in progress additions include those projects commenced in the current fiscal year or a previous fiscal year and not yet complete at year end. Work in progress transfers include the cost of projects carried over from the previous year, along with current year additions related to projects that were completed during the year.

(in thousands of dollars)

As of March 31, 2024 the leasehold improvements related to the lease of the *MV Atlantic Vision* have been written off as a result of the vessel's removal from service. The net write-downs are recognized as a loss on disposal and write-downs of tangible capital assets in the statement of operations.

12. ASSET RETIREMENT OBLIGATIONS

The Corporation has recorded asset retirement obligations for the removal of asbestos in buildings and fuel lines, and the decommissioning of fuel tanks, lines, vessels, and leasehold improvements for leased assets.

The amount recognized was determined using engineering estimates and is the net present value of estimated future expenditures required to fund the decommissioning of the assets. The obligation is calculated using the current estimated costs to retire the asset inflated to the estimated retirement date and discounted to current present value. The retirement obligation is being provided for over the accreted value from the initial obligation to the end of the useful life of the asset. Future retirement expenditures will be charged against the accumulated liability as incurred.

Following is a summary of the key assumptions upon which the carrying amount is based:

- Total expected future cash flows are $ 34,256 (2023 - $38,522).
- Expected timing of asset removal and/or site remediation is expected to occur between 1 and 15 years with the majority occurring by 2030.
- The discount rate is the Government of Canada's zero-coupon rate on government bonds of 3.43% (2023 – 2.45%).

Following is a summary of the asset retirement obligations:

	2024	2023
Balance, beginning of year	$ 34,024	$ 33,328
Revisions in estimated cash flows	(3,288)	-
Accretion expense	950	696
Settlements	(793)	-
Balance, end of year	$ 30,893	$ 34,024

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation utilizes information provided by Canadian chartered banks to assist in determining the fair value of its derivative financial instruments. Derivative financial instruments used by the Corporation include swaps, which are typically a commodity or price swap where parties exchange payments in cash based on changes in the price of the commodity (#2 heating oil) while fixing the price effectively paid for fuel.

The fair value of derivative financial instruments, which are all classified as Level 2, is estimated at the discounted unrealized gain or loss calculated based on market prices at March 31, which generally reflects the estimated amount that the Corporation would receive or pay to terminate the contracts at the financial statement date.

(in thousands of dollars)

The Corporation also uses foreign exchange forwards, which are contractual agreements to buy foreign currency at a specified price and date in the future. The foreign exchange forwards are related to lease payments for the *MV Atlantic Vision* (EUR) and the *MV Ala'suinu* (USD).

The fair values are the estimated amounts that the Corporation would receive (or pay) based on market factors, if the agreements were terminated on March 31. All derivatives have a monthly settlement schedule. At March 31, the Corporation had the following derivative financial instruments:

		2024				2023
Maturity date	**Currency**	**Fixed price per unit/ forward rate (Note)**	**Notional quantity (Note)**	**Notional value**	**Fair value**	Fair value
Derivative financial assets						
Crude swap - #2 heating oil						
2024	CAD	-	-	$ -	$ -	$ 3,012
2025	CAD	2.479-3.221	4,662	13,983	2,350	833
2026	CAD	3.024-3.028	1,344	4,067	404	-
Foreign exchange forwards						
2024	EUR	-	-	$ -	$ -	990
2025	EUR	1.3830	557	770	44	-
2025	USD	1.34750	15,890	21,412	59	54
			22,453	$ 40,232	$ 2,857	$ 4,889
Derivative financial obligations						
Foreign exchange forwards						
2026	USD	1.3480	15,890	21,420	(47)	-
			15,890	$ 21,420	$ (47)	$ -

Note: Quantities are based on US gallons; prices (CAD) are per US gallon.

14. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors is responsible for developing and monitoring the Corporation's risk management policies.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation, through its training and corporate policies, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(in thousands of dollars)

The Board's Corporate Governance, Risk and Strategy Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation.

The Corporation is primarily exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments in the normal course of business.

Credit risk:	Risk that a third party to a financial instrument may fail to meet its obligations under the terms of the financial instrument.
Market risk:	Risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in market prices. The Corporation is exposed to currency risk and commodity price risk.
Liquidity risk:	Risk that the Corporation may encounter difficulty in raising funds to meet commitments associated with financial instruments.

