

MARINE ATLANTIC

Annual Report 2022-23



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	2
Messages from the Chair/President and CEO	8
Our Guiding Principles	12
A Reliable Service	19
Serving Our Customers	24
Protecting People, Environment and Assets	29
Developing and Investing in our Employees	34
Investing in Our Communities	40
Planning for the Year Ahead	42
Governance	46
Financials	53

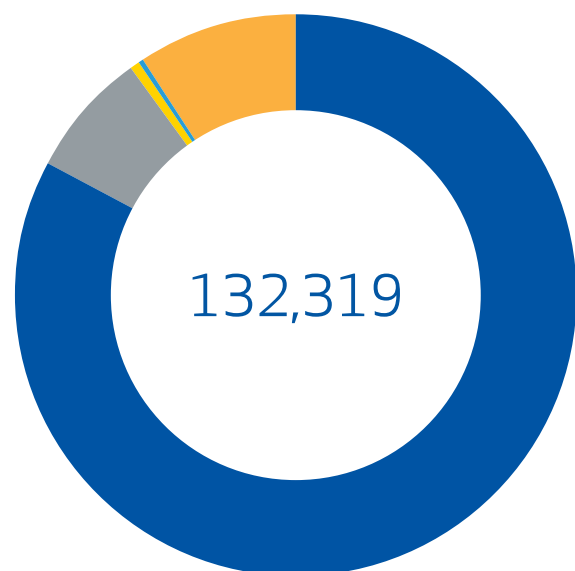
At a Glance

Financial Overview

As a federal Crown Corporation, Marine Atlantic receives an annual subsidy from its shareholder, the Government of Canada, through Transport Canada. In 2022/23 the Corporation spent \$269.2 million; \$138.9 million was generated via customer tariffs and other ancillary revenue, and \$130.2 million was received via subsidy. The Corporation's cost recovery was 59.9% compared to 60% last year.

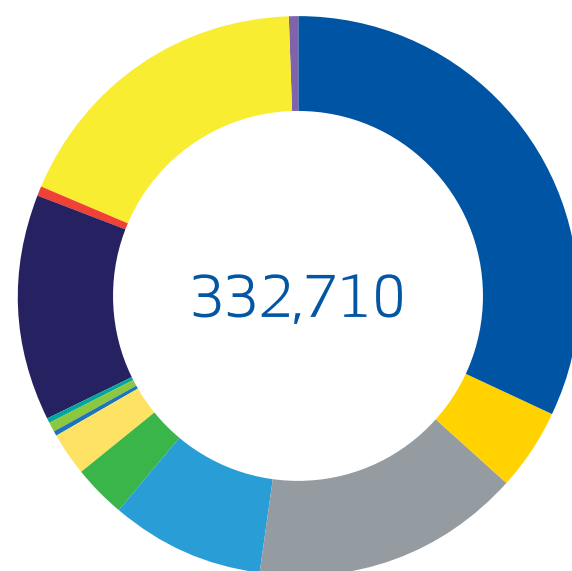
Revenues 2022/23 (in thousands)

Transportation revenue	109,597
Fuel surcharge revenue	9,905
Other income	421
Foreign currency exchange gain	295
Realized gain on derivative financial instruments	12,101
Total Revenue	132,319



Expenses 2022/23 (in thousands)

Wages and benefits	108,417
Charter fees	15,744
Fuel	51,988
Materials, supplies and services	30,306
Repairs and maintenance	10,082
Insurance, rent and utilities	8,318
Travel	1,332
Administrative costs	1,848
Fleet Renewal costs	879
Employee future benefits	44,373
Accretion expense	696
Loss on disposal and write downs of tangible capital assets	1,834
Amortization	56,883
Total Expenses	332,710



Revenue

Revenues excluding gains were \$23.7 million or 25% higher compared to last year. Passenger traffic increased by 56% while commercial traffic was 2.7% higher compared to last year. Overall traffic volumes were higher than pre-pandemic levels.

In comparison to budget, revenues excluding gains were \$9.4 million or 8.5% higher as overall traffic volumes exceeded expectations post pandemic.

Gains

The Corporation's gains were \$3.9 million higher than last year. This was mostly due to gains on derivative financial instruments relating to the Corporation's hedging program that involves advance purchase of fuel swaps and forward exchange contracts. The price of fuel was significantly higher than anticipated for the year. The fuel hedging gains partially mitigated these higher costs.

Operating Expenses

Wages and Benefits

Wages and benefits costs were \$13.5 million or 14.3% higher compared to fiscal year 2021/22 and \$10.5 million higher than budget. Overall traffic volumes were higher than last year and budget. The added capacity required to move the traffic resulted in higher labour costs. Negotiated wage increases were higher than anticipated which impacted wage costs compared to budget and prior year. Inflation and industry trends influenced these outcomes.

Materials, Supplies and Services

Materials, supplies, and services costs were \$2.6 million or 9.4% higher compared to fiscal year 2021/22, while \$4 million or 11.7% below budget. Consumables costs were higher this year compared to last year due to the increase in traffic and inflationary pressures. The savings compared to budget was mainly due to the unutilized professional services budget.

Repairs and Maintenance

The repairs and maintenance costs were \$0.9 million higher compared to the prior year and \$1.7 million higher compared to budget. The increase in maintenance compared to budget was mainly driven by a shore infrastructure project and inflation.

Insurance, Rent and Utilities

Insurance, rent, and utilities were \$0.8 million or 10.5% higher than last year and \$0.1 million lower than budget. The increase compared to last year was mainly due to higher insurance premiums.

Travel

Travel costs were \$0.8 million higher than the previous year while on par with budget and below pre-pandemic levels. The Corporation resumed some in person training where appropriate once COVID-19 restrictions were lifted.

Administrative Costs

Administrative costs were \$0.4 million higher compared to last year, while \$0.6 million lower than budget. Marketing and recruitment costs were higher compared to last year.

Fuel

Fuel expense was \$24.6 million higher than last year and \$22.5 million higher compared to budget. Oil prices have been extremely volatile over the past few years. The Corporation's cost per litre for vessel fuel was 65% higher than last year. The Corporation completed 108 more trips to move the higher traffic volumes.

Losses

Foreign currency exchange loss

Last year, the Corporation recognized a \$0.3 million loss compared to a gain this year of \$0.3 million. These currency gains/losses are incurred in the normal course of business arising from the requirement to pay some vendors in foreign currencies.

Loss on Disposal of Tangible capital assets

This year, the Corporation recognized a loss of \$1.8 million on the disposal and write down of long-lived assets compared to a loss of \$0.5 million last year.

Charter Fees

Charter fees were \$0.3 million or 2% higher this year in comparison to the previous year mainly due to higher average daily rates which were partially offset by lower currency exchange rates. The charter fees were \$2.1 million below budget as the daily rate at renewal and exchange rates were lower than budgeted.

Fleet Renewal Costs

The Corporation spent \$0.9 million excluding wages and benefits compared to \$1 million last year as part of a multi-year new vessel procurement project.

Highlights:

1,750 Number of Sailings

360,388 Passengers

142,645 Passenger Vehicles

92,687 Commercial Vehicles

86% On-Time Performance

Employee Future Benefits

The Corporation retains an independent actuary to assist in calculating expenses relating to employee future benefits based on management assumptions. These estimates are based on various assumptions such as 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 \$44.4 million of which \$40.2 million is related to the pension plan. A \$46.9 million increase in the valuation allowance was required per the retirement accounting standard to reduce the excess adjusted benefit asset over the expected future benefit.

Accretion Expense

The corporation has recognized an expense of \$0.7 million this year and last year regarding its asset retirement obligations. This is a new accounting standard implemented this year. The accretion expense represents the increase in the obligation due to the passage of time.

Amortization Expense

Amortization was \$1.2m higher this year compared to last year and \$1.5 million higher than budget.

Government Funding

Government funding revenue recognized was \$2.7 million lower than last year. Funding for capital projects was \$3 million higher than last year. Overall government funding was \$22 million below budget due to the timing of planned outlays for several capital projects and payments relating to labour agreements.

Tangible Capital Assets

In 2022/23, the Corporation spent \$40.9 million in asset renewal compared to \$37.9 million last year. Of this amount, \$21.7 million was spent on fleet-related projects compared to \$24.7 million last year. An additional \$19.2 million was spent replacing and modernizing shore facilities and equipment, upgrading IT requirements, and investing in innovation projects compared to \$13.2 million in fiscal 2021/22.

Traffic And Employees

	2022-23	2021-22	2020-21	2019-20	2018-19
Passengers	360,388	231,298	139,988	311,499	307,758
Passenger vehicles	142,645	91,336	50,449	120,426	115,972
Commercial vehicles	92,687	90,222	89,723	82,194	87,739
AEUs*	538,289	468,157	420,009	470,095	486,407
Number of single crossings	1,750	1,642	1,498	1,632	1,634
Employees (peak employment)	1,283	1,140	1,110	1,276	1,319
Employees (full-time equivalent)**	1,082	1,009	880	1,063	1,089

*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 (2023, 2022, 2021, 2020 & 2019 (in thousands))

	2022-23	2021-22	2020-21	2019-20	2018-19
Transportation Revenue	\$109,597	\$88,020	\$75,976	\$93,746	\$96,568
Fuel surcharge	9,905	8,162	7,080	11,650	11,976
Other income	421	79	182	229	254
Gains	12,396	8,488	4	-	3,020
	132,319	104,749	83,242	105,625	111,818
Operating expenses	160,303	141,673	127,367	139,287	137,282
Fuel	51,998	27,448	14,559	28,341	31,498
Losses	1,834	534	11,093	306	1,260
Charter costs	15,744	15,446	16,768	14,468	13,652
Fleet Renewal costs	879	982	1,428	1,727	
Employee Future benefits	44,373	194	688	516	4,809
Amortization and Accretion	57,579	57,794	60,496	52,025	50,033
	332,710	244,071	232,399	236,670	238,534
Deficit before government funding	200,391	139,322	149,157	131,045	126,716
Government funding					
Operations	90,948	93,598	109,494	83,239	75,977
Capital	40,880	37,905	31,627	50,076	49,691
Operating surplus (deficit)	\$(68,563)	\$(7,819)	\$(8,036)	\$2,270	\$(1,048)
ASSETS:					
Total assets	\$560,735	\$623,559	\$607,185	\$606,974	\$614,540



Message from the Chair of the Board of Directors

In 2022/23, we witnessed a rebound in passenger traffic increasing 56 percent over the previous year as people once again began to travel to visit loved ones and take part in leisure travel. Commercial traffic, steadfast throughout the pandemic, experienced an increase of approximately two percent.

In September, parts of Atlantic Canada experienced the devastation caused by Hurricane Fiona. Two of our ports were in the direct path of the hurricane. While our infrastructure received minimal damage and our ferry service resumed once the storm passed through the area, the communities and people who make up our organization experienced significant losses. Atlantic Canadians are resilient people and work together during difficult times. Once again, this dedication and commitment was evident. In the months since this terrible event, members of our team are continuing their efforts to rebuild, and others are continuing to support those in need. As a strong community partner, I am proud of the energy displayed by members of our team to assist individuals and towns in need.

Through the realities of a changing climate that is resulting in stronger and more frequent storms, we must be prepared with vessels and infrastructure that are designed to withstand the harsh environment in which we operate. We are committed to taking action to combat climate change and reduce our carbon footprint and working on our plan to achieve net-zero emissions by 2050.

