Quarterly Financial Report

MARINE ATLANTIC INC.

September 30, 2024

MARINE ATLANTIC INC.
Table of Contents
September 30, 2024

MARINE ATLANTIC INC.
Quarterly Financial Report
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The following Quarterly Financial Report of the financial results of Marine Atlantic Inc. ("the Corporation") is for the six months ended September 30, 2024. This report should be read in conjunction with the Corporation's 2022/23 – 2026/27 Corporate Plan Summary and the Corporation's 2023/2024 Annual Report which includes the audited annual financial statements for the year ended March 31, 2024. Information about the Corporation, including the Annual Report and the Corporate Plan Summary, can be found at www.marineatlantic.ca once approved by the Federal Government.

The unaudited financial statements and the accompanying notes have been prepared in accordance with Public Sector Accounting Standards and are reported in Canadian dollars.

OVERVIEW OF THE CORPORATION

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

Headquartered in St. John's, NL, Marine Atlantic operates terminals in Port aux Basques, NL, Argentia, NL, and North Sydney, NS, and provides 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 its mandate, Marine Atlantic operates a fleet of four ice-class ferries: the MV *Blue Puttees*, MV *Highlanders*, MV *Ala'suinu* and the MV *Leif Ericson*. The Corporation reports annually to the Government of Canada through the Minister of Transport.

To ensure the safe operations of vessels at sea, Marine Atlantic Inc. is governed by various acts and regulations. These include: Canada Labour Code, Marine Occupational Safety and Health Regulations, Transportation of Dangerous Goods Act and Regulations, Marine Liability Act and Regulations, Canada Shipping Act, 2001, Canada Marine Act, Coastal Trade Act, Domestic Ferries Security Regulations (DFSR), and the Marine Transportation Security Regulations (MTSR) Part III. The Corporation also falls under the umbrella of the International Convention for the Safety of Life at Sea (SOLAS), the pre-eminent of all international treaties concerning the safety of merchant ships.

MARINE ATLANTIC INC.
Quarterly Financial Report
September 30, 2024

QUARTERLY RESULTS

Financial Performance snapshot (in thousands)

Three months ending September 30, 2024

	Actual	Budget	Prior Year	Variance to Budget[1] $	Variance to Budget[1] %	Variance to Prior Year[1] $	Variance to Prior Year[1] %
Revenue	$ 48,856	$ 49,774	$ 67,002	(918)	-2%	(18,146)	-27%
Expenses	$ 84,514	$ 77,590	$ 81,236	(6,924)	-9%	(3,278)	-4%

Six months ending September 30, 2024

	Actual	Budget	Prior Year	Variance to Budget[1] $	Variance to Budget[1] %	Variance to Prior Year[1] $	Variance to Prior Year[1] %
Revenue	$ 79,001	$ 79,294	$ 97,558	(293)	0%	(18,557)	-19%
Expenses	$ 164,498	$ 158,265	$ 148,657	(6,233)	-4%	(15,841)	-11%

[1] Positive Variance indicates a favourable result compared to Budget/Prior Year

Statistics snapshot

Three months ending September 30, 2024

	Actual	Forecast	Prior Year	Variance to Forecast[2] #	Variance to Forecast[2] %	Variance to Prior Year[2] #	Variance to Prior Year[2] %
Passengers	190,427	206,349	199,143	(15,922)	-8%	(8,716)	-4%
Passenger Units	76,421	83,167	79,220	(6,746)	-8%	(2,799)	-4%
Commercial Units	26,486	23,348	24,384	3,138	13%	2,102	9%
Auto Equivalent Units [3]	196,883	191,555	189,466	5,328	3%	7,417	4%
Trips	591	606	595	(15)	-2%	(4)	-1%

Six months ending September 30, 2024

	Actual	Forecast	Prior Year	Variance to Forecast[2] #	Variance to Forecast[2] %	Variance to Prior Year[2] #	Variance to Prior Year[2] %
Passengers	273,300	279,132	281,471	(5,832)	-2%	(8,171)	-3%
Passenger Units	109,316	112,061	112,692	(2,745)	-2%	(3,376)	-3%
Commercial Units	52,684	48,572	48,548	4,112	8%	4,136	9%
Auto Equivalent Units [3]	342,776	328,881	326,114	13,895	4%	16,662	5%
Trips	1043	1014	1045	29	3%	(2)	0%

[2] Positive Variance indicates a favourable result compared to Forecast/Prior Year
[3] Auto Equivalent Unit or AEU is the length of an average passenger automobile

REVENUES

The Corporations revenue was 2% lower for the quarter and on par with the budget year to date. Passenger traffic was lower than forecasted due to the delayed opening of the Argentia service while commercial traffic was higher. Realized gains on derivatives were lower than anticipated relating to the Corporation's hedging program.