This note presents information about the exposure to each of the above risks, including the Corporation's objectives, policies and processes for measuring and managing each risk. Further quantitative disclosures are included throughout these financial statements. There are significant challenges related to rising inflation as well as on-going supply chain issues, some of which involve shortages of key components required for the Corporation's operations. Additional activities, processes and procedures were put into place to mitigate the risks.

(a) Credit risk

The carrying amount of cash, accounts receivable and derivatives represents the Corporation's maximum exposure to credit risk.

Cash

Cash other than restricted cash is held in a Canadian chartered bank, which are credit worthy counterparties. Restricted cash is held in a euro-denominated escrow account in a German bank. The designation of this bank as escrow agent was imposed as a condition of the *MV Atlantic Vision's* charter agreement. As the vessel's owner is bound under a number of security instruments, the vessel's owner was obliged to use this bank to hold the escrow funds.

At March 31, 2024, the German bank held a baseline credit assessment of baa3, a guaranteed long-term rating of A3 and an unguaranteed short-term rating of P-2 from Moody's.

Accounts receivable

The Corporation's accounts receivable consists of trade receivables of $5,017 (2023 – $3,816) and other accounts receivable of $6,670 (2023 – $6,362). The Corporation's exposure to credit risk on trade accounts receivable is reduced by applying a credit policy that establishes limits on the concentration of risk and requires assessing and monitoring of counterparty credit risk. In total $770 (2023 – $210) of accounts receivable are considered past due but not impaired. Accounts that have exceeded 31 days are considered past due. Other receivables are largely HST rebates from the Government of Canada and receivables on realized gains on derivatives. The Corporation considers there to be no significant risk related to HST rebates or receivables on realized gains on derivatives which are discussed below.

Derivatives

The credit risk related to derivatives is the risk of a counterparty defaulting on contractual derivative obligations in which the Corporation has an unrealized gain. The Corporation's derivative financial instruments are contracted with Canadian chartered banks, which are credit worthy counterparties. The Corporation considers that it is exposed to minimal credit risk in the event of non-performance as the counterparty is considered to be of high credit quality.

(b) Market risk

(i) Currency risk

Currency risk arises due to fluctuations in foreign currency rates. The Corporation makes monthly lease payments for the charter of the *MV Ala'suinu* over the term of the lease. To minimize exposure to currency risk, the Corporation purchased forward contracts for 100% of the monthly lease payments for the next two fiscal years. A 10% increase in the foreign currency rate would not have a material effect on the financial statements.

(ii) Commodity fuel price risk

To manage the risk associated with increased fuel price variation, the Corporation enters into heating oil derivative contracts (swaps). The objectives of the Corporation's fuel hedging policy are to stabilize fuel budget variances and the fuel surcharges charged to customers. A 10% increase in the market price of heating oil as at March 31, 2024 would not have a material effect on the financial statements. The market volatility over the past years have increased the uncertainty regarding fuel prices and the risks associated with hedging. The Corporation is working to obtain a contract for fuel deliveries to mitigate the risks associated with rising fuel prices.

(c) Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without unacceptable losses or risking damage to the Corporation's reputation.

The Corporation strives to maintain sufficient resources to meet expected operational expenses for a period of 30 days plus a reserve. This includes the servicing of financial obligations but excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Corporation prepares cash flow forecasts that are regularly monitored by management and the Board of Directors. The forecasts are adjusted as necessary to reflect expected cash inflows and outflows to ensure the adequacy of cash to meet financial obligations. The Corporation receives government funding on a monthly basis.

The Corporation's bank has provided an irrevocable letter of credit on the Corporation's behalf in favour of the Workplace Health, Safety and Compensation Commission of New Brunswick to guarantee payment of future liabilities in the amount of $4,200 (2023 – $4,200) for an indefinite period. The Corporation receives approval from the Minister of Finance on an annual basis to enter into the letter of credit.