We are excited by the progress that has been made this year towards the construction of our new charter vessel, the new administration building in Port aux Basques, and our planning efforts to make navigational improvements to the harbour in Port aux Basques. Embedded in the philosophy of these projects is our commitment to providing a workplace and travel option that is accessible to all Canadians. I am pleased to share that the new charter vessel will incorporate modern accessibility features aligned with the most recent Accessible Transportation for Persons with Disability Regulations. When the vessel enters service, it will be one of the most accessible passenger vessels globally.

“A workforce that reflects the areas in which we operate and provides employees with the tools to be successful, continues to be the centre of our focus. Throughout the year, we continued to take steps to provide employees with opportunities to learn about truth and reconciliation and the importance to moving forward and providing equity and equality for all!”

I am looking forward to the upcoming year, the Board of Directors is committed to our strategic plan that is focused on a reliable, safe, and affordable ferry service for our customers and stakeholders. The Government of Canada continues to be an important partner, and I thank them for their input, support, and guidance.

Sincerely,

Gary O'Brien
Chair, Board of Directors





Message from the President and CEO

Looking back on the past 12 months, it has been a period of mixed sentiments. On one hand, it was a great year with a 15 percent increase in total traffic year over year. Through surveys, our customers told us that we met or exceeded their expectations approximately 90 percent of the time. Thank you to all our employees who made this happen and provided exemplary service to our customers and a reliable ferry service that is integral to the Atlantic Canadian supply chain.

In addition, we achieved excellent progress on our key infrastructure projects, implemented pet friendly amenities, continued with Business Process Renewal, completed a significant recruitment drive in preparation for 2023, and continued with a focus on education for employees for strategic priorities related to a psychologically healthy and safe workplace.

“A healthy team is an integral element of our success. Through mental health initiatives that promote positive psychological health and safety, implementing measures outlined in Bill C-65 that target the elimination of harassment, bullying and violence in the workplace, and introducing physical activity programs and medical leave for all employees, we are determined to achieve our goal of a physically and mentally healthy workforce.”

We also experienced challenges. The greatest was the devastating destruction to our communities caused by Hurricane Fiona. Many of our colleagues, family and friends were impacted by this storm. Some of the destruction left by this hurricane will forever be a reminder of the power of nature for many in the impacted areas.

The high cost of fuel combined with a volatile market, impacts of inflation and shortage of some marine professionals continued to be areas of focus as they presented barriers to meeting our strategic plan objectives, including meeting cost recovery targets.

Through new technologies and approaches, we are building our service for the future to enable us to meet our mandate and to reflect the needs of our customers. Working with our partners and stakeholders, and living our values, we will continue to make decisions that will benefit Canadians who rely on our ferry service.

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.

Our Values



Safety

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



Diversity

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



Teamwork

We work together to achieve the best outcomes for the organization



Commitment

We are responsible for our performance and delivering on our commitments



Integrity

We say what we mean and do what we say



Excellence

We take pride in delivering the best possible services

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): MV *Blue Puttees*, MV *Highlanders*, MV *Atlantic Vision* and MV *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 representing approximately 70 percent of all vehicular traffic and our service is a key element of the regional supply chain. Vitrally 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, Marine Atlantic 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 increase 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 constantly monitoring weather conditions to ensure safety, reliability, and passenger comfort during the voyage. Marine Atlantic’s service is influenced by its operating environment and demonstrates the requirement for modern, ice-class, well-maintained 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 Statutes and Regulations and are inspected by Transport Canada Marine Safety and Det Norske Veritas, a world-leading classification society, to ensure compliance with these regulations and codes. 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



MV 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.



MV Highlanders

The twin ship of the MV *Blue Puttees*, the MV *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.



MV 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.



MV Leif Ericson

Introduced to Marine Atlantic's fleet in 2001, the MV *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.



Remembering the SS Caribou

On October 14, 1942, the SS Caribou was travelling from North Sydney to Port aux Basques when it was torpedoed by a German U-boat. Of the 237 people who were on the vessel, 136 were unable to be rescued. This year marked the 80th anniversary of that tragic event.

We honour the SS Caribou and the many souls lost, an event that still influences our employees and the communities we serve today. Lest We Forget.



Did you know?

- The SS Caribou served as the passenger ferry between Port aux Basques and North Sydney between 1925 and its tragic loss in 1942.
- The ship was built in 1925 at Rotterdam, the Netherlands, for the Newfoundland Railway.
- The SS Caribou had a capacity of 3,000 horsepower (2,200 kW) and was able to reach a speed of 14.5 knots (26.9 km/h) when fully loaded.



A Reliable Service

As a critical element of Canadian infrastructure, our customers require a safe, reliable, and affordable ferry service that enables the regional economy. To accomplish this the team at Marine Atlantic focuses on maintaining and upgrading infrastructure, modernizing processes, and focusing on innovative ways to provide a progressive and efficient service.

Fleet Renewal

Throughout the year, Marine Atlantic continued the development of its long-term fleet strategy, as the MV Leif Ericson approaches the end of its useful life. Much progress has been made in the construction of Marine Atlantic's new charter vessel. At year-end, our partner, Stena North Sea Limited, remained on schedule to deliver the new Ro-Pax vessel early in fiscal year 2024/25. Marine Atlantic is chartering the vessel for 5 years. Upon completion of this period, the organization has the option to purchase the ship.



Liquefied Natural Gas tanks being placed on new vessel.



Liquefied Natural Gas tanks being placed on new vessel.



Accommodation blocks lifted onto the new vessel.

First steel for the vessel was cut in May and keel laying activities were completed in November 2022. At fiscal year-end, the vessel exterior was completed and floated. The mechanical, electrical, and interior outfitting will occur in the months ahead. Sea trials are scheduled for December 2023.

The ship is designed to transport commercial and passenger traffic and will operate on the Port aux Basques and Argentia services.



Accommodation blocks lifted onto the new vessel.

Highlights of Marine Atlantic's New Vessel

- 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
- Pet-Friendly Cabins
- 40 Passenger Pods
- Food Service Options
- Seating Lounges
- Children's Play Area
- Pet Kennel



Fleet Maintenance

Preventative maintenance is vital to the long-term reliability of our vessel fleet. Operating in the harsh North Atlantic Ocean is challenging and a robust maintenance plan is at the centre of attaining a 97 percent vessel availability objective. At year-end, the organization reported a 98.9 percent availability for the year. Proactively addressing potential issues is an important part of our maintenance philosophy. Through ongoing planning, combined with planned work periods and drydock activities, our teams strive to maximize reliability of our vessels.



Port aux Basques Administration Building

In November, Marine Atlantic awarded the contract to construct the new administration building in Port aux Basques. This marks a significant milestone for the project and investment into our regional office infrastructure. With construction well underway, this new building will play an important role in our vision for a safe, healthy, modern, accessible, and environmentally friendly facility.

The structural design will include tilt panel construction to make the building sturdier and use more weather resistant materials requiring less maintenance. Marine Atlantic is dedicated to meeting LEED certification requirements which includes updated environmental technologies and electric vehicle charging stations. The building is scheduled to open in summer 2024.





Port aux Basques Harbour Navigational Upgrades

As was demonstrated through Hurricane Fiona and other wind events, we must adapt to our changing climate. Port aux Basques Harbour has an island in the middle which influences our Captain's sailing decisions during the docking and undocking process. Marine Atlantic owns the island and is working towards its future removal to enhance the safety of our operations. The business case for the project was completed early in the year. Marine Atlantic applied for funding to complete the project through the National Trade Corridors Fund and was awaiting a response as of year-end.

Innovation – Ideas and Approaches Making Us Stronger

Through our Innovation Strategy, we are focusing on understanding emerging trends, building a culture of innovation, modernizing our workplace and the customer's overall journey, and recognizing the importance and value of information and analytics. These approaches are improving how we do business and modernizing our approaches to enhance the customer experience.

System Upgrades

The Business Process Renewal Project is a multi-year project designed to enhance business processes, procedures, and technologies. To date, outcomes include increased efficiency for information access, the development and implementation of a Learning Management System, and updates to our financial systems to streamline transactions and reporting functions.

During the year, progress continued on two key projects. The first is a new recruitment and onboarding system for new employees providing an integrated cloud-based solution that simplifies the process with the goal of accelerating and optimizing the hiring process. The second is a new mobile safety reporting system to increase the efficiency of reporting and recording safety and security incidents. Keeping our systems and information safe continues to be a key focus. During the year, we upgraded our primary document management system with the goal of keeping our information safe from external threats and accessible for internal use. It is through these continual upgrades that we are improving our information access and data security resulting in a safer, more stable, and efficient information flow.

Cybersecurity – Protecting our Information and Assets

We live in a digital world where easy and efficient access to information is vital to our personal and professional lives. In today's environment, we must protect against cyber attacks that include phishing, malware, ransomware, and more. We recognize that these threats are continually changing which is why we regularly update our firewalls to combat unauthorized attempts to access our systems. We also complete digital accessibility audits, awareness surveys and cybersecurity training for our employees to provide them with the necessary tools to identify cyber threats. Our goal is to protect our systems and information through continued awareness and layered defences.



Vessel Connectivity

A critical component of enabling Marine Atlantic's Innovation Strategy is providing a quality, reliable

network connection to the vessels, both at dock and at sea. Network connectivity is critical from the perspective of delivering business solutions to the vessels, but equally critical to ensuring employees have access to the outside world from a psychological health and safety perspective. During the year, a ship to shore network project was launched to increase wireless bandwidth to the vessels when at dock to a level comparable to shore-based office locations. Improvements were achieved during the year and the goal is to secure funds for the upcoming fiscal year to deploy a modern wireless solution to the terminal to more than triple the current network speed. During the year, the organization piloted new options for satellite service as an additional option to enhance broadband service at sea.

Vendor Invoice Management

A Vendor Invoice Management Project was launched during the year to accelerate invoice processing and significantly reduce the manual data entry and emailing of invoices throughout the organization. Once complete, the system will eliminate manual searching and ensure that orders are accurately confirmed against requisition, improving overall process quality.