When compared to prior year, the Corporation's revenue was twenty-seven percent lower for the quarter and nineteen percent lower year to date. Last year the Corporation recognized $15 million in revenue relating to a court case decision on HST. Commercial traffic was higher in the quarter and year to date, while passenger traffic was lower for both the quarter while slightly higher year to date. The Argentia service was delayed resulting in the re-routing of passengers to the Gulf service. Realized gains on derivatives were $3 million lower compared to last year as hedging gains decreased.

EXPENSES

Compared to Budget

The Corporation's expenses were 9% higher than budget during the quarter and 4% higher year to date. The increased costs are mainly due to the unforeseen mechanical issues of the Ala'suinu which delayed the start of the Argentia season. The Corporation had to re-route the passengers to the gulf service through a modified schedule. The added crossings resulted in higher operating costs. The corporation also provided compensation to affected passengers.

Compared to Prior Year

The Corporation's expenses were 4% higher for the quarter and eleven percent higher year to date when compared to last year. The Corporation's costs were higher compared to last year due to several factors. The Corporation incurred costs to return the *Atlantic Vision* to its owners and integrate the *Ala'suinu* into service. The re-routing of Argentia passengers to the gulf service increased costs. Labour costs were also higher compared to last year due to wage inflation. The charter costs are higher compared to last year as the Corporation is now leasing a newly constructed vessel.

Tangible capital assets

The Corporation invested $7.0 million in its capital assets during the second quarter as part of ongoing reinvestment in assets. This included $1.0 million for vessel projects and $6.0 million for shore facilities upgrades, information technology and equipment purchases.

Forecast

Based upon results of the first three months and the budget allocation for the remainder of the year, the Corporation is anticipating it will operate within its approved funding allocation. There have been no revisions to goals or objectives compared to the 2022/23 – 2026/27 Corporate Plan Summary.

RISK ANALYSIS

The financial risks of the Corporation have previously been disclosed in the Corporation's 2022/23 – 2026/27 Corporate Plan Summary and the Corporation's 2023/24 Annual Report. There are no significant changes to the risks previously identified.

REPORTING ON USE OF APPROPRIATIONS

The Corporation received $56 million in appropriations from the Government of Canada during the second quarter ended September 30th, 2024. Please refer to Note 2(a) to the unaudited interim financial statements for the Corporation's accounting policy for government appropriations. Note 5 to the unaudited interim financial statements reports on how the appropriations received were used during the period.

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.

Murray Hupman, P. Eng.
President and CEO

Shawn Leamon, CPA, CGA
Vice President of Finance

St. John’s, NL
November 13, 2024

MARINE ATLANTIC INC.
Unaudited Statement of Financial Position
As at September 30, 2024
(in thousands)

	Sept 30 2024	Mar 31 2024
Financial assets		
Cash (Note 4)	$ 22,639	$ 9,919
Accounts receivable	15,586	11,688
Receivable from Government of Canada (Note 5)	-	29,328
Inventories held for resale	492	338
Derivative financial instruments	294	2,858
Accrued pension asset	159,156	151,317
	$ 198,167	$ 205,448
Liabilities		
Accounts payable and accrued liabilities	$ 40,805	$ 44,768
Derivative financial instruments	1,580	47
Deferred revenue	3,564	14,909
Payable to Government of Canada (Note 5)	12,020	-
Accrued vacation pay	8,402	8,346
Accrued pension liability	3,557	3,559
Accrued liability for non-pension post-retirement benefits	49,430	50,359
Asset Retirement Obligations	30,893	30,893
Accrued liability for post-employment benefits	13,483	12,522
	163,734	165,403
Net financial assets	$ 34,433	$ 40,045
Non-financial assets		
Tangible capital assets	341,826	353,418
Inventories held for consumption	28,939	36,239
Prepaid expenses	18,850	8,607
	389,615	398,264
Accumulated surplus	$ 424,048	$ 438,309

Contingencies (Note 9)

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

MARINE ATLANTIC INC.
Unaudited Statement of Operations

Period ended September 30, 2024
(in thousands)

