Marine Atlantic Annual Report 2013–14

A YEAR OF RENEWAL AND TRANSFORMATION

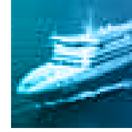
Marine Atlantic
Marine Atlantique

Canada

Marine Atlantic
Marine Atlantique

10 Fort William Place
Suite 302
St. John's, NL
A1C 1K4

MARINEATLANTIC.CA



2013/14 Highlights

A year of renewal and transformation for Marine Atlantic

Passengers
323,352

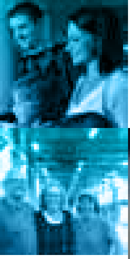
Passenger Vehicles
115,243

Commercial Vehicles
97,396

On-time performance (excluding weather delays)
84%

Employees (full-time equivalent)
1,025

Employees (peak employment)
1,307



Message

From the Chair

The 2013–14 fiscal year was another period of change and renewal within Marine Atlantic. This was the fourth year of the Government of Canada's unprecedented five-year funding commitment in our service with more progress being made in our journey of becoming a modern and efficient Corporation offering a high level of customer service.

Through the external feedback and recognition we are receiving, we know our efforts are resulting in positive change. This past year Marine Atlantic was recognized as the 2013 Employer of Distinction by the Newfoundland and Labrador Employers' Council and was presented with the Coalition of Persons with Disabilities Inclusion Award. These are two very highly respected awards that demonstrate we are making a difference for our employees, customers and port communities.

Our efforts are focused on three pillars of renewal and change: fleet renewal, shore-based infrastructure renewal and business process change. Our employees continue to be central to our success. Their hard work, dedication and commitment has been recognized through improved customer satisfaction which has increased by 18 percent since 2010.

Our journey has resulted in many changes and we will continue to build on our progress in the months ahead. Our aggressive shore-based infrastructure agenda, as well as the business process improvements we are undertaking, will continue through the next fiscal year.

Through dialogue, consultation and co-operation, the Board of Directors works closely with the management team to provide direction and guidance for the many changes that are taking place, including the focus on corporate values that guide our employees' activities each and every day. Over the next twelve months, we will continue these efforts.

We thank the Government of Canada for their ongoing support and investment in our service and will continue working together towards our long-term goals. All of us at Marine Atlantic are committed to making our service modern and efficient, while providing customers with a positive experience while travelling with us. Our efforts are working and we are well on our way to reaching our service goals. We look forward to sharing our continued successes in achieving a stronger, reliable and effective service as we continue our agenda of renewal and change.

Rob Crosbie, Chair – Board of Directors

Message

From the President & CEO

The past twelve months have been extremely busy at Marine Atlantic as we undertook an ambitious agenda of asset renewal and business process change, with our commitment to safety at the forefront at all times.

Safety, reliability and efficiency are at the core of each of our initiatives as we continue on our journey. With these three core outcomes central to our decision-making, we continued with our renewal process and introduced new initiatives such as technology and infrastructure upgrades, strengthened financial processes and management systems, improved maintenance practices and new employee programs to help us achieve our goals. Through their ongoing efforts and commitment, our employees have played a significant role in our improvements and successes and are to be commended for their continued dedication to our service.

From an infrastructure perspective, significant work has been undertaken again this year at all three of our terminal properties. From docking infrastructure upgrades to terminal redevelopments, there are significant investments taking place to improve our facilities.

In North Sydney, construction is underway on our new terminal building and significant interior and exterior upgrades have taken place at our terminal building in Port aux Basques. In Argentia, work is ongoing to upgrade and modernize the docking infrastructure. All of these investments are designed to improve reliability and strengthen our customers' experience while utilizing our service.

Business process change is also moving forward. This past year we've taken additional steps to further strengthen our safety culture, upgrade our information technology equipment and systems to support our business plan, and improve the effectiveness of our core business functions to allow us to meet our overall goals. We have put additional focus on customer service initiatives which have resulted in significant improvements in overall customer satisfaction and reliability, with 87 percent of customers saying that we met or exceeded their expectations during the year. We have also continued strengthening our communication processes and launched our presence in the ever-expanding world of social media. All of this was done in keeping with our key corporate values that guide our daily activities.

We recognize that impacts to our service have wide-reaching effects on our customers. During the year, we experienced two service interruptions. The first occurred during the summer months involving the MV *Blue Puttees*, the second during the winter months as a result of extreme weather and ice conditions. We will continue working with all of our stakeholders to ensure we minimize these impacts and offer the most modern and effective service possible to our customers throughout the year, and learn lessons wherever possible.

We have made significant progress through our renewal program to date and we look forward to additional improvements in the coming months. From the external feedback and recognition we are receiving, we know we are heading in the right direction. With commitment to safety, reliability and efficiency as our key priorities, our customers will continue to experience a strengthened ferry service in the months ahead.

Paul Griffin, President and CEO

Who is Marine Atlantic?

At Marine Atlantic our Corporate Values guide our actions and interactions every single day.

Our Corporate Profile

Headquartered in St. John's, NL, Marine Atlantic operates terminals in the Newfoundland and Labrador ports of Port aux Basques and Argentia and the Nova Scotia port of North Sydney. The Corporation 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 tri-weekly ferry service between Argentia and North Sydney (which operates between mid-June and late-September).

To fulfill its mandate, Marine Atlantic operates a fleet of four ice-class ferries: the MV *Blue Puttees*, MV *Highlanders*, MV *Atlantic Vision* and the MV *Leif Ericson*.

The Corporation reports annually to the Government of Canada through the Minister of Transport. Marine Atlantic is tasked with fulfilling the constitutional mandate to "maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques".

Transport Minister Lisa Raitt on tour of North Sydney terminal property.

This service is vital to connect the Province of Newfoundland and Labrador with mainland Canada.

Marine Atlantic is a key employer in each of the three towns in which it operates. Employment levels within the Corporation peak at approximately 1,307 persons during the busy summer season. The workforce at Marine Atlantic is predominately unionized; approximately 95 percent of employees are members of one of the five labour unions covered by six Collective Agreements.

Our Mission

Marine Atlantic's mission is to provide a safe, environmentally responsible and high 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. Excellence in managing health, safety and environmental performance is critical to our sustainability and long-term business success.

Integrity

We say what we mean, mean what we say and do what we say. Honesty and transparency creates credibility and opens the path to engagement. Our actions always align with what we say. The reputation of our business is dependent on our ethical behaviour in everything we do.

OUR VALUES

TEAMWORK

COMMITMENT

SAFETY

INTEGRITY

EXCELLENCE

Excellence

We are passionate about our customers and our services. We take pride in what we do and are committed to continuously improving how we operate through innovation and information sharing. We have intense focus on the needs of our customers and are dedicated to satisfying those needs with a sense of urgency.

Teamwork

We always help each other. Working together always results in better outcomes.

Commitment

We are all responsible for our performance and the success of the business. We understand our commitments to each other and to our customers.