The Six Pillars of our Innovation Strategy Map



The Innovation Horizon



Building a Culture of Innovation



Modernizing the Customer Journey



Unleashing the Value of Information



Enabling the Modern Workplace



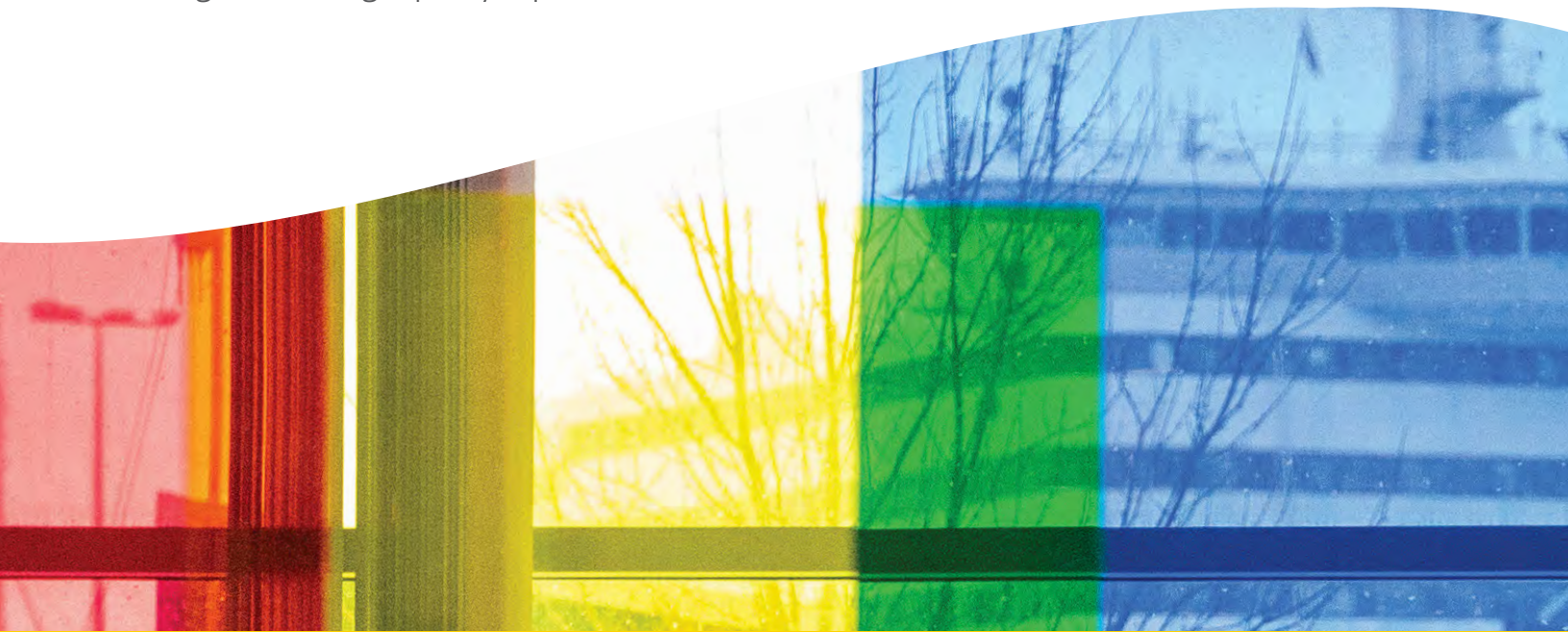
Environmental Stewardship



Serving Our Customers

The team at Marine Atlantic is committed to providing our customers with a safe, reliable, accessible, and affordable ferry service. Meeting this commitment each day requires dedication that ranges from a high-quality experience from

the first contact to completing the journey, to responding to unique customer requests. Our team is committed to an efficient journey making travel enjoyable at all stages.



96%

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



95%

customers likely to recommend Marine Atlantic to family and friends



90%

customers told us that their expectations were met or exceeded



80%

customers highly satisfied with the onboard experience



84%

customers positively assess the reliability of Marine Atlantic's service

Engaging in Both Official Languages

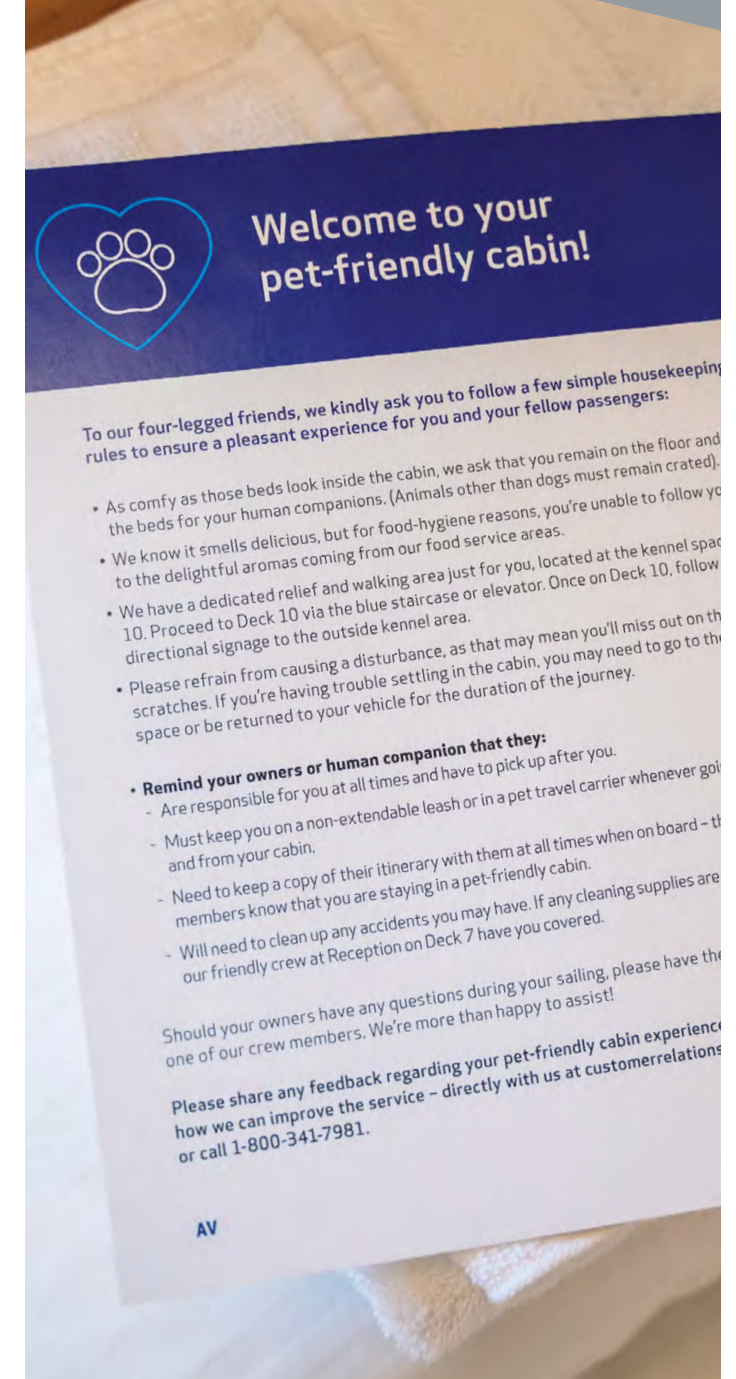
As a federal Crown Corporation, Marine Atlantic is committed to providing customers with the option of receiving service in either of Canada's two official languages. As part of that commitment, Marine Atlantic is part of the advisory committee that reports to the Official Languages Centre of Excellence 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*.

As the Government of Canada works to strengthen the *Official Languages Act*, Marine Atlantic continues its efforts to meet the spirit and intent of the legislation to deliver service in both of Canada's official languages.



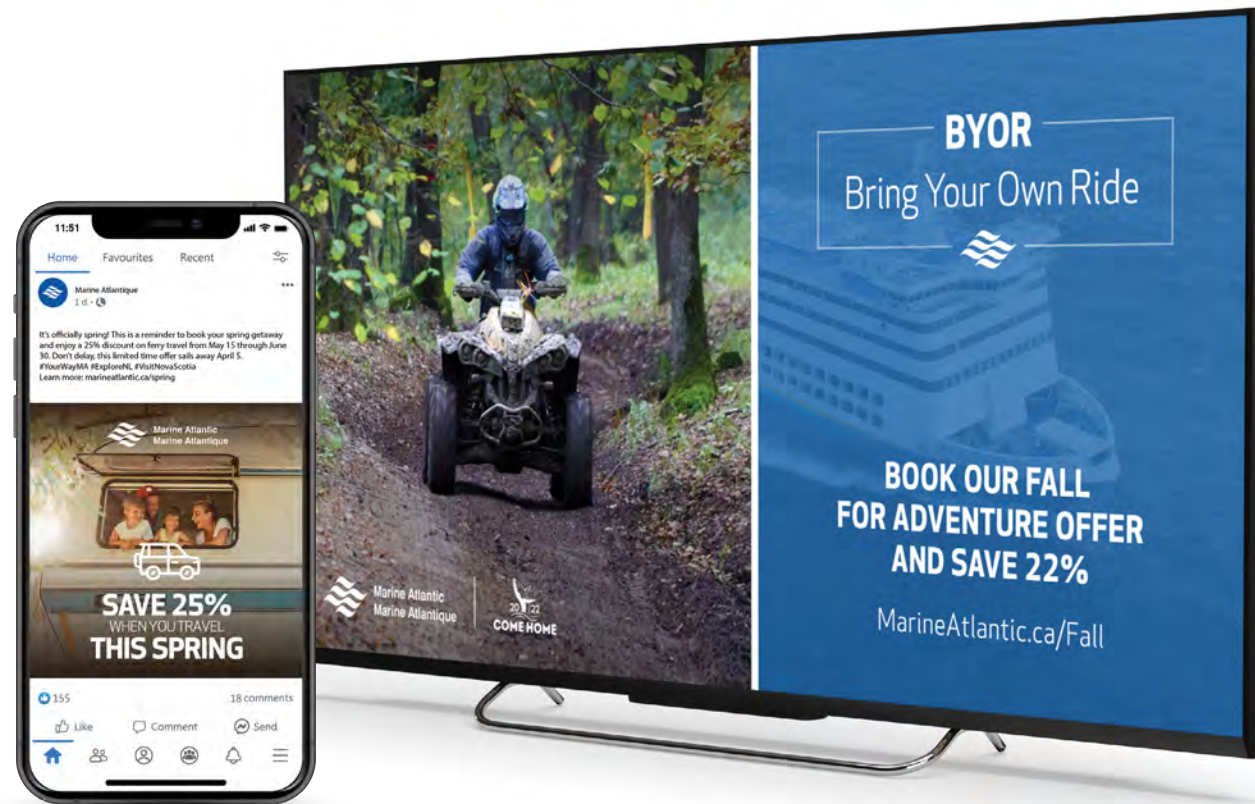
Did You Know?

Marine Atlantic offers employees French Language Training to maintain and grow their skills. Several employees have taken advantage of this training and gained the skills to move into bilingual positions.



Pet Friendly Cabins

In 2022/23, the organization introduced pet friendly cabins following a successful pet friendly cabin trial. Each crossing provides eight designated pet friendly cabins to increase the pet travel experience. Since its introduction, customers have expressed the enjoyment of having their pets accompany them in their cabin during the voyage.



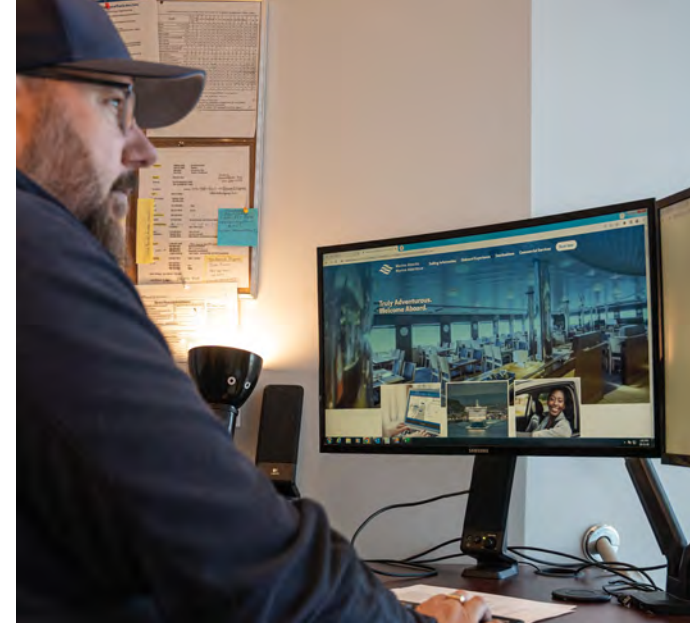
Discount Campaigns

Discount campaigns are an ongoing part of our marketing program. In 2022/23, campaigns focused on selling available passenger capacity in the off-peak periods during the spring and fall. The spring campaign offered customers a 25 percent reduction on passenger and passenger-related vehicle fares on both the Port aux Basques and Argentia routes. Marine Atlantic partnered with the Province of Newfoundland and Labrador and the Newfoundland and Labrador Outfitters Association for the fall promotion offering customers a discount of 22 percent as part of Come Home Year to encourage additional traffic during our shoulder season.