(in thousands of dollars)

15. TRANSPORATION REVENUE

The following table provides the Corporation's transportation revenue by major source and type:

	2024	2023
Commercial vehicle	$ 44,064	$ 44,990
Onboard sales	18,291	16,574
Passenger vehicle	18,284	18,240
Other transportation	17,312	17,303
Passenger	13,201	12,490
Fuel surcharge	9,860	9,905
Total transportation revenue	$121,012	$119,502

16. ACCUMULATED SURPLUS

The accumulated surplus is comprised of:

	2024	2023
Accumulated operating surplus	$ 434,388	$ 395,981
Accumulated remeasurement gains	3,920	5,926
Accumulated surplus	$ 438,308	$ 401,907

Accumulated operating surplus includes share capital in the amount of $258,530 (2023 – $258,530). The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no-par value. As at March 31, 2024, 517,061,000 shares (2023 – 517,061,000 shares) at $0.50 per share (2023 – $0.50 per share) have been issued and fully paid.

17. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. Related parties also include key management personnel having the authority and responsibility for planning, directing and controlling the activities of the Corporation. This includes the senior leadership team and members of the Board of Directors and their close family members. There are no significant transactions with key management personnel.

The Corporation enters into transactions with these entities in the normal course of business under the same terms and conditions to those adopted if the parties were dealing at arm' length. In addition, transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year, the Corporation incurred expenses of $2,031 (2023 – $1,785) with other related parties. In addition to these transactions, the Government of Canada provides funding to the Corporation as described in notes 2(a) and 5. The Corporation is given the right to use the Crown land on which the terminals sit free of charge by Transport Canada. No amount is recorded since the fair value related to the use of these lands received free of charge is not reliably measurable. There are no contractual obligations or contingent liabilities with related parties.

(in thousands of dollars)

18. CONTRACTUAL OBLIGATIONS

Contractual obligations are financial obligations of the Corporation to others that will become liabilities when the terms of these contracts or agreements for the acquisition of goods or services are met. These include capital and operating agreements, charter lease agreements and other equipment lease agreements. Charters include two lease agreements, the *MV Atlantic Vision*; which expires in May 2024, denominated in EUR and the *MV Ala'suinu*, a new vessel acquired on February 7, 2024, denominated in USD. These payments have been translated to Canadian dollars using their respective exchange rates at March 31, 2024.

	Capital	Operating	Charter	Other leases	Total
2024-25	$ 7,700	$ 2,517	$ 25,780	$ 272	$ 36,269
2025-26		2,078	23,894	271	26,243
2026-27		168	23,894	271	24,333
2027-28			23,959	272	24,231
2028-29			19,966	263	20,229
2029-30 and beyond				1,500	1,500
	$ 7,700	$ 4,763	$ 117,493	$ 2,849	$ 132,805

19. CONTINGENT LIABILITIES

In connection with its operations, the Corporation is the claimant or defendant or otherwise involved in pending claims and lawsuits. At March 31, 2024, the Corporation is in receipt of claims estimated at $5 (2023 – $5) where the occurrence of the confirming future event is considered likely and this amount has been accrued in the financial statements. There are additional claims estimated at $100 (2023 – $73) where the occurrence of the confirming future event is not determinable, and this amount has not been accrued. These estimates are derived based on management's judgment and maximum exposures which are limited due to insurance deductibles which are in place.

20. OTHER INCOME FROM LEGAL PROCEEDINGS

Other income from legal proceedings was recognized as a result of the outcome of an appeal proceeding with the Tax Court of Canada disclosed in prior years as a contingent asset. The judgement in favour of the Corporation in July 2023 was not appealed by the Respondent by the deadline. The Corporation has recognized $13.9 million of which $1.43 million is in accounts receivable.

21. COMPARATIVE INFORMATION

Comparative figures for certain line items have been reclassified in the statement of operations to conform to the current year's presentation and to better reflect the nature of the expenses.

22. BUDGET FIGURES

Budget figures have been provided for comparison purposes and have been derived from the corporate planning process and approved by the Board of Directors. The Corporation has not exceeded its total expenditure or investing authority limits in the year.

Wages and benefits expense was $8.9 million higher than budgeted. Traffic levels were higher than anticipated. The Corporation added more capacity to move the traffic resulting in higher labour costs. The Corporation made changes to the current fleet maintenance plans during the fall and winter to ensure the existing fleet was in operating mode during the spring arrival of the *MV Ala'suinu* and return of the *MV Atlantic Vision.* Negotiated wage increases were also higher than anticipated due to industry trends and inflation.