Our Operations

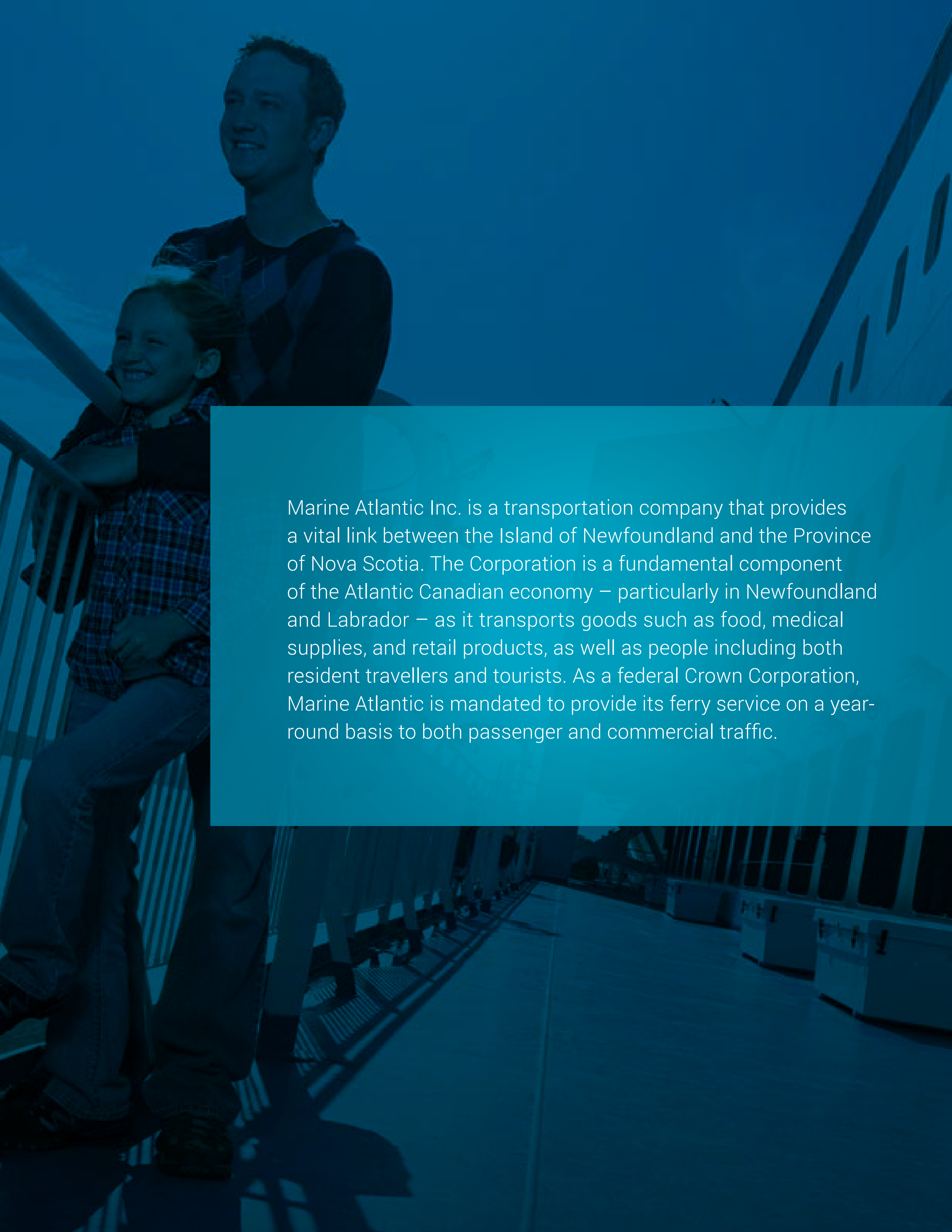
Marine Atlantic transports a diverse range of traffic, in keeping with its mandate. On a daily basis, the Corporation transports passengers, passenger vehicles and their occupants, tractor trailers and drivers, drop trailers and other vehicles such as motor homes, tour buses and motorcycles.

As the only year-round daily ferry service between the Island of Newfoundland and Nova Scotia, the Corporation transports goods entering and exiting the province by the commercial trucking industry. Items such as fruits, vegetables, and meats are transported daily, and local Newfoundland industries rely on our service to maintain a supply chain to customers off the Island. Serving commercial customers is important to Marine Atlantic, as this customer segment represents a significant portion of the Corporation's revenues.

Being the only means of daily transport for passenger vehicle traffic on and off the Island, 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 significant volumes of tourist traffic, both resident and non-resident, and is an important player in supporting the province's tourism industry. Passenger traffic comprises approximately 25 percent of overall traffic volumes and most of these customers are transported during the summer months.

Marine Atlantic is a hybrid ferry service with vessels designed to meet the needs of its diverse customer base. From shipping large volumes of freight to offering modern passenger amenities, Marine Atlantic strives to provide a quality travel experience to all of its customers.

"We always help each other. Working together always results in better outcomes."



Marine Atlantic Inc. is a transportation company that provides a vital link between the Island of Newfoundland and the Province of Nova Scotia. The Corporation is a fundamental component of the Atlantic Canadian economy – particularly in Newfoundland and Labrador – as it transports goods such as food, medical supplies, and retail products, as well as people including both resident travellers and tourists. As a federal Crown Corporation, Marine Atlantic is mandated to provide its ferry service on a year-round basis to both passenger and commercial traffic.

All of Marine Atlantic's vessels are ice-class, a necessity to travel through significant ice build-up that can occur in the Cabot Strait during the winter and spring months.

Our Operating Environment

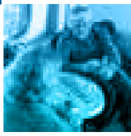
Marine Atlantic operates in one of the most challenging nautical routes in the world. Operating year-round, the Corporation's vessels and crews must be capable of sailing during both pleasant summer weather and harsh winter conditions.

Marine Atlantic's service is heavily influenced by its operating environment and the captains and crew of the vessels are constantly monitoring weather conditions to ensure safe sailings. Our vessels cross the Gulf of St. Lawrence where severe winds and significant wave heights can occur at any time of the year. This is an area where the presence of severe ice build-up can affect operations during the winter months and illustrates why Marine Atlantic requires ice-class vessels for its service.

Marine Atlantic strives to minimize disruptions to the service, but weather delays are inevitable. When weather events occur, the captains, crew, and employees at Marine Atlantic work diligently to return the service to its regular schedules.

Our Safety Standards and Regulations

Our vessels are maintained to the high standards set by organizations such as Transport Canada Marine Safety and Det Norske Veritas Classification Society, and comply with the International Safety Management (ISM) Code. Marine Atlantic is governed by various acts and regulations, including: Canada Labour Code, *Transportation of Dangerous Goods Act* and Regulations, *Marine Liability Act* and Regulations, *Canada Shipping Act* and Regulations, *Financial Administration Act* and Domestic Ferries Security Regulations (DFSR). 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.



Year in Review

Marine Atlantic's continued upgrades are resulting in a modern and efficient Corporation offering a high level of customer service.

Continued Focus on Renewal

Marine Atlantic's renewal program continued in 2013–14 as part of the Government of Canada's 5-year funding commitment announced in Budget 2010.

Shore-based infrastructure upgrades, as well as business process change, were a significant part of the revitalization activities that occurred at all of Marine Atlantic's facilities. These improvements are strengthening the service provided to customers, improving reliability and allowing Marine Atlantic to become a modern and efficient Corporation offering a high level of customer service.

Shore-based infrastructure renewal

All three of Marine Atlantic's terminal facilities continued with investments and upgrades during 2013–14, building on the significant work that was undertaken in the previous three years. Approximately $32 million was invested in shore-based upgrades during the fourth year of the ongoing renewal program. All of these investments are designed to enhance our customers' experience while travelling with Marine Atlantic.

North Sydney

Construction commenced on the new terminal building. The new facility will be modern, efficient, environmentally friendly, and offer new amenities such as a commercial driver seating lounge area. The new building is estimated to cost $20 million including design and construction activities.

Shore power upgrades were completed that provide power to Marine Atlantic's vessels when they are not in service, resulting in less fuel being burned during maintenance periods, lower costs for Marine Atlantic in the long-term, and a more positive environmental impact.

These investments build upon other shore-based upgrades including the construction of a new stevedore building, the opening of a new administration and warehouse building, the upgrading and expansion of the marshalling yard, improving the electrical infrastructure system and renewing dock infrastructure.

Port aux Basques

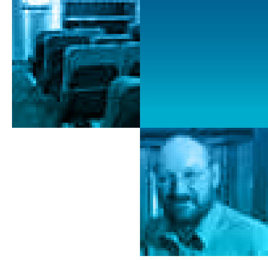
The upgrade of the older dock was completed following several months of demolition and construction activities. This renewed docking infrastructure will provide required operational flexibility and improve the efficiency of loading and offloading vessels ensuring continued safe, reliable service.

Terminal building upgrades were initiated in two phases. The initial phase focused on interior improvements which have been completed. The next phase of upgrades is underway and includes additional interior upgrades, as well as exterior improvements.

These investments build upon other shore-based upgrades including the expansion of the drop trailer yard, parking lot improvements, construction of a new salt shed and checker's building and an upgraded fuelling system.

Argentia

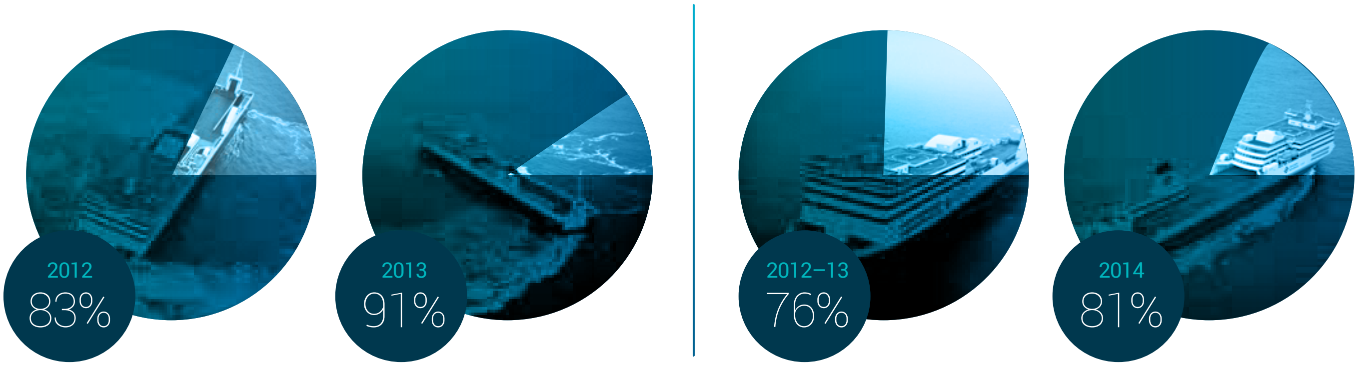
Dock infrastructure upgrades commenced to further improve the reliability, efficiency and safety of Marine Atlantic's service. These investments build upon other shore-based upgrades including terminal enhancements, new ticket booths, improvements to the marshaling yard, new exterior lighting, a new mooring system and upgrades to the stevedore building.