Be Positive Campaign

Marine Atlantic is committed to a healthy and safe workplace for employees. During the year, to help remind people of the importance of treating others with respect, a “Be Positive” campaign was launched, promoting patience and kindness across all interactions between customers and members of our team.

Marine Atlantic won the silver award in the cruise marketing category for best website from Travel Weekly. The organization’s Magellan Awards honour the best in travel and highlights the travel professionals behind it all.



Website Upgrades

Marine Atlantic is continually working to modernize its website to best serve the varying needs of customers. During the year, upgrades focused on increasing the amount of information available for individuals using the commercial portal. This included real-time sailing information, terminal status, deck space utilization and the publication of open booking information. This information provides commercial customers with the information needed to best plan their travel. Future updates will include additional analytics and reports, schedule outlooks and notifications, all designed to further strengthen the travel experience for our valued commercial customers. For our passenger customers, updates based upon customer feedback included additional pet-related information, site alerts, newsletter subscriptions, campaign alerts and new communications with customers prior to their travel. As well, at year-end a new feature was in development that will allow passengers travelling with accessibility requirements to submit requests for accommodation, such as the need for a ship’s wheelchair and accessible parking, as part of their initial booking.

Complimentary Digital Publication Service

Marine Atlantic continues to offer a complimentary digital publication service at our terminals providing customers an opportunity to download a wide selection of newspapers and magazines before their sailing. Customers are then able to keep the publication as part of their adventure.



Marine Atlantic is proud to support National Trucking Week beginning on the first Sunday in September. The purpose of the weeklong celebration is to recognize the important contributions made by the 400,000 people who keep the country’s freight moving.

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.

Customer Communications

Whether there is a schedule advisory announcement or other important information regarding upcoming travel, our customer contact system and website promotes efficient and timely communication. The Corporation also communicates information and interacts with customers through our 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 persons with disabilities. Working with our Accessibility and Inclusion Advisory Committee, Marine Atlantic seeks community feedback as part of our continual improvement process. Our frontline employees also complete training on how to assist and provide service to our customers with disabilities.

Our journey to identify and remove barriers to accessibility was further strengthened with the introduction of our Accessibility Plan during the year. The plan outlines current accessibility-related activities and processes, as well as goals for the next three years. This includes efforts to remove barriers to accessibility and the actions we are taking to get there.



The Accessible Canada Act defines a barrier as: "Anything – including anything physical, architectural, technological or attitudinal, anything that is based on information or communications or anything that is the result of a policy or a practice – that hinders the full and equal participation in society of persons with an impairment, including a physical, mental, intellectual, cognitive, learning, communication or sensory impairment or a functional limitation."



Protecting People, Environment, & Assets

The safety, security and protection of people, environment and assets are our highest priorities. Our policies, procedures, and response plans provide the integral structure to mitigate against incidents, proactively prepare to respond when required, and adapt for continual improvement. Through the commitment of our teams, we are working together to provide a safe and secure ferry service for our employees, customers and contractors who visit our properties.



Hurricane Fiona demonstrated the importance of being prepared. The storm system resulted in the loss of life, significant property damage, and impacts to the environment that can never be reversed. The people of Newfoundland's southwest coast, Cape Breton Island, and other regions of eastern Canada are still dealing with the aftermath of a changing climate. While Marine Atlantic weathered the storm, our preparedness and emergency response plans were a key part of our efforts. As our regions continue to rebuild from the physical and mental anguish suffered, we will take the lessons learned from this difficult situation and make further improvements in our efforts to be as prepared as possible.



Safety Summits

Safety is everyone's responsibility. As part of our training and information sharing practices, Marine Atlantic held safety summits during the year. The summits provided employees with an opportunity to get together to discuss successes, project updates, concerns, and observations, and to learn from others both internal and external to the organization with the goal of enhancing our safety performance and culture.



Occupational Health and Safety – Working Together

Marine Atlantic's Occupational Health and Safety Committees pursue goals through collaboration, cooperation, and education. Our joint Occupational Health and Safety Committees allow management and non-management employees to work together to promote 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 efforts to protect all those who visit our sites, Marine Atlantic introduced a new Contractor Management Program and Visitor Management Program during the year. These programs guide contractors, subcontractors and visitors in the expected health and safety standards when visiting and performing work on Marine Atlantic property. This program includes an overview of the Corporation's safety procedures, required safety equipment, and rules of conduct while on site. By outlining clear guidelines at the very beginning of these work and visitor relationships, we are committed to keeping everyone safe.

Marine Atlantic supports and celebrates North American Occupational Safety and Health (NAOSH) Week, May 1-7. NAOSH Week is an international initiative focused on highlighting the importance of health and safety in all aspects of our lives. The goal during Safety and Health Week is to focus employers, employees, and the public on the importance of preventing injury and illness in the workplace, at home, and in the community.

Exercise Safe Return

Working with the Canadian Coast Guard and regional partners, Marine Atlantic participated in Exercise Safe Return held on Prince Edward Island. The three-day event, designed to simulate an emergency response, helped to clarify roles, responsibilities, and capabilities of the various regional agencies in Atlantic Canada in preparation for a full-scale exercise planned in 2024. Through familiarization, partner emergency response collaboration, and

knowledge sharing, parties gained a better understanding of each participant's needs, processes, and procedures.

Protecting our Natural Environment

We live in a changing environment in which climate change is having a significant impact. We are seeing a shift in weather patterns resulting in more intense and frequent weather events influencing people, communities, and infrastructure. Marine Atlantic is committed to doing our part to protect the areas in which we operate. This includes achieving net zero by 2050. At year-end, the organization had made significant progress towards its Greening Strategy designed to direct our success. The plan provides for a combination of immediate and longer-term initiatives that will enable us to meet our net-zero emissions target by 2050.



Electric Vehicle Strategy

As part of our environmental stewardship initiatives, the Corporation developed an electric vehicle strategy for our customers and operations. During the year, the first electric vehicles were introduced to the Marine Atlantic fleet with additional vehicles on order. This includes the introduction of charging stations at our terminals and administrative buildings that enables employees and customers to charge their vehicles when not in use.

Ballast Water Treatment System

To protect against the transfer of organisms from one ecosystem to another, the International Maritime Organization (IMO) has agreed that all ships worldwide be fitted with ballast water treatment systems. Marine Atlantic has begun the process of installing these systems on all our vessels. At year-end, the MV *Highlanders* and MV *Leif Ericson* had been completed with installation on the MV *Atlantic Vision* underway. Based upon the dry docking schedule, the MV *Blue Puttees* will be completed in the upcoming fiscal year. This will help mitigate against the accidental transport of organisms and invasive species that may negatively affect our natural ecosystem.

Green Marine Environmental Program

Marine Atlantic is a member of the Green Marine Environmental Certification Program. The voluntary program, designed for the North American marine industry, focuses on reducing the environmental footprint by undertaking concrete and measurable actions. Founded in 2007, it stems from the maritime industry's desire to exceed regulatory requirements. It is a rigorous, transparent, and inclusive program that targets environmental issues such as greenhouse gases, community impacts, and water and land pollution. Marine Atlantic maintains Level Three Green Marine certification for its vessels, terminals, and office buildings.



Green Marine Key Performance Indicators include:

- Reducing the risk of introducing invasive species
- Implementing measures to reduce port activity impacts
- Environmental Leadership
- Reducing greenhouse gas emissions
- Using cleaner fuels
- Responsible handling of oily fluids
- Prevention of spills and leakages
- Reducing underwater noise
- Strengthening waste management activities

Marine Mammal Management Plan

Marine Atlantic's Marine Mammal Management Plan continues to provide important data for our vessel crews and operations, the Department of Fisheries and Oceans and the Marine Mammal Observation Network.

Developed to help minimize the potential negative impacts of our activities on the local marine environment and the many species that call the Cabot Strait home, our crews continue to record sightings of marine mammals during our crossings. In 2022, vessel teams recorded 273 sightings of a variety of whales. Researchers use this information to better understand the distribution and health of the various mammal populations in our waters. While we have not seen any right whales as part of these efforts, we are committed to protecting this endangered species. We are also undertaking initiatives to reduce underwater noise which is known to impact marine life.



Cybersecurity – Protecting our Information and Assets

Marine Atlantic is committed to being diligent in meeting and maintaining regulatory marine cyber security standards. Throughout the year, the organization worked towards becoming compliant with the new International Maritime Organization's (IMO) resolution requiring organizations to have a focus on cyber security within their SMS.



Developing and Investing in our Employees

Our team is the reason for our success. Marine Atlantic continues to demonstrate that our organization is a great place to work, and the regions we serve are great places to live. Through a variety of programs and initiatives, our goal is to provide employees with the opportunities, resources and supports that encourage personal and professional growth, promote positive mental and physical health, and a competitive benefits package that combined enables us to attract and retain a skilled workforce.

Paid Medical Leave

During the year, Marine Atlantic implemented paid medical leave for employees in accordance with changes to Part III of the *Canada Labour Code*. This new policy provides up to 10 days for employees who qualify. This alleviates financial stress for employees who are experiencing short-term illness.

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 our leaders

of tomorrow. Each year, we provide employees with a wide variety of regulatory training programs to meet the needs of our workforce. Through our 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. Where possible, employees are supported to complete training during regular working hours.

In addition, our 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 us retain highly experienced and skilled individuals and plan for future succession opportunities.



Psychological Health and Safety

We are committed to building a culture of excellence with mental well-being at the core to provide all employees with a workspace that is physically and psychologically safe through a respectful and productive environment. Marine Atlantic has developed a comprehensive Psychological Health and Safety (PHS) program, modeled after the Mental Health Commission of Canada's National Standards for PHS. A workplace Psychological Health and Safety Advisory Committee (PHSAC) is in place and working collaboratively to improve the overall psychological health, safety, and well-being of employees. Guided by our PHS policy, we are fostering a supportive working environment that promotes mental well-being.

Workplace Without Harassment and Violence

Marine Atlantic is committed to providing employees with a workplace that is free from harassment and violence. Guided by our values, our policy outlines our commitment to protect employees against workplace harassment and violence in accordance with Part II of the *Canada Labour Code* and Bill C-65. Education is a key component of our efforts to prevent incidents. There is also a process in place to provide employees with supports to report an incident without fear of reprisal. Our goal is to provide a safe and healthy

workplace in which all employees can thrive and be successful.

Accessible and Inclusive Workplace

Marine Atlantic strives to provide a positive, accessible workplace for all of our employees to experience. Working with our Accessibility and Inclusion Advisory Committee, Marine Atlantic seeks community feedback as part of our continual improvement process. During the year, we completed our Accessibility Plan further strengthening our journey to identify and remove barriers to accessibility. The plan outlines current accessibility-related activities and processes, as well as goals for the next three years. This includes efforts to remove barriers to accessibility and the actions we are taking to get there.