The originally approved budget for employee future benefits was $11.9 million, which was based upon estimated cash payments. The Corporation adjusted the budgeted employee future benefits on the statement of operations using the accrual method to a credit of $15.4 million, consistent with Canadian public sector accounting standards.

Employee future benefits expense was $11.5 million lower than budget. The decrease in the pension expense was the result of a $12.2 million decrease in the valuation allowance related to the excess adjusted benefit asset over the expected future benefit as required by the accounting standard.

The original budget included fleet renewal costs. These costs were reallocated to their respective function, consistent with the presentation in the statement of operations.

2023/24 Report on Climate-related Risks and Opportunities

Reporting against the recommendations of the Task Force on Climate-related Financial Disclosures

Contents

1. Introduction

About Marine Atlantic Inc (MAI)

MAI was created on June 27, 1986, as a parent Crown Corporation through the *Marine Atlantic Inc. Acquisition Authorization Act*.

MAI offers twice daily ferry service for passengers and freight on its constitutionally mandated service between Port aux Basques, NL and North Sydney, NS. During the summer, the Corporation also offers service three times a week between Argentia, NL and North Sydney, NS.

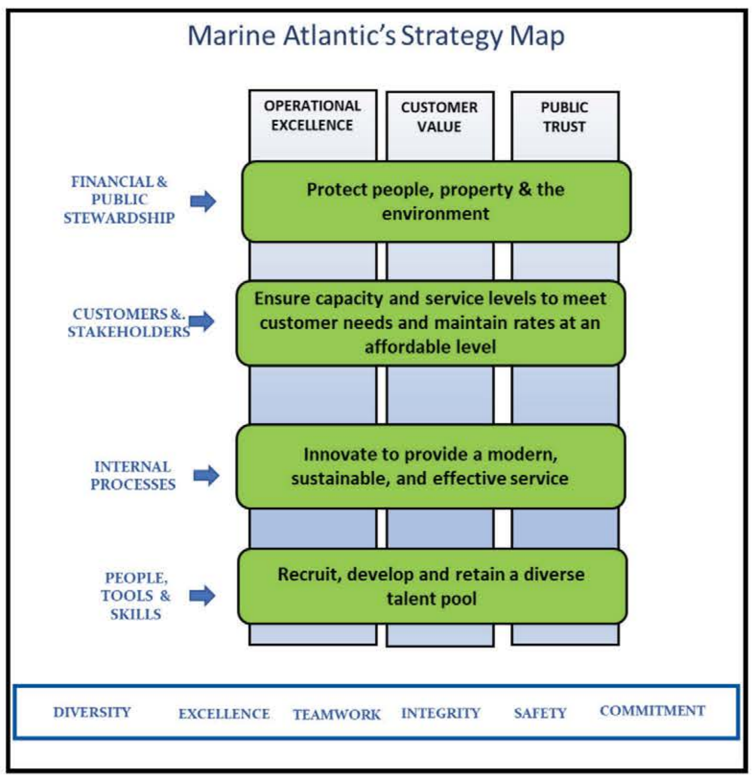
MAI provides an essential service to the Island of Newfoundland, as it is the only daily ferry transportation service that allows for the transport of goods onto the Island – including fresh food and perishables, consumer products, and dangerous goods (e.g., medical oxygen and hospital supplies). It is also the only daily service that allows for local companies to export their products to the mainland and to reach national and international markets upon which their business success depends. MAI also provides the most accessible means for travellers to enter and leave the Island with their vehicles. MAI it is a very important enabler of the economy of Newfoundland and Labrador. MAI's success drives the success of the province in that it is the main transportation link between the province and the rest of Canada.

Additional information regarding the Corporation is included in its Annual Report, which can be found on MAI's website.

Corporate Strategy and Risk Management

MAI is committed to providing a service that sustains the essential link between NL and the rest of Canada. The Corporation has developed both a Strategic Plan and a Risk Management Plan to support its strategic pillars – operational excellence, customer value, and public trust – and to deliver on the priorities established by the Government of Canada, including a smooth transition to Net Zero by 2050. The Corporation is also increasing its focus on establishing and meeting clear Environmental, Social, and Governance (ESG) goals.