Vessel Reliability

2013–14 Summer Season

Remainder of 2013–14



Business Process Renewal

Continuing to build upon the changes implemented in the previous fiscal year, a number of new initiatives were introduced in 2013–14 to allow the Corporation to improve how it does business and become more efficient. A significant focus was placed on renewing information technology infrastructure and financial practices to support the Corporation in achieving its business objectives.

Renewing Information Technology

Information technology plays a key role in helping to support Marine Atlantic's overall business plan. From updating older infrastructure, modernizing the corporate data network and record-keeping capabilities, and introducing a voice-over internet phone (VOIP) system, significant investments continue to be made in this important business function.

Renewing Maintenance Practices

Through a review of Marine Atlantic's maintenance practices, new approaches and efficiencies were introduced that established greater financial accountability and more effective maintenance programs. Improvements were made in a number of areas and resulted in positive change throughout the Corporation. Some of these initiatives include a new refit/planned work period program for Marine Atlantic's vessels, an optimized preventative maintenance program, a shore power program to better utilize equipment, and more efficient scheduling for maintenance activities.

Renewing Procurement Processes

Marine Atlantic's procurement processes have undergone significant change to align with industry-best practices. Greater accountability, controls and reviews were introduced to ensure more effective financial control mechanisms and cost–efficient ways of doing business are in place.

Significant effort was placed on recruitment and training during the year to further enhance the procurement team's skill sets, as well as educating, strengthening relationships and communicating with other departments within the organization regarding Supply Chain Management processes. There was also emphasis placed on enhancing procedures for contract evaluation and awarding, key performance indicators, actively monitoring and tracking contracts and an emphasis on value-added service to ensure Marine Atlantic was getting the right goods and services at the right time and place at the right price. These internal business process change initiatives resulted in significant savings for the Corporation.

Meeting our Service Needs

Ensuring our most skilled employees and appropriate staffing levels are available at our peak operational timeframes was a focused part of Marine Atlantic's renewal processes. Internal processes were adjusted to ensure our people are available to meet the needs of our customers. This will continue to be a key focus of our business process change moving forward.

Strengthening Communications Initiatives

Effectively communicating with customers and stakeholders is vital to Marine Atlantic's success. To help further strengthen our communication activities, the Corporation launched its social media accounts during fiscal year 2013–14. Feedback from our customers has been extremely positive and these new approaches are providing new tools to encourage and facilitate effective dialogue with customers.

Marine Atlantic's Occupational Health and Safety (OHS) committees are present in every work location. There are currently 14 specific OHS Committees that meet once per month (12 times per year), equalling 168 OHS meetings annually. In addition, there is an OHS Policy Committee that is comprised of representatives from all levels of the organization that meet to discuss issues and provide direction on corporate-wide safety initiatives.

"Marine Atlantic has a no blame safety culture and all employees are encouraged and expected to report any safety incident, regardless of the perceived severity. A near miss that is reported can help avoid a more serious situation in the future. All incidents are recorded and followed on an active database until the issue has been resolved."


Safety: A Core Value of Marine Atlantic

Safety is a core value at Marine Atlantic with the health and safety of our customers, employees, and contractors being the top priority in everything we do.

Marine Atlantic continues to heighten safety awareness through its Occupational Health and Safety Committees, internal safety campaign, internal communication initiatives and safety summits.

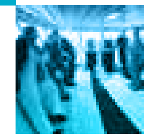
In 2013–14, Marine Atlantic planned emergency preparedness activities to be ready for actual events. These types of scenarios are very important and ensure the Corporation is ready should an emergency situation be presented, as was evident when an actual event took place on July 31 involving the MV *Blue Puttees*. Following this incident and in consultation with the Transportation Safety Board and related agencies, Marine Atlantic conducted a review of Bridge Resource Management and has engaged the National Research Council, a highly skilled independent research organization, to assist in completing research regarding the optimal speeds at which to enter and exit port in each of our harbours.

Lessons have been learned from this incident and the improvements and work that has taken place will help prevent a future occurrence.

Marine Atlantic joined the Conference Board of Canada's Emergency Management Group. This group explores leading practices in emergency management and helps build relationships and build stronger emergency preparedness skills between first responders and public and private sector organizations.

From a security perspective, the Corporation renewed its Terminal Security Plans that will further guide the activities of our ferry operations and ensure the safety and security of customers and employees. A new investigator was also recruited to proactively identify opportunities for improvements as well as conduct follow-up and review of security issues that may occur throughout the Corporation

From an environmental perspective, Marine Atlantic is finalizing its Environment Management Plan that will outline and govern the Corporation's activities.



Serving Our Customers and Strengthening Relationships

Marine Atlantic continues to work with its customers and stakeholders to provide a modern, reliable and efficient ferry service. Customer satisfaction and reliability rates continue to improve year over year. During the past fiscal year, a number of initiatives were introduced to further strengthen our customer service initiatives and reinforce and build relationships with key stakeholder groups that rely on Marine Atlantic's service for their transportation and shipping needs.

Commercial Booking Processes

Through continued dialogue with the Retail Council of Canada that represents the majority of companies selling goods on the Island of Newfoundland, and representatives of the commercial trucking industry, Marine Atlantic initiated a number of stakeholder consultation sessions to gather information and feedback regarding commercial booking processes. Commercial companies that travelled with Marine Atlantic over the past two years were invited to participate in these sessions. The goal is to identify the various needs of Marine Atlantic's customers from all sectors to assist the Corporation in the development of a potential new process to best manage and move commercial traffic.

Supply Chain Partnerships

Recognizing that Marine Atlantic is a vital part of the supply chain process for our end customers, the Corporation initiated regular discussions and consultations with the requirements of these important business partners.

Understanding and listening to the needs of customers will continue to be a strong focus for Marine Atlantic.

Marketing Initiatives

Marine Atlantic continued its investment in marketing the service to new and potential customers as an opportunity to generate new business and revenues. During the year, new print, radio and web-based advertising campaigns were launched. The Corporation also enhanced its marketing messages moving from the "Changing for You" campaign to the "Every Journey Matters" campaign to reflect the progress that has been made during Marine Atlantic's renewal process and the focus being placed on our customers.

Representatives from the Corporation also participated in a number of trade shows to provide information to prospective customers and partnered with the popular television program, Amazing Race Canada, and was featured as part of one of the episodes set in Atlantic Canada.

Customer Satisfaction

STAFF EXPERIENCE

90% of customers highly satisfied with the courtesy of staff onboard and at the terminal.

90%

RECOMMENDATION

87% of customers likely to recommend Marine Atlantic to family and friends.

87%

EXPECTATION

87% of customers told us that their expectations were met or exceeded.

87%

ON BOARD EXPERIENCE

76% of customers highly satisfied with the onboard experience.

76%

RELIABILITY

69% of customers highly satisfied with the reliability of Marine Atlantic (up from 66% in 2012–2013).

69%

Service Excellence Program

Launched in the previous fiscal year, the Service Excellence Program was expanded during 2013–14 to provide quality, consistent customer service training to employees. These training activities will further strengthen customer service interactions and provide our customers with an improved travel experience.

On Board Magazine Partnership

Marine Atlantic undertook a trial project with Downhome Magazine to provide a complimentary copy of the magazine to customers when they board the Corporation's vessels. The magazines feature a branded Marine Atlantic wrap which includes employee profiles and corporate messages. Customer feedback regarding this type of on board publication was very positive. Marine Atlantic will initiate an RFP process in 2014–15 to develop a longer-term partnership to provide an on board publication to customers travelling with Marine Atlantic.

Our Employees – The Strength of Our Business

Marine Atlantic's employees are the backbone to the Corporation's success. Through ongoing training, recruitment and retention initiatives, awards programs, employee benefits and related initiatives, Marine Atlantic is being recognized as a great place to work that continually invests in its people.

President and CEO Paul Griffin receiving the Employer of Distinction Award from the NL Employer's Council

Chair Rob Crosbie, President and CEO Paul Griffin, and Minister of Employment and Social Development Jason Kenney with Employer of Dinstinction Award

Employer of Distinction

On February 14, Marine Atlantic was presented with the 2013 Newfoundland and Labrador Employer of Distinction award by the Newfoundland and Labrador Employers' Council.

The Employer of Distinction Award is presented annually to recognize employers who exemplify leadership, innovation, creativity, and a fundamental belief in the value of a healthy, safe and motivated workforce. The award recognizes those employers who view employees as vital and integral to the organization's success.