Increasing Diversity Throughout Our Workforce

Diversity is a core value within our organization and as such guides our decision-making process. We recognize that past decisions and practices have not always provided equal and fair opportunity for all individuals in all workplaces. It is through this lens that we initiated processes to strengthen our employment equity practices, educate employees about an inclusive workplace, identify, and remove systemic biases and barriers within our organization.

A diverse workforce makes our organization stronger, providing us with different perspectives and experiences enabling us to strive for excellence. We are focusing on creating a more diverse workforce, including having the supports in place to provide for inclusion. Throughout the year we continued our education and awareness initiatives for managers and supervisors - a five-part education series with modules on truth & reconciliation, anti-racism, gender equity, accessibility, unconscious bias & cultural competence designed to grow competencies and demonstrate the benefits of diversity and inclusion. New employees to the organization also received information related to our vision for equity, diversity, and inclusion.



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
- Indigenous Peoples
- Persons with disabilities
- Members of visible minority 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



Increasing Women in Leadership and Non-Traditional Roles

Marine Atlantic's team includes women in roles throughout the organization. The talents of these professionals are key to achieving our strategic goals. We currently have approximately 29 percent of management roles filled by women. Recognizing the need to assist with growth opportunities, the organization has in place a Mentorship Program that provides a path for women to find support and encouragement in the workplace and build their professional network. The program matches an employee with a mentor who has an established career within the organization. Feedback identified positive benefits of the new relationships formed and the professional growth and learning experiences from fellow women as they plan their career paths. Marine Atlantic is also focused on increasing women in non-traditional careers. During the year, the organization hosted tours of the vessels, terminals, and maintenance areas for women enrolled in trade and technology education programs.

Pay Equity

The organization is continuing efforts towards the development of a pay equity plan. Our philosophy is equal pay for work of equal value and to remove any gender-based discrimination that may have influenced these practices in the past. A joint committee has been established and is reviewing roles traditionally held by women with a goal of determining if there is a gender wage gap.

Continuing our Path Towards Reconciliation

We continue our path of working with Indigenous communities to reflect on the historic and current injustices faced by Indigenous Peoples. Building upon our previous initiatives and commitments to reconciliation, we are continuing our efforts to educate employees with respect to the heritage, beliefs, and cultures of Indigenous Peoples and are working to better reflect these learnings within Marine Atlantic. During the year, a five-part self-paced Indigenous cultural awareness program expanded beyond senior leadership to managers and supervisors.

We remain committed to implementing the Calls to Action of the Truth & Reconciliation Commission of Canada. Many meetings and events hosted by the organization begin with a Land Acknowledgement. We realize an acknowledgement by itself is a small gesture. It becomes meaningful when tied to strong relationships and purposeful action. We are continuing to build relationships and encourage more Indigenous persons to choose careers with Marine Atlantic. During the year, a recorded presentation highlighting the various career paths was distributed to Indigenous high schools.

Our team recognizes the National Day for Truth and Reconciliation and Orange Shirt Day on September 30. The wounds associated with the Residential School System will take many years to heal. We are providing employees with resources to better understand the impacts suffered by Indigenous Peoples. During the year, we worked with a local Indigenous business to source beading kits that will be shared with employees in the coming year. Beading is a cultural art form that holds great significance for Indigenous communities. Across history, the practice of beading has been widely recognized by Indigenous peoples as a means of recording and translating cultural knowledge. We look forward to distributing these kits, to further educating employees on Indigenous culture and art, and to seeing the works our employees create.

A Land Acknowledgement is a statement that recognizes the unique and lasting relationship that exists between Indigenous Peoples and their traditional territories. It is a truthful and historically accurate way to recognize the traditional First Nations, Métis and/or Inuit territories of a place. It is also an acknowledgement and formal thank you to the host nation.

Being an Ally

We are committed to providing a safe space for everyone. Through our initiatives and policies, we are working to eliminate all types of discrimination, harassment and bullying in the workplace. Our goal is to advance inclusion and build allies for the 2SLGBTQI+ community. During the year, managers participated in gender inclusion sessions to build awareness about building an inclusive workplace. Employees participated in Pride events and parades. Living our values, we do not accept hate, bias or discrimination, and our education initiatives are designed to better explain how actions and words, sometimes through ignorance, can have dramatic impacts on members of equity deserving communities.



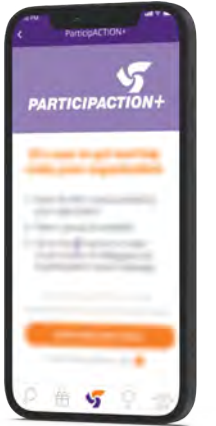
Marine Atlantic is a proud supporter of Pink Shirt Day, a global event originating in Nova Scotia, that promotes kindness and taking a stand against bullying. This year's theme - Be Kind - encouraged all to be inclusive, welcoming, and supportive with colleagues, clients, friends, and family. Building healthy relationships is one of the best ways to prevent bullying and create safe environments.

Employee and Family Assistance Program (EFAP)

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 can search for resources and tools on topics ranging from family and life to health, money, and work. Program advisors are available for expert advice, resources, and referrals.

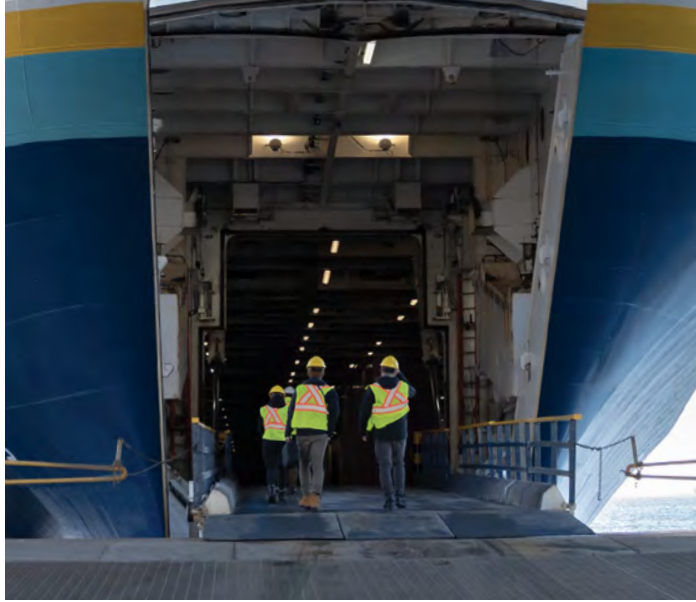
The MyHealth Wellness Program

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.



Marine Atlantic has partnered with ParticipACTION to launch the ParticipACTION+ App and make it available to all employees. This app promotes and supports an active lifestyle and provides motivating content, video workouts, and exciting team challenges. During the year, employees participated in the "Move for your Mood" Challenge and the "Great Big Move" Challenge. 70 employees participated in the "Great Big Move" Challenge with a combined total of 185,029 move minutes over 15 days.





Recruitment

Marine Atlantic has traditionally conducted an annual recruitment fair in preparation for the busy season. In recent years, we have experienced increased pressure to fill entry and specialized positions within the organization resulting in increased time recruiting and introduction of additional activities to entice the numbers of people needed to join the team.

In particular, the organization is experiencing challenges in retaining specialized marine positions such as Engineers and Navigation Officers for our vessel operations as there is a worldwide shortage for certain roles. Signing incentives, sponsorship programs, employee referrals, and succession planning are all strategies that have been utilized to aid recruitment and retention for these positions. We are also exploring the option of recruiting internationally where reciprocal agreements are in place. As Ukrainians flee conflict in their country, many are looking to resettle in Canada. Recognizing the strong qualifications held by many Ukrainian seafarers, the organization implemented a program to make it easier for these individuals to complete the necessary steps to attain the required Canada certificates that will enable them to join our team.

In response to these current and anticipated challenges, the organization is working closely with others in the industry and educational institutions to fill current and future roles. The organization partnered with the Marine Institute at Memorial University and the Nova Scotia Community College Nautical Institute for a Cadet Officer Scholarship program. The program includes job offers, signing or tuition support incentives to complete their sea phase placements and employment contract, upon graduation.

In addition, the organization introduced an employee referral program designed to encourage employees to entice people they know to consider a career with Marine Atlantic. The program includes incentives for employees who identify potential new team members.

International Day of the Seafarer

The International Day of the Seafarer is an annual day of recognition highlighting the efforts of the many people who work in the marine industry. Held each year on June 25, the International Maritime Organization and the United Nations encourages people to learn more about the work and dedication of those who serve on board ships of all sizes around the world.

Awards and Distinction

Recognizing the work and accomplishments of employees is a priority within Marine Atlantic. The organization's award and recognition program includes 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.

This year's Distinction Awards were presented to Anna Marie Collins, Rick Osmond, Dawn Harvey, Susan Batterson, Marcus Clarke, Marine Atlantic's Reservations Team and the BPR Release 2 Project Teams.

This year's President's Award was given to all Marine Atlantic employees for their excellence, teamwork, commitment, safety, and integrity in responding to severe weather events that impacted southwestern Newfoundland and maintaining our service during challenging times.



Investing in Our Communities

Supporting the initiatives that are important to our employees and investing in the communities that make our operations successful is very important to Marine Atlantic. We support these efforts through

sponsorship and knowledge-transfer activities. We are proud of our employees who are actively involved in their communities.

Hurricane Fiona

Hurricane Fiona had a significant devastating impact on the region. The high winds and massive sea surge left destruction and wreckage in its wake. Many Marine Atlantic employees and their families were directly impacted by this tragic storm. We are proud of our ability to provide the use of a variety of assets for short and mid-term support to assist communities impacted by the storm.

In addition, the Corporation donated **\$10,000** to the Salvation Army in Port aux Basques and North Sydney respectively to assist with emergency needs and **\$15,000** to the Canadian Red Cross to help with rebuilding efforts.

Our employees also stepped forward to make their own donations to assist their colleagues, friends, and neighbours during a very difficult period. We are proud to be part of giving to communities who come together to help others.



Community Investment

Marine Atlantic is dedicated to supporting not-for profit organizations through our Community Development Program. Our goal is to give back to communities and organizations that align with our values.

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

Some of this year's sponsorships included:

- Makin' Waves festival making music accessible to the community.
- 2022 Come Home Year Celebrations in Freshwater, Port aux Basques and Isle aux Morts celebrating family and friends
- Voices of Placentia Festival supporting culture and heritage
- North Sydney Fire Department supporting the great work of this volunteer team to invest in critical equipment.
- Charles L. LeGrow Health Care Foundation giving back to support health initiatives in the local area
- Port area food banks



Larry Foley performing on the Marine Atlantic Main Stage

Volunteer of the Year Award Recipient

Marine Atlantic's Volunteer of the Year Award was awarded to Glenda King-Barnett who volunteers her time as Vice-President of the Placentia and Area foodbank, the Fox Harbour Volunteer Fire Department and the Fox Harbour Community Centre. Glenda is known as a dedicated and caring individual, always helping strangers and friends alike. Her commitment to excellence and her passion for helping others makes her a wonderful person and ambassador for Marine Atlantic in the community.

Thank you, Glenda, for being selfless, a dedicated community volunteer and willing to assist others whenever required.



Marine Atlantic donation to the Dr. Charles L. LeGrow Health Centre Foundation.