As MAI becomes increasingly aware of the impact of its operations on the environment, and to the numerous risks that climate change presents to providing a sustainable service, it will pay particular attention to managing its environmental footprint and protecting its passengers, employees, and infrastructure from the impacts of climate change.



This report outlines how the Corporation intends to meet these expectations in the future and is the first step in meeting the recommendations of the Task Force on Climate-related Financial Disclosures (TFCD).

2. Climate-related Risks and Opportunities

Climate-related risks and opportunities form the basis of MAI's Strategic Plan and its Corporate Risk Register.

From a risk perspective, MAI has identified the following risks, which include both physical risks to the operation and the financial and social risks associated with the transition to green energy.

- The risk that MAI does not have adequate safety governance, policies and practices, putting customers, employees, and facilities at risk.
- The risk that MAI is responsible for the contamination of the environment and/or fails to respond to incidents in an adequate manner.
- The risk that MAI's response to a catastrophic event such as natural disaster, act of sabotage/terrorism, grounding, etc. is inadequate.
- The risk MAI does not have sufficient revenue and/or funding to maintain essential operations and to execute its strategic plan.
- The risk that MAI fails to adequately plan for both infrastructure maintenance and renewal leading to negative impacts on its operations, service levels and financial well-being.

How these risks might manifest and the potential impacts on MAI are outlined below.

Service Impacts	Environmental Regulations	Financial Impacts	Infrastructure Impacts
Rise in extreme weather events/Increase in weather variability	Increased cost to meet regulations	Increase in carbon pricing	Fuel management/ substitution
Potential risks to customer and employee safety	Availability of alternate fuel supply	Increasing fuel costs	Availability of alternate fuels
Increasing number and length of service interruptions	Cost of new technologies	Cost of retrofitting existing vessels	Availability of energy efficient vessels
Impacts on supply chain	Shortened vessel life span	Impact on customer pricing	
		Increased Investment for new technologies	

The impacts of climate change also present several opportunities for MAI. Specifically, there are three strategic initiatives that recognize the importance of addressing the impacts of climate change on operations:

- Achieve NetZero by 2050.
- Develop a long-term fleet replacement strategy.
- Ensure the affordability and sustainability of the service.

The potential opportunities for the Corporation include:

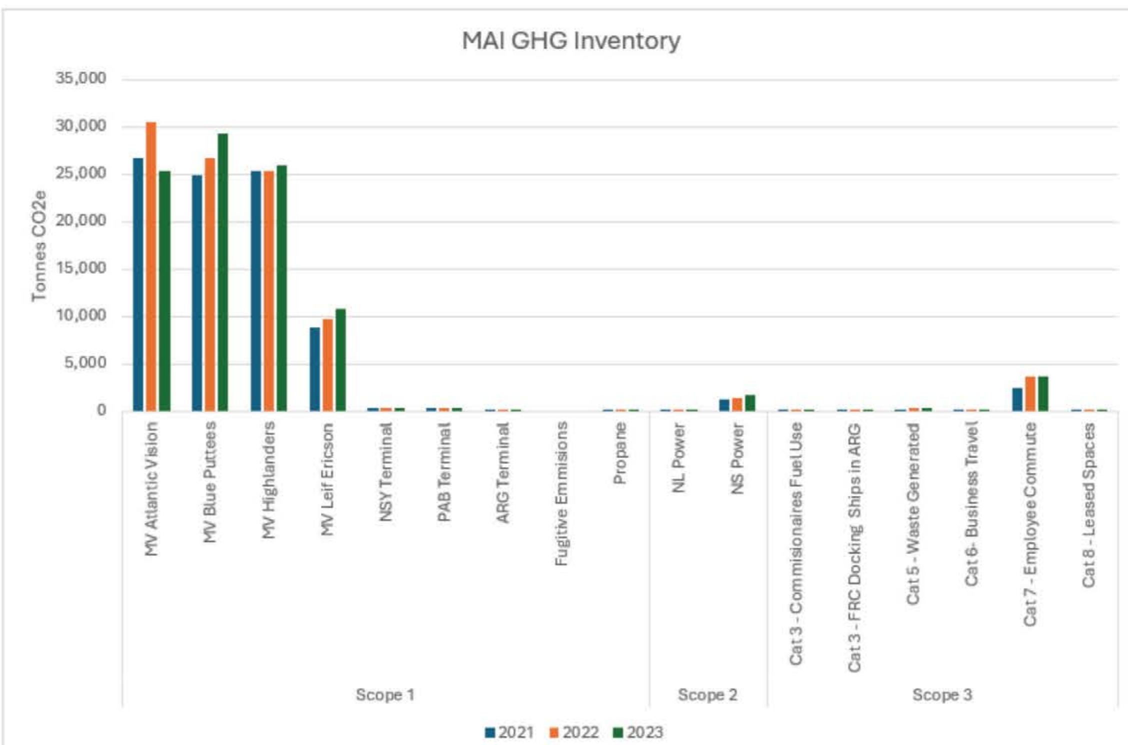
NetZero by 2050	Fleet Replacement	Affordability and Sustainability
Socially responsible	Greener technology - fewer emissions	Increased demand for low carbon travel
Minimizing damage to the environment	Improved customer satisfaction	Predictability of funding requirements
Positive impact on Corporate reputation	Operational stability	Potential for reduced operating costs
Improved service to customers		Maintain service affordability