Marine Atlantic was recognized for its strong workforce, human resource strategies and investment in people including its focus on occupational health and safety, leadership development, effective training, internal communication strategies, and recognizing and rewarding the efforts of employees. All of these initiatives have helped strengthen the Corporation's recruitment and retention activities and have made Marine Atlantic an employer of choice.

Training our Leaders

Leadership initiatives and training continued to be a priority during 2013–14. Various practices have been put in place to ensure managers have the appropriate tools available to strengthen their supervisory skills and do their job effectively from a leadership perspective. The Corporation has created a leadership development program based upon a 360 degree feedback peer review.

The Navigating Through Change program, piloted in the previous fiscal year, was launched throughout the Corporation. This program is enabling employees to understand how change impacts individuals and the organization.

These programs are further strengthening the leadership talent within Marine Atlantic for today and the future.

Training our Employees

Marine Atlantic is committed to supporting additional educational and professional development opportunities for employees. To supplement an employee's knowledge base, personnel receive training each year updating best practices and regulatory changes throughout the marine industry.

Workforce planning

Our Corporation recognizes the importance of workforce planning and ensuring we have the appropriate people and skill sets to guide our operations into the future. In 2013–14, Marine Atlantic developed a workforce planning program that will enhance our abilities in evaluating our current workforce, our changing needs and our future requirements to ensure we have a strong succession planning process in place. Our strategic approach to our people requirements is part of the annual planning cycle and is incorporated into the budget and corporate planning processes. By having this effective workforce planning strategy, we will ensure we have the appropriate people in place to implement the initiatives outlined in our corporate plan.

147 Employees

147 employees walked 246,622,820 steps as part of our Employee Wellness Program. That equates to walking around the world four times.

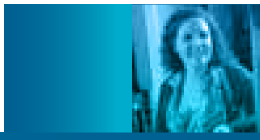
246,622,820 steps

Employee Wellness Program

Marine Atlantic is very proud of its employee wellness program which continues to grow through the input of our workforce. Our Corporation's @live challenge continues to grow and encourages employees from across the organization to participate in healthy activities. Employees can participate in teams or as individuals and receive awards and prizes for their accomplishments. During the summer and fall of 2013, Marine Atlantic participated in the Global Corporate Challenge where teams of employees competed against other Corporations in a simulated online race around the world with the objectives of increasing physical activity, improving eating habits, encouraging healthier lifestyles and promoting team participation.

Internal Communications

Marine Atlantic continues to invest significant resources to communicate with employees. Through initiatives such as Strait Talk (monthly internal newsletter), information updates and notices for all employees, bi-monthly notices to managers, safety related tool box talks, President's annual employee update tour, employee surveys, focus groups and workplace assessments, information is being shared and valuable employee feedback is being received to help identify areas of improvement for the organization and the workplace.



President and CEO Paul Griffin presents President's Award to Senior Chief Stewards Mary Beth Armstrong, Paula Cooper and Bill Walsh. Missing from photo: John Gillis, Linda Berkshire, Mike Keeling, Albert Edwards, Sue Holmes and Wayne Hann.

Awards and Distinction

Recognizing the work and accomplishments of employees is a priority within Marine Atlantic. The award recognition program includes Ripple Awards, Awards of Distinction, and President's Awards which are presented to employees who show tremendous commitment through their actions in the workplace and community. An additional award, the Bright Ideas Award, rewards employees who bring forward ideas that help improve the way in which Marine Atlantic does business or operates on a daily basis. Awards ceremonies are held annually in each of our port towns.

A new Volunteer of the Year award was announced in 2013–14 and will be presented for the first time during fiscal year 2014–15. This award is designed to recognize an employee who is making a difference in their community through volunteer activities. The Volunteer of the Year will receive a recognition certificate, a gift valued of up to $200.00, as well as a $1000.00 donation to be presented to the recognized charity of their choice.

Prudent management of our resources throughout Marine Atlantic is a key business function essential to ensure we are a modern and efficient organization. Our Senior Chief Stewards were presented with the President's Award for their collective efforts in managing the onboard passenger services. They implemented changes that resulted in improved operations and resulted in savings for the organization.

Disability Management Program

This program makes every reasonable effort to provide suitable modified or alternative employment to employees who are temporarily or permanently unable to return to their regular duties as a result of an occupational or non-occupational injury or illness. This program helps minimize the economic and emotional impact on employees.

Recruitment Campaign

The recruitment campaign was developed to promote Marine Atlantic as an employer of choice and identifies the key attributes of what it means to be a Marine Atlantic employee.

The campaign reflects on the significant contribution Marine Atlantic makes to people's lives and presents a platform for future staff to see the company as a great option for employment. The creative developed for the campaign is now being used in Marine Atlantic's recruitment efforts, including job postings and career fairs.

Looking Forward

Working with customers, stakeholders and employees, Marine Atlantic is confident that the Corporation will be successful in its continued journey of becoming a modern and efficient company offering a high level of customer service.

Much has been accomplished over the past few years as part of Marine Atlantic's renewal and revitalization program. Safety, reliability and efficiency have been the cornerstone to all of the changes that have taken place. The positive investments in vessel and shore-based infrastructure, as well as the business process change are the result of the Government of Canada's five-year funding commitment announced in Budget 2010.

As Marine Atlantic prepares for the year ahead, significant work will continue to further our agenda of positive change. Shore-based infrastructure investments will continue in North Sydney, Port aux Basques and Argentia. From new and upgraded terminal buildings to strengthened docking infrastructure, our service will continue improving to provide our customers with a quality travel experience.

Our focus on customer service will evolve even further. From continued marketing campaigns and pricing model evaluations to stronger research and dialogue, Marine Atlantic will continue working with its customers to provide the most enjoyable, reliable and efficient travel experience possible.

From a business process change perspective, Marine Atlantic will continue implementing approaches that align with industry-best practices. A number of changes are taking place within our financial oversight and reporting processes, maintenance regimes, fuel management programs and human resource practices, and these new ways of ensuring that Marine Atlantic is the best it can be will continue to evolve in the year ahead.

Fiscal year 2014–15 promises a continuation of Marine Atlantic's plan for renewal. Working with customers, stakeholders and employees, Marine Atlantic is confident that the Corporation will be successful in its continued journey of becoming a modern and efficient company offering a high level of customer service.

Corporate Social Responsibility

Marine Atlantic supports and promotes diversity, equal opportunities and provides support to the communities in which we operate.

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. Employees are governed by a code of conduct which provides additional guidelines for adherence to these standards.

Promoting Human Rights

Marine Atlantic is committed to creating and maintaining a workplace free from harassment and discrimination. The Corporation is committed to fostering a work environment in which all individuals are treated with dignity and respect. Employees have the right to work in a professional atmosphere that promotes equal opportunities and prohibits discriminatory practices. The Corporation's anti-harassment program aims to raise awareness of discrimination, sexual harassment and violence in the workplace.

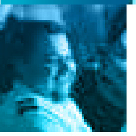
Accessible Transportation

Marine Atlantic believes that travel should be accessible to all people and our philosophy is that the biggest barrier to passengers with disabilities is not access, but attitude. To this end the Corporation's employees participate in training to improve their awareness and ensure that passengers with disabilities are treated with respect, professionalism and courtesy.

In keeping with Marine Atlantic's strong commitment to providing accessible transportation, the vessels in the fleet provide a high level of accessibility. They are equipped with adapted cabins, tactile signage, audible notification of deck level in elevators, and visual alarms.

In 2013–14, Marine Atlantic received the Coalition of Persons with Disabilities Inclusion Award which acknowledges the outstanding achievements of businesses and organizations that have clearly demonstrated commitment to encourage, welcome and support persons with disabilities in their workplace, business and community.

Don Barnes, Vice President of Customer Experience, accepts the 2013 Inclusion Award for Business from the Coalition of Persons with Disabilities.



Environmental Stewardship

Marine Atlantic conducts more than 1,700 sailings each year, and it's important to do it right. Marine Atlantic makes every effort to be environmentally responsible when it comes to fuel consumption, energy consumption, design engineering, recovery of waste and other resources. To enhance our efforts we will be introducing an Environmental Stewardship Initiative that is designed to promote and encourage superior environmental performance.

The Environmental Management Plan (EMP) will follow the Plan-Do-Check-Act structure provided by ISO 14001 EMS Standard; thus, ensuring regulatory compliance and minimizing environmental impacts from its operations. This will not only benefit the employees, but also other stakeholders including customers, communities, contractors, suppliers, and vendors. The EMP will minimize the environmental impact in everything we do helping us operate more efficiently; saving natural resources, protecting employees, community and environment, and reducing operating costs.

Ensuring Equal Opportunities

Marine Atlantic is an equal opportunity employer and encourages applicants from groups designated under the *Employment Equity Act*. Marine Atlantic has a Diversity Committee that is working to promote employment equity and diversity throughout the Corporation.