Scholarships

Marine Atlantic is committed to building the skills of current and future employees. The annual scholarship program awards dependent children of employees or pensioners with funds for post-secondary education on a merit basis. Marine Atlantic also provides four scholarships annually to students enrolled in either the Nautical Science or Marine Engineering programs at Memorial University's Marine Institute, and partners with the Institute and the Nova Scotia Community College for a cadet program.

Educational Partnerships

We are proud to partner with the educational institutions in our communities to provide students with hands-on learning opportunities. Through partnerships on our vessels, at our terminals and in our administration facilities, we are providing high school and post-secondary students with a first-hand look at the many career options available in the marine industry.

Good Samaritan Award

Each year, Marine Atlantic partners with the Atlantic Provinces Trucking Association (APTA) to recognize commercial drivers who go above and beyond to help others. This year's award winner was Perry Warford. Congratulations Perry on a job well done!





Preparing for the Year Ahead

Health and safety will always be our greatest priority. In the coming year, initiatives related to our safety management system and environmental management plans will continue as we strive towards our environmental commitments to reach net zero carbon emissions by 2050.

As we evaluate our traffic data in preparation for the year ahead, we are optimistic for the upcoming year. At year-end, our commercial traffic levels remained constant and passenger reservations indicated a strong year for the peak summer season. We are anticipating the continued high cost of fuel will require the organization to make changes to fuel surcharge levels, in place since 2020. Also, the organization will continue to strive to meet the current cost recovery mandate while working with the shareholder to make adjustments that ensure affordability and sustainability for the ferry service.

In the months ahead there will be a continued focus on implementation of our psychological health and safety program designed to develop a positive workplace culture that is free from harassment and bullying. Our mental and physical health initiatives focus on employee well-being with supports available to anyone who may be struggling. Acceptance and inclusion – regardless of race, gender, gender identity, sexual orientation, or disability – will continue to be a priority through our policies, hiring practices, and decision-making processes.

Another integral focus for the organization will be recruitment and retention of key personnel needed for specialized positions on the vessels and in our administration roles. Using a combination of traditional recruiting activities combined with innovative solutions, the team will strive to compete for professionals. These efforts will be challenged somewhat in that at year-end, collective agreements for our unionized personnel had expired. We are optimistic that we will arrive at collective agreements throughout the year.

Project plans provide for significant progress during the year on our capital infrastructure projects, with expected delivery of the new vessel during the fiscal year and administration building in Port aux Basques anticipated to be completed near year-end. Both projects are designed with environmental considerations at the forefront and will mark significant milestones for our service, enhance amenities and embrace new technologies.

We will continue to rely on innovation to overcome challenges and develop new ways of doing business. With changing technologies and insights from our partners, customers, and employees, we are constantly looking at ways to become more modern and efficient in ways that benefit our overall service.

Working with our dedicated team of employees, we are excited for the year ahead and the promise it presents. We are committed to continuing to provide a safe, reliable, and affordable ferry service designed to enable the economy.





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 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 *Marine Atlantic Inc. Acquisition Authorization 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. Finally, the National Marine Policy provides critical direction and restraint, as it requires that Marine Atlantic focus its efforts on operating the gulf ferry service.

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 Marine Atlantic's values along with the Value and Ethics Code for the Public Service. The Corporation also has a Disclosure of Wrongdoings policy which outlines ways for employees to report behaviour that is outside of ethical and corporate values.

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 and Pension Management. The Human Resources Committee also provides advice and oversight on behalf of the Board on the stewardship of pension plans for the employees of Marine Atlantic Inc.

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
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

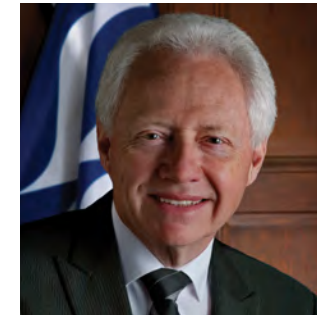
Member
Governance, Risk
and Strategy Committee



Janie Bussey, K.C. (she/her)
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)
Saint David's, NL

Member
Audit and Finance Committee

Member
Innovation and
Infrastructure Committee



Owen Fitzgerald (he/him)
Sydney, NS

Member
Audit and Finance Committee

Member
Innovation and
Infrastructure Committee



Lynn Kendall (she/her)

Corner Brook, NL

Member

Human Resources Committee

Member

Audit and Finance Committee



Craig Priddle, CPA (he/him)

Corner Brook, NL

Chair

Audit and
Finance Committee

Member

Governance, Risk and
Strategy Committee



Ann-Margaret White (she/her)

St. John's, NL

Member

Audit and Finance Committee

Member

Human Resources Committee

Financial Statements of

MARINE ATLANTIC INC.

For the year ended
March 31, 2023

MARINE ATLANTIC INC.

Table of Contents

For the year ended March 31, 2023

	<u>Page</u>
Management's Responsibility for Financial Reporting	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Remeasurement Gains and Losses	4
Statement of Change in Net Financial Assets	5
Statement of Cash Flow	6
Notes to the Financial Statements	7 – 29

MARINE ATLANTIC INC.

Management's Responsibility for Financial Reporting

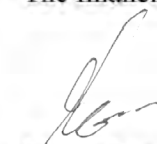
The preparation and presentation of the financial statements is the responsibility of Marine Atlantic Inc.'s (the Corporation) management. These financial statements have been prepared in accordance with Canadian public sector accounting standards. These standards have been applied using management's 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 program. These managerial controls and procedures are intended to provide reasonable assurance that accurate financial information is available; 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-laws of the Corporation.

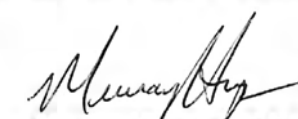
The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit and Finance Committee, on behalf of the Board, fulfills this responsibility. The Audit and Finance Committee reviews matters related to accounting, auditing, internal control systems and the financial statements. The Corporation has an internal audit department whose functions 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
September 16, 2023



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 2023, 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 2023, 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-laws 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, after giving retroactive effect to the change in the method of accounting for asset retirement obligations as explained in Note 3 to the financial statements, 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
16 September 2023

MARINE ATLANTIC INC.
Statement of Financial Position

As at March 31, 2023
(in thousands of dollars)

	2023	2022
		Restated (Note 3)
Financial assets		
Cash (Note 4)	\$ 10,248	\$ 9,955
Accounts receivable (Note 14(a))	10,178	14,438
Receivable from Government of Canada (Note 5)	15,566	13,954
Inventories held for resale (Note 6)	392	381
Derivative financial instruments (Note 13)	4,889	10,842
Accrued pension asset (Note 8)	122,000	161,633
	<u>163,273</u>	<u>211,203</u>
Liabilities		
Accounts payable and accrued liabilities (Notes 7)	36,779	29,088
Asset retirement obligations (Note 12)	34,024	33,328
Derivative financial instruments (Notes 13 and 14(b))	-	804
Deferred revenue	13,595	11,978
Accrued vacation pay	7,193	6,487
Accrued pension liability (Note 8)	3,545	3,123
Accrued liability for non-pension post-retirement benefits (Note 9)	52,407	52,258
Accrued liability for post-employment benefits (Note 10)	11,285	11,272
	<u>158,828</u>	<u>148,338</u>
Net financial assets	<u>4,445</u>	<u>62,865</u>
Non-financial assets		
Tangible capital assets (Note 11)	358,457	376,362
Inventories held for consumption (Note 6)	29,781	30,650
Prepaid expenses	9,224	5,344
	<u>397,462</u>	<u>412,356</u>
Accumulated surplus (Note 15)	<u>\$ 401,907</u>	<u>\$ 475,221</u>
Contractual obligations (Note 17)		
Contingencies (Notes 18 and 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, 2023
(in thousands of dollars)

	2023		2022
	Budget (Note 20)	Actual	Actual Restated (Note 3)
Generated revenues			
Transportation	\$ 101,407	\$ 109,597	\$ 88,020
Fuel surcharge	8,927	9,905	8,162
Other income	150	421	79
Foreign currency exchange gain	-	295	-
Realized gain on derivative financial instruments	2,554	12,101	8,488
	<u>113,038</u>	<u>132,319</u>	<u>104,749</u>
Expenditures			
Wages and benefits	97,940	108,417	94,880
Materials, supplies and services	34,304	30,306	27,713
Fuel	29,531	51,998	27,448
Charter fees	17,833	15,744	15,446
Repairs and maintenance	8,361	10,082	9,211
Insurance, rent and utilities	8,233	8,318	7,529
Administrative costs	2,482	1,849	1,478
Fleet renewal costs	4,500	879	982
Travel	1,315	1,332	536
Employee future benefits (Notes 8, 9, and 10)	(3,406)	44,372	194
Foreign currency exchange loss	-	-	326
Loss on disposal and write-downs of tangible capital assets	-	1,834	534
Amortization (Note 11)	56,800	56,883	57,112
Accretion expense	-	696	682
	<u>257,893</u>	<u>332,710</u>	<u>244,071</u>
Deficit before government funding	<u>(144,855)</u>	<u>(200,391)</u>	<u>(139,322)</u>
Government funding (Note 5)			
Operations	103,420	90,948	93,598
Capital	50,411	40,880	37,905
	<u>153,831</u>	<u>131,828</u>	<u>131,503</u>
Operating deficit	<u>8,976</u>	<u>(68,563)</u>	<u>(7,819)</u>
Accumulated operating surplus, beginning of year	<u>464,544</u>	<u>464,544</u>	<u>472,363</u>
Accumulated operating surplus, end of year (Note 15)	<u>\$ 473,520</u>	<u>\$ 395,981</u>	<u>\$ 464,544</u>

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, 2023
(in thousands of dollars)

	2023	2022
Accumulated remeasurement gains, beginning of year	\$ 10,677	\$ 1,407
Remeasurement gains (losses) arising during the year		
Unrealized gain (loss) on foreign exchange of cash	398	(403)
Unrealized gain on derivatives	6,952	18,161
Reclassifications to the statement of operations		
Realized gain on derivatives	(12,101)	(8,488)
Net remeasurement (loss) gain for the year	(4,751)	9,270
Accumulated remeasurement gains, end of year (Note 15)	\$ 5,926	\$ 10,677

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, 2023
(in thousands of dollars)

	2023		2022
	Budget	Actual	Actual
	(Note 20)		Restated (Note 3)
Operating deficit	\$ 8,976	\$ (68,563)	\$ (7,819)
Change in tangible capital assets			
Acquisition of tangible capital assets (Note 11)	(50,411)	(40,880)	(37,905)
Amortization of tangible capital assets (Note 11)	56,800	56,883	57,112
Loss on disposal and write-downs of tangible capital assets	-	1,834	534
Proceeds on disposal of tangible capital assets	-	68	-
Decrease in tangible capital assets	6,389	17,905	19,741
Change in other non-financial assets			
Acquisition of inventories held for consumption	(28,744)	(48,798)	(38,396)
Use of inventories held for consumption	31,739	49,667	30,182
Purchase of prepaid expenses	(17,833)	(11,420)	(11,304)
Use of prepaid expenses	17,833	7,540	12,371
(Increase) decrease in other non-financial assets	2,995	(3,011)	(7,147)
Net remeasurement (losses) gains	(2,554)	(4,751)	9,270
(Decrease) increase in net financial assets	15,806	(58,420)	14,045
Net financial assets, beginning of year	62,865	62,865	48,820
Net financial assets, end of year	\$ 78,671	\$ 4,445	\$ 62,865

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

MARINE ATLANTIC INC.
Statement of Cash Flow

For the year ended March 31, 2023
(in thousands of dollars)

	2023	2022
Operating transactions		
Cash receipts from customers	\$ 122,189	\$ 104,537
Other income received	421	79
Government funding - operations	90,377	91,316
Government funding - capital	39,839	40,103
Cash payments to suppliers	(123,598)	(104,797)
Net cash receipts for settlement of derivatives	16,238	3,563
Cash payments to and on behalf of employees	(101,647)	(90,063)
Cash paid for employee future benefits	(4,155)	(4,925)
	39,664	39,813
Capital transactions		
Purchase of tangible capital assets	(39,838)	(40,103)
Proceeds on disposal of tangible capital assets	68	-
	(39,770)	(40,103)
Effect of exchange rate changes on cash	398	(403)
Net increase (decrease) in cash	292	(693)
Cash, beginning of year	9,956	10,648
Cash, end of year	\$ 10,248	\$ 9,955
Cash consists of:		
Restricted cash (Note 4)	\$ 6,098	\$ 6,233
Unrestricted cash	4,150	3,722
	\$ 10,248	\$ 9,955

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

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

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 program.