	For 3 months ended 2024	For 3 months ended 2023	For 6 months ended 2024	For 6 months ended 2023
Revenues				
Transportation (Note 6)	$ 48,228	$ 48,561	$ 77,638	$ 78,340
Other income	205	15,176	377	15,315
Foreign currency exchange gain	55	-	55	6
Realized Gain on derivative financial instruments	368	3,265	931	3,898
	48,856	67,002	79,001	97,558
Expenditures				
Wages and benefits	35,476	30,946	67,978	60,986
Charter fees	6,436	3,897	13,868	7,789
Charter importation taxes	805	-	1,611	-
Fuel	15,517	15,556	27,376	25,598
Materials, supplies and services	13,564	10,950	25,167	19,237
Repairs and maintenance	1,441	2,512	4,159	5,097
Insurance, rent and utilities	1,508	2,000	3,688	4,132
Travel	366	412	1,267	1,050
Administrative Costs	1,002	481	1,606	789
Employee future benefits (Note 7)	(3,250)	(3,866)	(6,500)	(7,722)
Loss on exchange of foreign currency	-	6	-	-
Amortization	11,649	18,342	24,278	31,701
	84,514	81,236	164,498	148,657
(Deficit) before government funding	(35,658)	(14,234)	(85,497)	(51,099)
Government funding				
Operations	44,044	30,995	62,596	53,014
Capital	7,263	9,283	12,684	24,155
	51,307	40,278	75,280	77,169
Operating surplus (deficit)	15,649	26,044	(10,217)	26,070
Accumulated operating surplus, beginning of period	408,525	396,007	434,391	395,981
Accumulated operating surplus, end of period	$ 424,174	$ 422,051	$ 424,174	$ 422,051

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

MARINE ATLANTIC INC.
Unaudited Statement of Remeasurement Gains and Losses
Period ended September 30, 2024
(in thousands)

	For 3 months ended 2024	For 3 months ended 2023	For 6 months ended 2024	For 6 months ended 2023
Accumulated remeasurement gains, beginning of period	$ 3,734	$ 3,380	$ 3,920	$ 5,927
Remeasurement gains (losses) arising during the period				
Unrealized gain (loss) on foreign exchange of cash	76	(57)	51	(159)
Unrealized gain (loss) on derivatives	(3,569)	9,310	(3,166)	7,498
Reclassifications to the statement of operations				
Realized (gain) loss on derivatives	(367)	(3,265)	(931)	(3,898)
	-	-		
Net remeasurement gains (losses) for the period	(3,860)	5,988	(4,046)	3,441
Accumulated remeasurement gains (losses), end of the period	$ (126)	$ 9,368	$ (126)	$ 9,368

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

MARINE ATLANTIC INC.
Unaudited Statement of Change in Net Financial Assets
Period ended September 30, 2024
(in thousands)

	For 3 months ended 2024	For 3 months ended 2023	For 6 months ended 2024	For 6 months ended 2023
Operating surplus (deficit)	$ 15,649	$ 26,044	$ (10,217)	$ 26,070
Change in tangible capital assets				
Acquisition of tangible capital assets	(7,263)	(9,283)	(12,684)	(24,155)
Amortization of tangible capital assets	11,649	18,342	24,278	31,701
Decrease in tangible capital assets	4,386	9,059	11,594	7,546
Change in other non-financial assets				
Net change in inventories held for consumption	1,018	4,223	7,300	6,513
Net change in prepaid expenses	2,622	900	(10,243)	1,405
Decrease (increase) in other non-financial assets	3,640	5,123	(2,943)	7,918
Net remeasurement gains (losses)	(3,860)	5,988	(4,046)	3,441
Increase (decrease) in net financial assets	19,815	46,214	(5,612)	44,975
Net financial assets, beginning of period	14,618	3,206	40,045	4,445
Net financial assets, end of period	$ 34,433	$ 49,420	$ 34,433	$ 49,420

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

MARINE ATLANTIC INC.
Unaudited Statement of Cash Flow
Period ended September 30, 2024
(in thousands)

	For the 3 Months Ended		For the 6 Months Ended	
	2024	2023	2024	2023
Operating transactions				
Cash receipts from customers	$ 32,736	$ 33,799	$ 64,254	$ 66,591
Other income received	205	176	377	315
Government funding - operations	48,736	43,956	90,626	68,769
Government funding - capital	7,263	9,283	26,002	32,680
Cash payments to suppliers	(42,246)	(36,656)	(79,526)	(47,364)
Cash receipts for settlement of derivatives	996	2,569	1,754	3,809
Cash payments to and on behalf of employees	(34,944)	(30,348)	(63,510)	(66,665)
Cash paid for employee future benefits	(867)	(479)	(1,307)	(1,017)
	11,879	22,300	38,670	57,118
Capital transactions				
Purchase of tangible capital assets	(7,263)	(9,283)	(26,002)	(32,680)
	(7,263)	(9,283)	(26,002)	(32,680)
Effect of exchange rate changes on cash	76	(56)	51	(158)
Net increase in cash	4,692	12,961	12,719	24,280
Cash, beginning of period	17,946	21,567	9,919	10,248
Cash, end of period	$ 22,638	$ 34,528	$ 22,638	$ 34,528

	2024	2023
Cash consists of:		
Restricted cash	$ 6,250	$ 5,931
Unrestricted cash	16,388	28,597
	$ 22,638	$ 34,528

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

1. BASIS OF PRESENTATION

Marine Atlantic Inc. ("the Corporation") 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. As a result of the *National Marine Policy (1995)*, the mandate of the Corporation was narrowed to the operation of a ferry system.