Investing in Youth

Marine Atlantic's annual scholarship program awards dependent children of employees or pensioners with funds for post-secondary education on a merit basis. The program provides up to four $2,000 university entrance scholarships and four $1,000 trade school entrance scholarships. Marine Atlantic also provides annually four $1,500 scholarships to students enrolled in either the Nautical Science or Marine Engineering programs at Memorial University's Marine Institute. Marine Atlantic is committed to building the skills of potential employees and the recruitment of high school graduates and post-secondary students for positions in the Corporation.

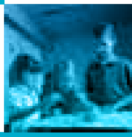
Giving Back to the Community

Marine Atlantic is accountable for the impact its service has on the environment, its employees, and the communities in which it operates. The Corporation proactively promotes community development by investing and supporting its port towns and surrounding areas.

Marine Atlantic employees are actively involved in their communities. With fiscal responsibility in mind, the Corporation supports employees and not-for-profit organizations that benefit the Atlantic region.

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. Bilingual employees undergo regular testing to ensure they continue to meet proficiency requirements.



The Board and Management Working Together

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 activities 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 its customers, governed by a strong set of corporate values that clearly outlines what is expected of every employee.

Marine Atlantic is governed by a ten-person Board of Directors. It is responsible for the general oversight of the Corporation's activities and is required to provide overall strategic direction. The independent directors are chosen and appointed for specific and staggered 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 and mission statement 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. Consequently, the Corporation is not entitled to expand into other business opportunities that may arise and complement its main business activities.

The Board must provide prudent fiscal direction and guidance to the management team, ensuring effective budgeting and financial management, as well as management of corporate risks. These processes fulfill the board's commitment to provide overall governance.

Committees of the Board

The Board has standing committees to engage and support its efforts in the three primary areas of governance responsibility: Corporate Governance and Accountability, Audit and Risk, and Human Resources and Pension Management.

Corporate Governance and Accountability Committee

The Corporate Governance and Accountability Committee is mandated to provide the Board advice and services to effect good governance at Marine Atlantic and to create a cohesive working relationship between the Board and management team. It provides a focus on corporate governance and accountability, safety, corporate values and ethics and the elements that facilitate Board effectiveness, such as Board self-assessment, Board committee structure and terms of reference. The mandate of the Committee was enhanced in late 2013 to include oversight of health and safety matters. During the year, the Committee received and reviewed quarterly health, safety, security, and environment reports.

In addition, the Committee spent an extensive amount of time reviewing, revising and implementing various Board of Director governing level policies.

Audit and Risk Committee

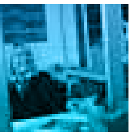
The Audit and Risk Committee is mandated to provide the Board advice and services to set the context for an effective Enterprise Risk Management (ERM) and internal control framework to provide reasonable assurance that the strategic, operational, financial and regulatory objectives of the Corporation will be achieved. Within the ERM and control frameworks, the Committee assists the Board in fulfilling its oversight responsibilities regarding safeguarding of assets; compliance with laws, regulations and governing policies; integrity of management and financial information; efficiency and effectiveness of operations; and independence of the external and internal audit functions. During the year, the Committee placed additional emphasis on the oversight of the design and enhancement of the ERM framework, including the governance structure. Additional activities included oversight of the operational and capital budget; review of management's financial control procedures, audited financial statements, hedging program, contract approvals process and audited pension plan statements; and the adoption of the renewed Accounts Receivable policy. The Committee also undertook a number of audits of Marine Atlantic's operational and personnel procedures.

Human Resources and Pension Management Committee

The Human Resources and Pension Management Committee (HRPMC) is mandated to provide the Board with advice on the stewardship of the Company's pension plan to ensure governing policies are in place and implemented by management to provide employees at Marine Atlantic with fair and meaningful employment in a healthy and respectful workplace, and oversight of the appointment, monitoring and compensation of executive management. Highlights for the year included an approved approach to implement a 50/50 cost sharing arrangement for the pension plan as per a Government of Canada directive; a review of key policies related to hiring, code of conduct, and the work environment at Marine Atlantic; approval of an action plan in response to an audit of Marine Atlantic's training function; and oversight of the negotiations with all of Marine Atlantic's bargaining units. Rhona Green, VP of Human Resources and an integral part of the HRPMC, retired in December 2013. Her position is being filled on interim basis by David Frew, Vice President of Strategy and Corporate Affairs.

Board Recruitment and Attendance

BOARD MEMBERSHIP	COMMITEE MEMBERSHIP	ATTENDANCE
Robert Crosbie St. John's, NL	Board Chair, member Corporate Governance & Accountability Commitee, Member – Human Resources Pension Management Committee (HRPMC)	5
Paul Griffin St. John's, NL	President and CEO, Ex-officio member of Corporate Governance & Accountability Committee and HRPMC	5
James G. Doody, CA St. John's, NL	Chair – Audit and Risk Committee	5
Nick Careen Jerseyside, NL	Member – Audit and Risk Committee Member - Corporate Governance & Accountability Committee	5
Stan Cook St. John's, NL	Member – Audit and Risk Committee	5
Sharon Duggan St. John's, NL	Chair – Corporate Governance & Accountability Committee, Member – HRPMC	5
John J. Henley St. John's, NL	Member – Corporate Governance & Accountability Committee	5
Garfield Moffatt Truro, NS	Chair – HRPMC	5
Dwight Rudderham Sydney, NS	Member – HRPMC	5
Walter Pelley North Sydney, NS	Member – HRPMC, Member - Audit & Risk Committee	5



Board of Directors

Robert Crosbie

Board Chair, member Corporate Governance & Accountability Commitee, Member – Human Resources Pension Management Committee (HRPMC)

Sharon Duggan

Chair – Corporate Governance & Accountability Committee, Member – HRPMC

Paul Griffin

President and CEO, Ex-officio member of Corporate Governance & Accountability Committee and HRPMC

John J. Henley

Member – Corporate Governance & Accountability Committee

James G. Doody

Chair – Audit and Risk Committee

Garfield Moffatt

Chair – HRPMC

Nick Careen

Member – Audit and Risk Committee
Member – Corporate Governance & Accountability Committee

Dwight Rudderham

Member – HRPMC

Stan Cook

Member – Audit and Risk Committee

Walter Pelley

Member – HRPMC, Member – Audit & Risk Committee

Financial Overview

As a federal Crown Corporation, Marine Atlantic receives a significant annual subsidy from its Shareholder the Government of Canada through Transport Canada.

In 2013/14, the Corporation spent $258.9 million; $105.8 million was generated via customer tariffs and other ancillary revenue; and $153 million was received via subsidy. The Corporation's cost recovery was 71 percent which falls within the targeted range established by the Shareholder.

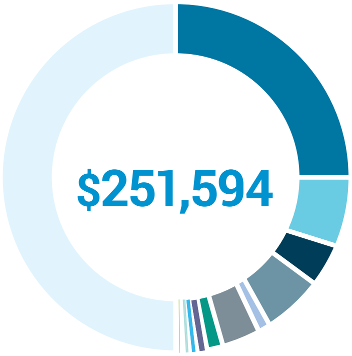
Revenues & Gains 2013/14

IN THOUSANDS OF DOLLARS
YEAR ENDED MARCH 31, 2014

Transportation revenue	91,355
Fuel surcharge revenue	13,331
Other income	200
Realized gain on derivative financial instruments	33
TOTAL	**$ 104,919**

Expenses 2013/14

IN THOUSANDS OF DOLLARS
YEAR ENDED MARCH 31, 2014

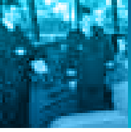


Wages and benefits	80,841
Charter Fees	44,600
Amortization	34,930
Fuel	29,288
Employee future benefits	18,374
Materials, supplies & services	17,195
Repairs and maintenance	8,479
Insurance, rent and utilities	7,295
Other	5,401
Charter importation taxes	5,034
Loss on disposal of tangible capital assets	112
Foreign currency exchange loss	45
TOTAL	**$ 251,594**

Year Ended March 31, 2014

(IN THOUSANDS OF DOLLARS)