The corporate mission is "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." This service encompasses the year-round ferry service 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 service 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, including to a maximum of five percent 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. Effective 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.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2023
(in thousands of dollars)

(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 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 unadjusted, 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) Inventory

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.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2023
(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 classification 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 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 supplementary unfunded retirement arrangements. 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.

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%.

In 2006 a new 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.

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

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 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 on 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 the 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 is 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.

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

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 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 Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador; Workplace Health, Safety and Compensation Commission of New Brunswick; or Workers Compensation Commission of Prince Edward Island; 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 and fuel surcharges are recognized when ferry services are provided. The Corporation generally requires customers to pay in advance when booking a reservation, with the exception of approved credit customers who are invoiced. Amounts received at booking are recorded as deferred revenue and are recognized as revenue when ferry services are provided.

(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 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 date of the transaction. 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

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2023
(in thousands of dollars)

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) Contingent assets

Contingent assets are possible assets arising from existing conditions involving uncertainty, which will be resolved by a future confirming event. The existence of a contingent asset is disclosed in the notes to the financial statements if the occurrence of the future event is likely. If the occurrence of the confirming event is unlikely or not determinable the contingent asset is not disclosed in the notes to the financial statements.

(l) 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 year-end. 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 reporting 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

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2023
(in thousands of dollars)

otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(m) 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, accrued pension asset, non-pension post-retirement benefits, expected useful lives of tangible capital assets and contingent assets and liabilities.

Global economic and supply chain challenges continue to put pressure on operating costs and rising interest costs, fuel, parts and labour are among the key areas which cause uncertainty in estimates for inventory and expenses. Rising inflation will also impact estimates for benefits for pension and non-pension assets and accrued liabilities.

3. ADOPTION OF NEW ACCOUNTING STANDARD

Effective April 1, 2022 the Corporation adopted the new Public Sector Accounting Standard PS 3280 Asset Retirement Obligations. This standard requires public sector entities to recognize liabilities for legal obligations to incur costs associated with the retirement of tangible capital assets on their acquisition, construction, development, or through their normal use and to expense those costs systematically over the life of the asset.

The Corporation applied the modified retrospective application transition approach. On initial application of the standard, the Corporation recognized:

- (a) a liability for any existing asset retirement obligation, adjusted for accumulated accretion to that date;
- (b) an asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital asset;
- (c) accumulated amortization on that capitalized cost; and
- (d) an adjustment to the opening balance of the accumulated surplus.

These amounts were measured using information, assumptions and discount rates that were current at the beginning of the current fiscal year. The amount recognized as an asset retirement cost was measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization were measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date of transition. When an asset retirement obligation is settled, any liability and associated asset retirement costs are removed from the statement of financial position.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2023
(in thousands of dollars)

The effect of this change on the March 31, 2022 comparative information is presented below.

	2022 as previously reported	Adjustments	2022 restated
Statement of financial position			
Asset retirement obligations	\$ -	\$ 33,328	\$ 33,328
Net financial assets	96,193	(33,328)	62,865
Tangible capital assets	369,308	7,054	376,362
Accumulated surplus	501,495	(26,274)	475,221
Statement of operations			
Amortization	55,986	1,126	57,112
Accretion expense	-	682	682
Deficit before government funding	(137,514)	(1,808)	(139,322)
Operating deficit	(6,011)	(1,808)	(7,819)
Accumulated operating surplus, beginning of year	496,829	(24,466)	472,363
Accumulated operating surplus, end of year	490,818	(26,274)	464,544
Statement of change in net (debt) financial assets			
Operating deficit	(6,011)	(1,808)	(7,819)
Amortization of vessels, facilities and equipment	55,986	1,126	57,112
Increase in net financial assets	14,727	(682)	14,045
Net financial assets, beginning of year	81,466	(32,646)	48,820
Net financial assets, end of year	\$ 96,193	\$ (33,328)	\$ 62,865

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 (2022 – €4,500), which translates to \$6,098 Canadian dollars at March 31, 2023 (2022 – \$6,233). These monies are to be released to the ferry's owners if there is a breach of the charter agreement by the Corporation.

An amendment was signed on September 2, 2022 to extend the charter agreement to May 2024 with an option to extend for a further one-year term.

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.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2023
(in thousands of dollars)

	2023	2022
Payable to Government of Canada, beginning of year	\$ -	\$ 29
(Receivable from) Government of Canada, beginning of year	(13,954)	(13,899)
Net receivable, beginning of year	(13,954)	(13,870)
Parliamentary appropriations received during the year	130,216	131,419
Recognized during the year:		
Government funding – operations	(90,948)	(93,598)
Government funding – capital	(40,880)	(37,905)
Government funding (deficit)	(1,612)	(84)
(Receivable from) Government of Canada, end of year	\$ (15,566)	\$ (13,954)

6. INVENTORIES

	2023	2022
Inventories held for consumption		
Fuel inventory	\$ 17,948	\$ 20,355
Vessel spare parts – ship based	6,784	6,090
Vessel spare parts – shore based	5,049	4,205
	29,781	30,650
Inventories held for resale		
Catering inventory	392	381
Total inventories	\$ 30,173	\$ 31,031

Inventories expensed during the year amounted to \$52,340 (2022 – \$32,480). During the year, the Corporation also wrote down \$4,642 (2022 – \$135) of inventory.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Accounts payable	\$ 7,153	\$ 4,968
Accrued liabilities	8,448	8,893
Wages and benefits payable	17,387	13,133
Government remittances payable	3,791	2,094
Accounts payable and accrued liabilities	\$ 36,779	\$ 29,088

The accounts payable balance is due within 60 days (2022 - 99% of the balance)

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

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, 2021 for the year ended March 31, 2023 and December 31, 2020 for the year ended March 31, 2022. The most recent actuarial valuation for funding purposes was completed in 2022 and is as of December 31, 2021.

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

	2023	2022
Pension obligations (actuarial value)		
Balance, beginning of year	\$ 716,454	\$ 736,267
Current service cost	7,829	6,842
Employee contributions	8,180	7,197
Interest costs	26,254	24,432
Benefits paid	(35,692)	(38,766)
Actuarial gain	(95,212)	(19,519)
Balance, end of year	\$ 627,813	\$ 716,454

Pension plan assets (market-related value)

Balance, beginning of year	\$ 914,774	\$ 913,101
(Loss) return on plan assets	(31,705)	29,639
Employer contributions	131	3,603
Employee contributions	8,180	7,197
Benefits paid	(35,692)	(38,766)
Balance, end of year	\$ 855,688	\$ 914,774

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

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

	2023		2022	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Pension plan assets (market-related value)	\$ 855,688	\$ -	\$ 914,774	\$ -
Pension obligations (actuarial value)	624,943	2,870	712,933	3,522
Excess (shortfall)	230,745	(2,870)	201,841	(3,522)
Unamortized net actuarial (gains) losses	(61,818)	(711)	(40,208)	363
Employer contributions during period from measurement date to March 31	-	36	-	36
Accrued benefit asset (Retirement benefit liability) before valuation allowance	168,927	(3,545)	161,633	(3,123)
Valuation allowance against accrued benefit asset	(46,927)	-	-	-
Accrued pension asset (liability)	\$ 122,000	\$ (3,545)	\$ 161,633	\$ (3,123)

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

	2023		2022	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Contributions				
Employer	\$ -	\$ 131	\$ 1,585	\$ 149
Employee	8,180	-	7,197	-
Total contributions	\$ 8,180	\$ 131	\$ 8,782	\$ 149
Benefits paid				
	\$ 35,561	\$ 131	\$ 38,617	\$ 149

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 bases may not retain its registered status if the employer makes a contribution while the going concern funding excess exceeds 25% of the going concern funding target. At 31 December 2021 the Corporation's funded ratio was 133.2% (as at 31 December 2020 - 129.9%) for the Registered Pension Plan. Therefore as required under legislation the Corporation ceased employer contributions to this plan effective June 1, 2021.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2023
(in thousands of dollars)

Retirement benefit expense is comprised of the following:

	2023		2022	
	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	\$ 15,886	\$ 123	\$ 13,877	\$ 163
Amortization of net actuarial (gains) losses	(5,025)	374	(1,522)	116
Employee contributions	(8,180)	-	(7,197)	-
Retirement benefit expense	2,681	497	5,158	279
Interest cost on the average accrued benefit obligation	26,197	56	24,389	44
Expected return on average plan assets	(36,172)	-	(33,581)	-
Retirement benefit interest (recovery) expense	(9,975)	56	(9,192)	44
Total expenses related to retirement benefit (before adjustment for valuation allowance)	(7,294)	553	(4,034)	323
Increase in valuation allowance provided against accrued benefit asset	46,927	-	-	-
Total expenses related to retirement benefit (after adjustment for valuation allowance)	\$ 39,633	\$ 553	\$ (4,034)	\$ 323

The registered pension plan assets are invested in debt securities, equity securities and buy-in annuities. The asset mix at March 31, 2023, was 11% in debt securities, 36% in equity securities, 4% in real estate and 49% in annuities (2022 – 11% debt securities, 34% equity, 4% real estate, 51% in annuities).

The market value of plan assets is \$448,111 (2022 – \$504,227); in addition, the actuarially determined value of the buy-in annuities is \$372,305 (2022 – \$454,567). The actual loss on the market value of plan assets was \$59,637 or 11.8% (2022 – gain of \$37,947 or 8.19%) and the actual loss on the market-related value of plan assets was \$31,705 or 3.47% (2022 – return of \$29,638 or 3.25%).

Gains and losses incurred are as follows: loss on market-related value of plan assets \$5,643 (2022 – gain \$16,681); actuarial gain on registered plan accrued benefit obligation \$94,512 (2022 – \$19,188); actuarial gain on supplementary arrangements accrued benefit obligation \$700 (2022 – \$331).