3. Environmental Management Plan

MAI continues to develop the organization's Net Zero by 2050 strategy. Having established a baseline greenhouse gas (GHG) inventory, MAI will continue with the implementation of the Net Zero roadmap, which was completed as of March 2023. This roadmap will help MAI establish specific KPIs and targets, centralize data inputs to facilitate monitoring and Net Zero metrics, and develop a reporting dashboard. MAI has also established an Environmental Stewardship Committee to provide guidance to ensure that the organization achieves its environmental performance objectives, fulfills its compliance obligations, and minimizes environmental impacts from operations.

Activities

1. **Ongoing measurement of MAI's GHG inventory** - includes an assessment of the light vehicle fleet, heavy vehicle fleet, propane usage, vessel fuel usage, HVAC systems, fire suppression systems, and electricity usage on MAI premises.



2. **Project oversight and evaluation –** MAI has developed an environmental project evaluation tool that is used to assess all projects and initiatives as it relates to impacts on emission targets and the overall Greening Strategy. This tool is utilized to recommend projects for inclusion in the five-year capital plan to support Net Zero opportunities.

   There are currently several projects included in the capital plan to support the path to Net Zero, including:

   - Port aux Basques Administrative Building – the goal is LEED Silver.
   - Lighting upgrades in Argentia - switching to LED.
   - Heating system replacement at the Port aux Basques Maintenance shop to improve energy efficiency.
   - HVAC System upgrades at the North Sydney Maintenance shop to improve energy efficiency.
   - Self supporting sewage system at the Port aux BasquesAB Life Raft Center.
   - New propeller blades for the Blue Puttees to reduce fuel consumption.

3. **Ongoing participation in the Green Marine Program –** The Green Marine Program guides the maritime industry toward environmental excellence by encouraging the adoption of concrete measurable actions that go beyond regulatory obligations. Under this program, MAI is evaluated against established criteria in several different categories for the vessels and the terminals. The Green Marine Program has five levels. Strategically, MAI has set a corporate goal to maintain an average of level three, which was first achieved in 2021/22. Level three is defined as 'Integration of best practices' into an adopted management plan and understanding of environmental impacts.

4. **Environmental Management System training –** The HSSE team has developed and implemented an Environmental Management System (EMS) to assist the organization in the continual improvement of environmental performance and the minimization of the environmental impacts of our operations. To date the organization has trained over 70% of employees and should have the remainder completed in 2023-24. The training provides employees with familiarization with MAI's ISO 14001 structured EMS. This Includes overview of MAI's:
   - Environmental policy
   - Environmental regulatory requirements
   - Environmental objectives and priorities
   - Roles and responsibilities
   - Operational environmental plans
   - Green Marine
   - Environmental incident reporting

5. **Transition to electric vehicles -** MAI continues to work on its plan to introduce electric vehicle charging stations as well as electric vehicles as part of its shore-based infrastructure innovation plan. Charging stations have been installed in Port aux Basques, North Sydney and Argentia, and expansion is already underway. Electric powered baggage vans are now in operation, as well as the Electric Scissor Lifts, with plans to expand into other vehicle types

(i.e., Shuttle Buses, Shunt Trucks, Maintenance Vehicles, etc.) as soon as they can be procured.