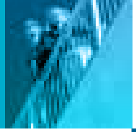
	2013–14	2012–13	2011–12	2010–11	2009–10
Operations					
Transportation Revenue	$ 91,355	$ 93,276	$ 87,772	$ 83,920	$ 80,270
Fuel surcharge	13,331	13,796	12,464	11,662	3,570
Other income	200	201	204	181	71
	104,886	107,273	100,440	95,763	83,911
Operating expenses	197,842	214,569	215,395	202,035	181,084
Employee Future benefits	18,374	19,387	16,022	8,278	2,593
Unrealized (Gain) Loss	-	-	-	(5,442)	1,708
Amortization	35,345	24,797	20,165	12,476	18,241
	251,561	258,753	251,582	217,347	203,626
Deficit before government funding	146,675	151,480	151,142	121,584	119,715
Government funding					
Operations	117,742	136,880	135,060	124,370	106,596
Capital	35,358	51,003	36,698	77,839	-
Recovery of vessel decommissioning costs	-	-	2,371	3,118	-
Amortization of deferred capital assistance	-	-	-	-	22,346
Operating surplus (deficit)	$ 6,425	$ 36,403	$ 22,987	$ 83,743	$ 9,227
Assets					
Total assets	$ 365,202	$ 351,948	$ 316,492	$ 291,372	$ 234,019
Purchases of vessels, facilities & equipment	$ 35,358	$ 51,003	$ 36,698	$ 77,839	$ 14,868



	2013–14	2012–13	2011–12	2010–11	2009–10
Passengers	323,352	351,643	365,786	382,522	398,667
Passenger vehicles	115,243	123,609	128,014	131,597	139,011
Commercial vehicles	97,396	103,160	103,253	100,620	96,694
AEU's*	524,988	559,740	565,301	558,361	546,637
Number of single crossings	1,709	1,818	1,908	2,095	1,972
Employees (peak employment)	1,307	1,393	1,389	1,364	1,303
Employees (full-time equivalent)**	1,025	1,108	1,153	1,139	1,100

** 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).*



Revenue

Total revenue for the year was $3.2 million lower than budgeted. Although the Corporation anticipated reductions in both passenger and commercial traffic volumes, the actual decline was greater than expected. Revenue was $2.4 million or 2 percent lower compared to 2012–13 as a 3 percent general tariff increase was implemented at the end of 2012–13 partially offsetting the drop in passenger and commercial traffic.

Wages and Benefits

Labour costs were $3.8 million lower than 2012–13. There were 83 less full-time equivalent employees compared to the prior year, more than offsetting wage rate inflation. Savings were achieved through business process improvements and policy initiatives. Compared to budget, wages and benefits were $6.7 million lower as in addition to the cost savings, there were delays in recruitment.

Charter Fees

The Corporation has lease arrangements for three of its four vessels; the MV *Blue Puttees*, the MV *Highlanders* and the MV *Atlantic Vision*. The lease payments for the MV *Atlantic Vision* are paid in Euro. The lease agreement for the MV *Atlantic Vision* was renewed for one year beginning in November 2013 at a lower daily rate. The difference compared to budget represents the change in Euro exchange rate compared to forecast. The strengthening of the Euro this year more than offset the lower daily charter rate.

Charter Importation Taxes

The non-refundable importation taxes paid as part of the reflagging of the MV *Blue Puttees*, MV *Highlanders* and the MV *Atlantic Vision* are recognized as a non-financial asset and amortized over the duration of the charter agreements. The charter importation taxes for the MV *Atlantic Vision* were fully amortized during the initial charter period which ended in November 2013 resulting in a $1.1 million reduction compared to 2012–13.

Fuel

Fuel expense is $5 million lower than last year, and $1.1 million lower than budget. The Corporation completed 109 fewer trips than the prior year. In 2013–14, the Corporation commissioned shore power facilities to supply electrical power to the vessels while in extended non-operational status. This energy savings initiative further reduced fuel consumption. In total, the Corporation's fuel consumption was 5.5 million litres lower than 2012–13.

Materials, Supplies and Services

Materials, supplies and services costs were 1 percent lower with the previous year, although 7 percent higher than budget. The reduction in traffic and labour costs resulted in reduced material consumption requirements.

Repairs and Maintenance

The repairs and maintenance costs were $7.3 million lower than 2012–13 and $4.9 million below budget. In 2013–14, the Corporation renewed its maintenance program resulting in savings. The previous year all four ships required refit work to complete planned preventative maintenance and to address emerging requirements in the year.

Insurance, Rent and Utilities

Insurance, rent and utilities was $1 million higher than 2012–13 and $0.2 million higher than budget. This year, the Corporation commissioned shore power facilities to power vessels in extended non-operational status. While this change resulted in increased electrical costs, there was significant net energy cost savings as a result of reduced fuel consumption. Insurance premiums and property taxes increased year over year and slightly more than anticipated.

Other

Other expenses are $0.6 million lower than budget, while $1.8 million higher than last year. In 2012–13, adjustments were made to balance sheet accounts to account for differences between prior year estimates and actual amounts, significantly reducing expenses in this category.

Employee Future Benefits

Actuarially calculated expenses relating to Employee Future Benefits decreased by $1 million. The accrued expenses for the Pension Plan for Employees of Marine Atlantic Inc. decreased by $2 million while the expense for Workers' Compensation and other benefits increased by $1 million. The budget represents the estimated cash requirements for current service and premium payments.

Foreign Currency Exchange (Gain)

The Corporation's foreign currency expense was $0.3 million higher compared to 2012–13. These currency gains/losses arise from our requirement to pay some vendors in foreign currencies.

Realized (Gain) on Derivative Financial Instruments

The Corporation incurred $0.03 million actual gain from the settlement of energy swaps and forward exchange contracts this fiscal year, compared to $0.5 million last year.

Loss on disposal of Tangible Capital Assets

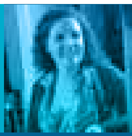
The Corporation incurred a loss of $0.1 million this year compared to $4 million last year. In 2012–13, the Corporation began major shore-based infrastructure replacement projects and retired several long-lived assets.

Government Funding

Government funding revenue recognized was $34.8 million lower in 2013–14 compared to 2012–13. Government funding for operations was $19.1 million lower due to significant savings in operational expenses. Government funding for capital projects was $15.6 million lower.

Tangible Capital Assets

In 2013–14, Marine Atlantic spent $35.4 million in asset renewal compared to $51 million last year. The Corporation spent $29.4 million on replacing and modernizing shore facilities and equipment compared to $40.7 million last year. While $6 million was spent on fleet related projects this year compared to $10.3 million in 2012–13.



Financial Statements

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 principles have been applied using management's best estimates and judgements that are considered appropriate to the Corporation's circumstances. Management relies on actuarial reports to record the activities of 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 Risk Committee, on behalf of the Board, fulfills this responsibility. The Audit and Risk Committee reviews matters related to accounting, auditing, internal control systems, and the financial statements. The Corporation has an internal auditor 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*, has audited the Corporation's financial statements in accordance with Canadian generally accepted auditing standards. The independent auditor has full and unrestricted access to the Audit and Risk 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, CGA
Vice President of Finance
St. John's, Canada
June 19, 2014

Paul Griffin,
President and CEO
St. John's, Canada
June 19, 2014

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Financial Statements

I have audited the accompanying financial statements of Marine Atlantic Inc., which comprise the statement of financial position as at 31 March 2014, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Marine Atlantic Inc. as at 31 March 2014, 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.

Report on Other Legal and Regulatory Requirements

As required by the Financial Administration Act, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Marine Atlantic Inc. that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Marine Atlantic Inc. Acquisition Authorization Act, the Canada Business Corporations Act and regulations and the articles of incorporation and by-laws of Marine Atlantic Inc.

Clyde M. MacLellan,
FCA Assistant Auditor General for the Auditor General of Canada
19 June 2014 Halifax, Canadaf

Statement of Financial Position

AS AT MARCH 31, 2014 (IN THOUSANDS OF DOLLARS)

	2014	2013
Financial assets		
Cash (Note 3)	$ 13,364	$ 12,087
Accounts receivable (Note 13(a))	9,868	12,248
Inventories held for resale (Note 5)	313	302
Derivative financial instruments (Note 12)	739	641
Accrued pension asset (Note 8)	89,624	73,151
	113,908	98,429
Liabilities		
Accounts payable and accrued liabilities (Notes 6 and 13 (c))	30,089	28,039
Derivative financial instruments (Notes 12 and 13 (c))	227	781
Deferred revenue	2,278	2,203
Payable to Government of Canada (Note 4)	2,604	2,687
Accrued vacation pay	5,560	5,859
Accrued pension liability (Note 8)	2,037	1,912
Accrued liability for non-pension post-retirement benefits (Note 9)	41,326	38,378
Accrued liability for post-employment benefits (Note 10)	11,191	10,698
	95,312	90,557
Net financial assets	18,596	7,872
Non-financial assets		
Tangible capital assets (Note 11)	218,790	218,474
Inventories held for consumption (Note 5)	23,554	21,820
Prepaid expenses	8,950	13,225
	251,294	253,519
Accumulated surplus (Note 14)	$ 269,890	$ 261,391

Contractual Obligations (Note 16)

Contingencies (Note 17)

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

On behalf of the Board of Directors:

Director

Director

Statement of Operations

FOR THE YEAR ENDED MARCH 31, 2014 (IN THOUSANDS OF DOLLARS)