Under public sector accounting standards, the maximum amount of the adjusted benefit asset that can be recognized on the balance sheet is limited to the present value of future employer benefit cost for the current number of active members less minimum contributions the employer is required to make regardless of excess. A valuation allowance is recognized when the adjusted benefit asset exceeds the expected future benefit. The Corporation recognized a \$46,927 valuation allowance against the accrued benefit asset.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2023
(in thousands of dollars)

The significant assumptions are:

	2023	2022
Pension obligations (actuarial value)		
Discount rate – registered plan	6.00%	5.20%
Discount rate – supplementary arrangements	3.29%	1.65%
Rate of compensation increase	4.50%	3.50%
Inflation rate	2.00%	2.00%
Retirement benefit expense		
Discount rate – registered plan	5.20%	5.25%
Discount rate – supplementary arrangements	1.65%	1.13%
Expected return on assets	5.20%	5.25%
Rate of compensation increase	4.50%	3.50%
Inflation rate	2.00%	2.00%

The estimated average remaining service period of the members covered by the registered pension plan and the remaining supplementary retirement arrangement is 9.9 years (2022 – 10.0 years).

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 year ended March 31, 2023 and December 31, 2019 for the year ended March 31, 2022. 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:

	2023	2022
Obligation for non-pension post-retirement benefits (actuarial value)	\$ (25,083)	\$ (40,297)
Unamortized net actuarial gain	(27,531)	(12,140)
Employer contributions during the year from measurement date to March 31	207	179
Accrued benefit liability for non-pension post-retirement benefits	\$ (52,407)	\$ (52,258)

As the plan is unfunded, contributions equal benefits paid during the year of \$615 (2022 – \$589).

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

Non-pension post-retirement benefit costs included in the statement of operations are comprised of following:

	2023	2022
Determination of non-pension post-retirement benefit costs for the year are calculated as:		
Current period benefit cost	\$ 1,712	\$ 2,016
Interest on obligations	687	526
Amortization of net actuarial (gains)	(1,635)	(1,058)
Non-pension post-retirement benefit costs	\$ 764	\$ 1,484

The significant assumptions are:

	2023	2022
Non-pension post-retirement benefits obligations		
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
Non-pension post-retirement benefits costs		
Discount rate	1.65%	1.13%
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 (2022 – 11.4 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, 2021 for the year ended March 31, 2023 and March 31, 2022 and the valuation was extrapolated for accounting purposes to March 31. The plan is unfunded and requires no contributions from employees.

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

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

	2023	2022
Obligation for post-employment benefits (actuarial value)	\$ (17,610)	\$ (18,818)
Unamortized net actuarial losses	5,606	7,338
Employer contributions during the year from measurement date to March 31	719	208
Accrued benefit liability for post-employment benefits	\$ (11,285)	\$ (11,272)

As the plan is unfunded, contributions equal benefits paid during the year of \$3,409 (2022 – \$2,601).

Post-employment benefit costs included in the statement of operations are comprised of the following:

	2023	2022
Determination of post-employment benefit costs for the year are calculated as:		
Current period benefit cost	\$ 2,033	\$ 1,497
Interest on obligations	326	192
Amortization of net actuarial losses	1,063	732
Post-employment benefit costs	\$ 3,422	\$ 2,421

The significant assumptions are:

	2023	2022
Post-employment benefits obligations		
Discount rate	3.29%	1.65%
Inflation rate	2.00%	2.00%
Health care cost increases	4.00%	4.00%
Post-employment benefits costs		
Discount rate	1.65%	1.13%
Inflation rate	2.00%	2.00%
Health care cost increases	4.00%	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 (2022 – 10.0 years).

For the year ended March 31, 2023, the Corporation paid \$758 (2022 – \$707) 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.

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

11. TANGIBLE CAPITAL ASSETS

	2023					
	Vessels	Shore facilities	Leasehold improvements	Equipment	Work in progress	Total
Cost	\$	\$	\$	\$	\$	\$
Opening balance	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 WIP transfers	4,539	531	365	1,483	(6,918)	-
Disposals and write-downs	-	(4,116)	-	(163)	-	(4,279)
Closing balance	494,043	257,149	57,039	92,967	27,095	928,293
Accumulated amortization						
Opening balance	304,553	112,816	52,936	45,025	-	515,330
Amortization expense	28,541	12,585	2,605	13,152	-	56,883
Disposals and write-downs	-	(2,214)	-	(163)	-	(2,377)
Closing balance	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

	2022 (restated) Note 3					
	Vessels	Shore facilities	Leasehold improvements	Equipment	Work in progress	Total
Cost	\$	\$	\$	\$	\$	\$
Opening balance	446,673	257,725	55,487	79,608	23,060	862,553
2022 additions	15,455	193	600	8,351	13,306	37,905
2021 WIP transfers	12,612	1,206	337	6,393	(20,548)	-
Disposals and write-downs	(14)	(10)	-	(8,742)	-	(8,766)
Closing Balance	474,726	259,114	56,424	85,610	15,818	891,692
Accumulated amortization						
Opening Balance	275,292	100,240	48,847	42,071	-	466,450
Amortization Expense	29,275	12,584	4,089	11,164	-	57,112
Disposals and write-downs	(14)	(8)	-	(8,210)	-	(8,232)
Closing balance	304,553	112,816	52,936	45,025	-	515,330
Net book value	170,173	146,298	3,488	40,585	15,818	376,362

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

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

over from the previous year, along with current year additions related to projects that were completed during the year.

12. ASSET RETIREMENT OBLIGATIONS

The Corporation has recorded asset retirement obligations for the removal of asbestos in buildings and fuel lines, and 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 \$ 38,522 (2022 - \$34,196).
- 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 2.45% (2022 - 2.45%).

Following is a summary of the asset retirement obligations:

	2023	2022
Carrying Amount – beginning of year	\$ 33,328	\$ 32,646
Accretion expense	696	682
Estimated total liability	\$ 34,024	\$ 33,328

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) or a market index 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. The Corporation utilizes information provided by Canadian chartered banks to assist in determining the fair value of the derivative financial instruments

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 euro foreign exchange forwards are related to lease payments for the MV *Atlantic Vision*.

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

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 with positive fair values:

Crude swap - #2 heating oil					
2023			2022		
Period	Fixed price per unit (Note)	Notional quantity (Note)	Notional value	Fair value	Fair value
2023			\$ -	\$ -	7,470
2024	1.9775-3.42	4,032	10,777	3,012	2,711
2025	2.479-3.221	1,848	5,200	833	661
		5,880	\$ 15,977	\$ 3,845	\$ 10,842

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

Foreign exchange forwards					
2023			2022		
Period	Forward rate CAD/EURO	Notional quantity (Euros)	Notional value	Fair value	Fair value
2024	1.3532	9,540	\$ 12,909	\$ 990	-
2025	1.3532	557	753	54	
		10,097	\$ 13,662	\$ 1,044	-

At March 31, the Corporation had the following derivative financial instruments with negative fair values:

Crude swap - #2 heating oil					
2023			2022		
Period	Fixed price per unit (Note)	Notional quantity (Note)	Notional value	Fair value	Fair Value
2023					\$ (2)
2025					(17)
			\$ -	\$ -	(19)

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

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

Foreign exchange forwards					
2023			2022		
Period	Forward rate CAD/EURO	Notional quantity (Euros)	Notional value	Fair value	Fair value
2023					\$ (785)
			\$ -	\$ -	(785)

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.

The 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 that began during the COVID-19 pandemic, 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.

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2023
(in thousands of dollars)

(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, 2023, the German bank held a baseline credit assessment of Ba2, a guaranteed long-term rating of Baa2 and an unguaranteed short-term rating of P-2 from Moody's.

Accounts receivable

The Corporation's accounts receivable consists of trade receivables of \$3,806 (2022 - \$4,652) and other accounts receivable of \$6,372 (2022 - \$9,786). 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. Other receivables are largely HST rebates from Government of Canada. The Corporation considers no significant risk related to HST rebates or receivables on realized gains on derivatives which is 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 Atlantic Vision* in the amount of €795 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 lease term. A fluctuation of 5% in foreign currency rates at March 31, 2023 would not have a significant impact on the fair value of the Corporation's foreign exchange forward contracts.

(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, 2023 would increase the fair value of the heating oil derivatives by \$1,982 while a 10% decrease would have an equal and opposite effect. The market

MARINE ATLANTIC INC.
Notes to the Financial Statements
For the year ended March 31, 2023
(in thousands of dollars)

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 (2022 - \$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.

15. ACCUMULATED SURPLUS

The accumulated surplus is comprised of:

	2023	2022 (restated) Note 3
Accumulated operating surplus	\$ 395,981	\$ 464,544
Accumulated remeasurement gains	5,926	10,677
Accumulated surplus	\$ 401,907	\$ 475,221

Accumulated operating surplus includes share capital in the amount of \$258,530 (2022 - \$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, 2023, 517,061,000 shares (2022 - 517,061,000 shares) at \$0.50 per share (2022 - \$0.50 per share) have been issued and fully paid.

16. 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.

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

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's 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 \$1,785 (2022 – \$1,642) 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.

17. 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*, expiring in May 2024, denominated in euros and a new vessel currently under construction with a delivery date of February 26, 2024, denominated in USD. These payments have been translated to Canadian dollars using their respective exchange rates at March 31, 2023.

	Capital	Operating	Charters	Total
2023-24	\$ 31,343	\$ 3,474	\$ 17,875	\$ 52,692
2024-25		3,218	25,780	28,998
2025-26		2,606	23,894	26,500
2026-27		716	23,894	24,610
2027-28			23,959	23,959
2028-29			19,966	19,966
	\$ 31,343	\$ 10,014	\$ 135,368	\$ 176,725

18. 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, 2023, the Corporation is in receipt of claims estimated at \$5 (2022 – \$10) 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 \$73 (2022 – \$105) 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.

19. CONTINGENT ASSETS

The Corporation has two appeal proceedings before the Tax Court of Canada arising under the *Excise Tax Act* in regard to input tax credits (ITCs) claimed during the audit period of January 2006 to January 2012. The Corporation has determined that it is likely to receive \$9,814 (2022 – \$9,814) in net ITCs for that period and another \$5,202 in ITCs for the post-audit period to March 31, 2023 (2022 – \$4,712).

MARINE ATLANTIC INC.
Notes to the Financial Statements

For the year ended March 31, 2023
(in thousands of dollars)

In July 2023 there was a judgement by the Tax Court in favour of the Corporation, including costs. The amount of the award has yet to be determined. The Respondent has until September 30th, 2023 to appeal the decision; therefore no amount has been recognized in these financial statements.

20. 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.

Revenue excluding gains was \$9.4 million higher than budgeted. Overall traffic volumes exceeded expectations post pandemic. Passenger and commercial traffic were higher than pre-pandemic levels.

Realized gain on derivative financial instruments was \$9.5 million higher than budget. The significant increase in fuel prices resulted in higher than anticipated gains upon settlement of purchased fuel swap contracts.

Wages and benefits expense was \$10.5 million higher than budgeted. Traffic levels were higher than anticipated. The Corporation added more capacity to move the traffic resulting in higher labour costs. Negotiated wage increases were also higher than anticipated due to industry trends and inflation.

Fuel expense was \$22.5 million higher than budgeted. The price of fuel was over 50% higher than forecasted. The global oil markets remained volatile resulting in prices exceeding pre-pandemic levels.

Employee future benefits expense was \$47.8 million higher than budget. A significant increase in pension expense was the result of a \$46.9 million increase in the valuation allowance to reduce the excess adjusted benefit asset over the expected future benefit as required by the accounting standard.

The originally approved budget for employee future benefits was \$11.96 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 \$(3.4) million, consistent with Canadian public sector accounting standards.



marineatlantic.ca