The status of each of MAI's environmental targets are as follows:

Goal	2023 Target	Result
Fuel Consumption: Vessels	1% Reduction	5%
Fuel Consumption: Terminals	5% Reduction	9.6%
Green Marine – Vessel Program	3 or better	3.6
Green Marine – Terminals Program	3 or better	3.7

4. Governance and Risk Management

MAI's Board of Directors provides oversight and strategic direction to the management team, which in turn is responsible for the day-to-day functions of the Corporation. Together, the Board and management team make a united effort to provide a safe, environmentally responsible, quality, and efficient interprovincial ferry system for our customers, governed by a strong set of corporate values.

Marine Atlantic is governed by a 10-person Board of Directors. The independent directors are chosen and appointed for specific terms by the Government of Canada. The President and CEO is also a member of the Board.

The Board of Directors operates within a highly regulated environment. The *Financial Administration Act* and the *Canada Business Corporations Act* both provide direction to the Corporation's business affairs. The Corporation's Articles of Incorporation, its by-laws, vision, mission statement, and values, further direct both the Board and management in their decision-making.

The Board has a strong commitment to good corporate governance and stakeholder engagement. It also provides prudent fiscal direction and guidance to the management team, ensuring effective budgeting and financial management, as well as management of corporate risks.

Working to Ethical Standards

The Corporation prides itself on maintaining high ethical standards while operating in a fiscally responsible manner. The management team adheres to conflict-of-interest guidelines to deliver on the corporate mandate in an ethical manner, and all employees are guided by MAI's values along with the Value and Ethics Code for the Public Service. The Corporation also has a Disclosure of Wrongdoings policy established in accordance with the *Public Servants Disclosure Act* which outlines ways for employees and former employees to report wrongdoings.

Governance Committees of the Board

The Board's standing committees engage and support its efforts through several governance responsibilities including Audit and Finance; Governance, Risk and Strategy; Human Resources; and

Innovation and Infrastructure. The Board also provides advice and oversight on the stewardship of pension plans for the employees of MAI.

Audit and Finance Committee

The Audit and Finance Committee is mandated to provide the Board advice and services in the areas of financial management and reporting, internal control, information systems and management, procurement, and internal/ external audit practices.

Human Resources Committee

The Human Resources Committee is mandated to provide advice and oversight on behalf of the Board of Directors in the areas of Human Resources.

Innovation and Infrastructure Committee

The Innovation and Infrastructure Committee is mandated to monitor and provide oversight on behalf of the Board of Directors in the areas of customer service, innovation, IT/IM, capital projects, safety and environmental management, and fleet management.

Governance, Risk and Strategy Committee

The Governance, Risk and Strategy Committee is mandated to provide advice and oversight on behalf of the Board of Directors in the areas of strategic planning, enterprise risk management, governance, ethics, and corporate responsibility.

Enterprise Risk Management

MAI is committed to risk management and recognizes it to ensuring the Corporation's future success. MAI considers risk management to be a shared responsibility. The Corporation's risk management governance structure can be summarized as follows.

Group	Responsibility
Board of Directors and Audit and Risk Committee	Ensure that management has established and maintains an effective risk management process
Corporate Strategy & Enterprise Risk Management Committee	Monitor emerging risks and significant shifts in the known risks in the company's enterprise risk level inventory
Corporate Strategy and Risk Department	Champion the effective management of risk across the company by facilitating the development and deployment of techniques, tools, and processes to assess in managing risks
Risk Liaisons	Support risk owners by organizing opportunities to formally discuss risk, monitoring the effectiveness of controls/mitigations, and coordinating reporting.
Risk Owners	Effectively manage risk within their area of responsibility in alignment with the risk tolerance and risk appetite of the company.

MAI's key risks continue to be directly linked to the Corporation's Strategic Objectives and as such, the ERM program plays a critical role in ensuring that the Corporation can achieve its overall goals.

ESG and Climate-related Risks

ESG and climate-related risks are currently included throughout MAI's Corporate Risk Register. As MAI further develops its ESG Program, these risks will likely be consolidated under an ESG Risk Management Plan to ensure that they are given appropriate attention. As MAI evolves its governance and processes to better identify and manage climate-related risks, it will report its progress as part of the TCFD reporting.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