	2014		2013
	Budget (Note 18)	**Actual**	**Actual**
Revenues			
Transportation Revenue	$ 94,190	$ 91,355	$ 93,276
Fuel surcharge	13,780	13,331	13,796
Other income	98	200	201
	108,068	104,886	107,273
Expenditures			
Wages and benefits	87,529	80,841	84,672
Charter fees	43,654	44,600	43,202
Charter importation taxes	5,034	5,034	6,121
Fuel	30,435	29,288	34,252
Materials, supplies and services	16,062	17,195	17,398
Repairs and maintenance	13,409	8,479	15,731
Insurance, rent and utilities	7,059	7,295	6,267
Other	6,004	5,401	3,577
Employee future benefits (Notes 8, 9 and 10)	11,732	18,374	19,387
Foreign currency exchange loss (gain)	–	45	(224)
Realized (gain) on derivative financial instruments	–	(33)	(512)
Loss on disposal of tangible capital assets	–	112	4,085
Amortization (Note 11)	26,400	34,930	24,797
	247,318	251,561	258,753
(Deficit) before government funding	(139,250)	(146,675)	(151,480)
Government funding (note 4)			
Operations	119,398	117,742	136,880
Capital	35,032	35,358	51,003
	154,430	153,100	187,883
Operating surplus	$ 15,180	$ 6,425	$ 36,403
Accumulated operating surplus, beginning of year	265,690	265,690	229,287
Accumulated operating surplus, end of year (Note 14)	$ 280,870	$ 272,115	$ 265,690

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

Statement of Remeasurement Gains & Losses

FOR THE YEAR ENDED MARCH 31, 2014 (IN THOUSANDS OF DOLLARS)

	2014	2013
Remeasurement gains (losses) arising during the year		
Unrealized gain (loss) on foreign exchange of cash	$ 1,422	$ (146)
Unrealized gain (loss) on derivatives	619	(2,783)
Reclassifications to the statement of operations		
Realized gain on derivatives	33	512
Net remeasurement gains (losses) for the year	2,074	(2,417)
Accumulated remeasurement (losses), beginning of year	(4,299)	(1,882)
Accumulated remeasurement (losses), end of year (Note 14)	$ (2,225)	$ (4,299)

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

Statement of Change in Net Financial Assets

FOR THE YEAR ENDED MARCH 31, 2014 (IN THOUSANDS OF DOLLARS)

	2014		2013
	Budget (Note 18)	Actual	Actual
Operating surplus	$ 15,180	$ 6,425	$ 36,403
Change in tangible capital assets			
Acquisition of tangible capital assets (Note 11)	(35,032)	(35,358)	(51,003)
Amortization of tangible capital assets (Note 11)	26,400	34,930	24,797
Loss on disposal of tangible capital assets	-	112	4,085
Proceeds on disposal of tangible capital assets	-	-	62
(Increase) in tangible capital assets	(8,632)	(316)	(22,059)
Change in other non-financial assets			
Acquisition of inventories held for consumption	-	(31,053)	(39,497)
Use of inventories held for consumption	-	29,319	35,373
Purchase of prepaid expenses	-	(36,809)	(25,690)
Use of prepaid expenses	-	41,084	31,782
Decrease in other non-financial assets	-	2,541	1,968
Net remeasurement gains (losses)	-	2,074	(2,417)
Increase in net financial assets	$ 6,548	$ 10,724	$ 13,895
Net financial assets (net debt), beginning of year	7,872	7,872	(6,023)
Net financial assets, end of year	$ 14,420	$ 18,596	$ 7,872

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

Statement of Cash Flow

FOR THE YEAR ENDED MARCH 31, 2014 (IN THOUSANDS OF DOLLARS)

	2014	2013
Operating transactions		
Cash receipts from customers	$ 105,615	$ 107,072
Other income received	218	453
Government funding - operations	121,690	132,906
Government funding - capital	31,327	58,886
Cash payments to suppliers	(115,112)	(118,333)
Cash payments to and on behalf of employees	(81,213)	(87,802)
Cash paid for employee future benefits	(31,281)	(30,450)
Interest and foreign exchange on cash	1,360	(174)
	32,604	62,558
Capital transactions		
Purchase of tangible capital assets	(31,327)	(58,886)
Proceeds on disposal of tangible capital assets	-	62
	(31,327)	(58,824)
Net increase in cash	1,277	3,734
Cash, beginning of year	12,087	8,353
Cash, end of year	$ 13,364	$ 12,087
Cash consists of:		
Restricted cash	$ 9,476	$ 8,116
Unrestricted cash	3,888	3,971
	$ 13,364	$ 12,087

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

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014 (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." The Corporation operates a ferry service between Nova Scotia and Newfoundland and Labrador. 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 owned and three leased vessels. It owns terminals in North Sydney, Nova Scotia; Port Aux Basques and Argentia, Newfoundland and Labrador.

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 commercial revenues. The acquisitions of tangible capital assets are subject to approval of parliamentary appropriations. The Corporation is economically dependent on the Government of Canada.

The Corporation's Board of Directors accepts responsibility 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 annual cost recovery target.

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 commercial revenues and to acquire tangible capital assets. The funding received is included in income for the period when funding has been authorized and all requirements are met by the Corporation. Any difference between amounts provided and amounts required 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, accrued liabilities and receivable from (payable to) the Government of Canada are measured at cost.

Derivative financial instruments are measured at fair value with changes in fair value being 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. Transaction costs are expensed as incurred.

(c) Insurance claims receivable

Accounts receivable includes recoverable insurance claims which are recognized when the Corporation has reasonable assurance the claim will be accepted and paid by the insurance underwriter.

(d) Inventory

Inventories consisting primarily of items used for consumption onboard vessels are valued at the lower of historical cost or replacement cost.

(e) Tangible capital assets

Tangible capital assets are comprised of vessel, facilities and equipment which are carried at cost less accumulated amortization. Major spare parts that are included in the Corporation's vessel spare parts inventory are accounted for as tangible capital assets. 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 projects onboard the vessel are amortized over the lesser of the useful life of the asset or the useful life of the vessel. Leasehold improvements are amortized over the shorter of the term of the lease agreement or the asset's useful life.

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	5% to 10%
Shore facilities	2.5% to 5%
Equipment (includes vessel projects)	10% to 25%
Leasehold improvements	Term of lease agreement or the assets 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.

(f) 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.

Post-retirement benefits

i) Accrued pension asset (liability)

The Corporation maintains, through a trustee, a registered defined benefit pension plan covering substantially all of its employees, an unfunded supplementary retirement arrangement for senior managers hired prior to March 1, 2001, and an unfunded supplementary retirement arrangement adopted in 2006 for designated positions providing benefits for service since 2004. Eligibility under the latter 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 generally are 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 and a proxy of the cost of borrowing for the other plans.

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 for the registered pension plan and for the supplementary retirement arrangement adopted in 2006 are amortized over the estimated average remaining service period of the members. Actuarial gains and losses for the former supplementary retirement arrangements are amortized over the average life expectancy of plan members.

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 supplementary retirement arrangement adopted in 2006 is 11.3 years (2013 – 11.4 years). For the former supplementary retirement arrangements, the average life expectancy of plan members is 17.0 years (2013 – 17.0 years).

ii) Health and dental plans

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 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.

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

The estimated average remaining service period of members covered by non-pension employee future benefit plans expected to receive benefits is 13.4 years (2013 – 13.4 years). Adjustments for plan amendments, net of offsetting unamortized actuarial gain/losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

iii) Complimentary ferry services for employees and retirees

Current and retired employees of Marine Atlantic Inc. have travel benefits on the Corporation's vessels. Union and non-union/management employees become eligible for travel pass privileges after acquiring four months of continuous employment plus 694 regular hours worked or two years of service, whichever occurs earliest. No liability has been recognized in the statement of financial position for this benefit because it is not material.

Post-employment benefits

i) Workers' compensation liabilities

For certain employees and former employees, the Corporation is a self-insured employer and is accountable for workers' compensation liabilities incurred. 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.

Adjustments arising from actuarial gains and losses are amortized over the average expected period over which benefits will be paid which is 10.0 years (2013 – 10.0 years).

ii) Other benefits

Other post-employment benefits are the income replacement for employees on short-term disability and group benefit continuation for employees on long-term disability. The cost of these other post-employment benefits is actuarially determined using the net present value of the liabilities associated with employees currently on short-term or long-term disability taking into account inflation rates, interest rates, mortality rates and health care cost trend rates. 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.

Union employees become eligible for short-term disability benefits the first of the month following 60 days of continuous employment. This benefit is not available to non-union/management employees as they have a separate sick leave plan. The short-term disability plan for union employees provides regular income to replace income lost because of a disability due to disease or non-work related injury. Benefits begin after the waiting period and continue until the employee is no longer disabled or until the end of the benefit period, whichever comes first. In order to qualify for short-term disability benefits, an employee must have met the eligibility period and meet the definition of disabled. The amount of weekly benefit is determined by the employees' collective agreement. An employee in receipt of short-term disability benefits has his/her extended health insurance maintained for a period of six months, his/her dental insurance maintained for a period of three months and his/her basic life insurance continued for a period of six months after which the employee can make application for a waiver of life premium to maintain coverage. Their travel pass privileges are maintained during the duration of their disability. Accidental death and dismemberment benefits are not provided to employees who are not active in the workplace.