The Corporation operates a ferry service between Nova Scotia and Newfoundland and Labrador. Marine Atlantic Inc.'s business is seasonal in nature, with the highest activity in the summer (second quarter) and the lowest activity in the winter (fourth quarter), due to the high number of leisure travellers and their preference to travel during the summer months. The Corporation also takes advantage of the low activity during the winter months to perform a significant portion of the required annual maintenance on vessels and terminals.

These unaudited interim financial statements have been prepared by management in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations. The basis of accounting used is Canadian public sector accounting standards. These interim financial statements do not include all of the disclosures provided in Marine Atlantic Inc.'s annual audited financial statements. The disclosures provided below are incremental to those included with the annual financial statements. The interim financial statements should be read in conjunction with the financial statements and the notes thereto for the year ended March 31, 2024.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Government funding

The Corporation receives government funding to fund 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.

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 at the end of each year. The rates for significant classes of tangible capital assets are as follows:

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

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

In 2006 a 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.

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 its 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 gain/losses, related to prior period employee services are recognized in the statement of operations in the period of the plan amendment.

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

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.

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

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.

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

(f) Revenue recognition

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

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

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

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

(g) Expenses

Expenses are reported on an accrual basis. Expenses for the operations of the Corporation are recorded 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 payments 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 exchange gain or loss that arises prior to settlement is recognized in the statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses and an exchange gain or loss measured in relation to the exchange rate at the date of initial recognition is recognized in the statement of operations.

(j) Contingent liabilities

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

(k) Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Corporation to incur retirement costs, a past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at 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 they are incurred. The Corporation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(l) Measurement uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, revenues and expenses in the financial statements and accompanying notes, at the date of the financial statements. Items requiring the use of significant estimates include asset retirement obligations, the accrued pension asset, expected useful lives of tangible capital assets and litigation. 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.

3. ADOPTION OF NEW ACCOUNTING STANDARD

Effective April 1, 2022 the Corporation adopted the new Public Sector Accounting Standard PS3400 Revenue. This standard requires public sector entities to differentiate revenues between exchange transactions and non-exchange transactions. The distinguishing feature between the two is the existence of a performance obligation, an enforceable promise to provide a good or service to a payor in return for promised consideration. Exchange transactions are characterized by one or more performance obligations, while non-exchange transactions have no direct transfer of goods or services to a payor.

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

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 passenger and freight ferry – the MV *Atlantic Vision*. Restricted cash is €4,146 (2023 – €4,146), which translates to $6,250 Canadian dollars at September 30, 2024 (March 31, 2024 – $6,098).

The charter period expired in May 2024. Negotiations related to the return of funds to the Corporation are ongoing.

5. (PAYABLE TO) RECEIVABLE FROM 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.

(in thousands)

	September 30, 2024 (6 months)	Mar 31, 2024 (12 months)
(Receivable from) Government of Canada, beginning of period	$ (29,329)	$ (15,566)
Parliamentary appropriations received during the period	116,629	178,252
Recognized during the period:		
Operations	(62,596)	(128,467)
Tangible Capital Assets	(12,684)	(63,548)
Government funding surplus (deficit)	41,349	(13,763)
Payable to (Receivable from) Government of Canada, end of period	$ 12,020	$ (29,329)

6. TRANSPORTATION REVENUE

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

	September 30 2024	September 30 2023
Commercial vehicle	$ 25,700	$ 23,612
Other transportation	9,153	9,120
Onboard sales	12,838	13,346
Passenger vehicle	13,885	14,825
Fuel surcharge	6,468	6,417
Passenger	9,594	11,020
Total transportation revenue	$ 77,638	$ 78,340

7. EMPLOYEE FUTURE BENEFITS

During the three months ended September 30, 2024, the net employee future benefit recovery was $ (3,250) (September 30, 2023– $ (3,866)). The Corporation is in a recovery position as it ceased contributions to the registered pension plan as the plan was in an overfunded position. The recovery amount includes costs for the Corporation's defined benefit pension plan, life insurance and health and dental care benefits to retirees and Workers' Compensation.

8. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business under the same terms and conditions that apply to unrelated parties. During the period, the Corporation incurred expenses of $316 (2023 – $383) with other federal Crown corporations, departments and agencies. 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 was recorded since the fair value of the service received for free is not reliably measurable.

9. CONTINGENCIES

There have been no changes to legal Contingencies since the end of the most recently completed fiscal year. There have been no new claims that have a likelihood of payment.

10. COMPARATIVE INFORMATION

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