Non-union/management employees become eligible for long-term disability benefits the first of the month following 60 days of continuous employment. This plan is not available to union employees. The long-term disability plan for non-union/management employees provides regular income to replace income lost because of a lengthy disability due to disease or non-work related injury. Benefits begin after 26 week waiting period and continue until the employee is no longer disabled as defined by the policy or the employee reaches age 65, whichever comes first. The amount of weekly benefit is determined by whether the employee is a management employee or non-union employee. An employee in receipt of long-term disability has his/her extended health and dental insurance continued, along with his/her travel pass privileges, during the duration of his/her illness provided he/she continues to meet the definition of disabled and have not yet reached age 65. Basic life insurance is continued for a period of six months after which the employee can make application for a waiver of life premium to maintain coverage. Accidental death and dismemberment benefits are not provided to employees who are not active in the workplace.

There is also a sick leave plan for non-union/management employees hired after September 1, 2001 as they work and accumulate sick leave credits. Employees hired prior to September 1, 2001 are eligible for sick leave based on years of service. This plan is not available to union employees. The sick leave plan provides benefits that accumulate but do not vest. No liability has been recognized on the statement of financial position for this benefit because it is not material.

(g) Revenue recognition

The Corporation recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. Transportation revenue and fuel surcharges are recorded when ferry services are provided. The Corporation requires customers to pay in advance when booking a reservation. These amounts received are recorded as deferred revenue and are recognized as revenue when ferry services are provided. Interest income is recorded as it is earned and collection is reasonably assured.

(h) 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.

(i) 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. Prepaid expenses also include costs related to the importation of chartered vessels that are amortized to charter importation taxes on the statement of operations over the remaining terms of the related lease agreements.

(j) 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.

(k) 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.

(l) Measurement uncertainty

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include accrued pension asset, accrued liabilities for non-pension post-retirement benefits and post-employment benefits, 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. 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*. The charter agreement signed in October 2013 requires the continuation of the established escrow account equivalent to six months of charter fees until the end of the charter in 2014. The total balance denominated in Euros is €6,223 (2013 – €6,223), which translates to $9,476 (2013 – $8,116) Canadian dollars at March 31, 2014. These monies are to be released to the ferry's owners if there is a breach of the charter agreement by the Corporation.

4. 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.

	2014	2013
Receivable from (payable to) Government of Canada, beginning of year	$ (2,687)	$ 1,222
Parliamentary appropriations received during the year	(153,017)	(191,792)
Recognized during the year:		
Government funding – operations	117,742	136,880
Government funding – capital	35,358	51,003
Government funding surplus	83	(3,909)
Receivable from (payable to) Government of Canada, end of year	$ (2,604)	$ (2,687)

5. INVENTORIES

	2014	2013
Inventories held for consumption		
Fuel inventory	$ 18,020	$ 17,612
Vessel spare parts – ship based	2,246	1,785
Vessel spare parts – shore based	3,288	2,423
	23,554	21,820
Inventories held for resale		
Catering inventory	313	302
Total inventory	$ 23,867	$ 22,122

For the year ended March 31, 2014, inventories expensed during the year amounted to $33,968 (2013 - $39,002). The Corporation has written down $405 (2013 – $15) of vessel spare parts.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Accounts payable	$ 17,152	$ 15,826
Accrued liabilities	6,514	5,250
Wages and benefits payable	5,223	5,340
Government remittances payable	1,200	1,623
Accounts payable and accrued liabilities	$ 30,089	$ 28,039

Amounts due to the Government and other government organizations of $237 (2013 – $187) are payable on demand and are non-interest bearing.

7. LIABILITY FOR CONTAMINATED SITE

As part of its quality, risk and compliance program, the Corporation performs environmental assessment of its operations and facilities. In 2010–11, the Corporation identified environmental issues at its previously operated Bar Harbour terminal in the United States. The Corporation has assessed the impact and an action plan has been prepared to ensure compliance with regulations. The Corporation has recorded a provision of $431 (2013 – $170) in accounts payable and accrued liabilities for an environmental liability which represents the estimated anticipated future costs for remediation of the site. However, there is the potential for costs to increase if additional remediation work is required due to further environmental issues being identified after additional testing is completed.

8. ACCRUED PENSION ASSET (LIABILITY)

The Corporation's independent actuary measures the pension obligations and the value of the plan's assets for accounting purposes as at the measurement date (December 31, 2013 for the year ended March 31, 2014, and December 31, 2012 for the year ended March 31, 2013). The most recent actuarial valuation for funding purposes was completed in 2013 and is as of December 31, 2012.

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

	2014	2013
Accrued benefit obligation		
Balance, beginning of year	$ 550,678	$ 573,123
Current service cost	8,922	9,354
Employee contributions	4,064	4,244
Interest costs	30,826	28,699
Benefits paid	(36,284)	(36,345)
Actuarial gain	(5,854)	(28,397)
Balance, end of year	$ 552,352	$ 550,678
Market-related value of plan assets		
Balance, beginning of year	$ 574,524	$ 560,198
Return on plan assets	52,013	25,942
Employer contributions	31,339	20,485
Employee contributions	4,064	4,244
Benefits paid	(36,284)	(36,345)
Balance, end of year	$ 625,656	$ 574,524

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

	2014		2013	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Pension plan assets (market-related value)	$ 625,656	$ -	$ 574,524	$ -
Pension obligations (actuarial value)	549,814	2,538	548,046	2,632
Surplus (deficit) end of year	75,842	(2,538)	26,478	(2,632)
Unamortized net actuarial (gains) losses	(3,096)	462	27,871	682
Employer contributions during year for measurement date to March 31	16,878	39	18,802	38
Accrued pension asset (liability)	$ 89,624	$ (2,037)	$ 73,151	$ (1,912)

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

	2014		2013	
Contributions	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Employer	$ 29,263	$ 153	$ 28,003	$ 151
Employees	4,064	-	4,244	-
Total contributions	$ 33,327	$ 153	$ 32,247	$ 151
Benefits paid	$ 36,131	$ 153	$ 36,194	$ 151

The pension costs are comprised of the following:

	2014		2013	
Determination of pension costs for the year are calculated as:	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Current period benefit cost	$ 12,852	$ 135	$ 13,521	$ 78
Amortization of net actuarial losses	4,818	76	5,292	50
Employee contributions	(4,064)	-	(4,244)	-
Retirement benefit expense	13,606	211	14,569	128
Interest on pension obligations	30,759	67	28,638	61
Expected return on plan assets	(31,575)	-	(28,274)	-
Retirement benefit interest (revenue) expense	(816)	67	364	61
Pension costs	$ 12,790	$ 278	$ 14,933	$ 189

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 three percent.

Employer pension contributions are made in accordance with the actuarial valuations for funding purposes. In 2011, the Corporation notified the Office of the Superintendent of Financial Institutions that it was ceasing application of the *Solvency Funding Relief Regulations* and that existing letters of credit are to be treated in accordance with section 9.11 of the *Pension Benefits Standards Act,* 1985 and related regulations.

The registered pension plan assets are invested in debt securities and equity securities. The asset mix at December 31, 2013, which is the measurement date for the March 31, 2014 financial statements, was 54% in debt securities and 46% in equity securities (2013 – 56% and 44% respectively). The market value of plan assets is $661,843 (2013 – $602,352). The actual return on the market value of plan assets was $60,369 or 10.0% (2013 – $50,253 or 8.8%) and the actual return on the market-related value of plan assets was $52,011 or 9.4% (2013 – $25,942 or 4.6%).

Gains and losses incurred are as follows: Gain on market-related value of plan assets $20,436 (2013 – $2,332 loss); actuarial gain on registered plan accrued benefit obligation $5,713 (2013 – $28,519); actuarial gain on supplementary arrangements accrued benefit obligation $144 (2013 – $122 loss).

The assumptions are:

	2014	2013
Pension obligations		
Discount rate – registered plan	5.7%	5.5%
Discount rate – supplementary arrangements	3.1%	2.3%
Rate of compensation increase	3.5%	3.5%
Inflation rate	2.0%	2.0%
Pension costs		
Discount rate – registered plan	5.5%	5.1%
Discount rate – supplementary arrangements	2.3%	2.4%
Expected return on assets	5.5%	5.1%
Rate of compensation increase	3.5%	3.5%
Inflation rate	2.0%	2.0%

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

The Corporation provides life insurance and health and dental care benefits to retirees. The present value of this unfunded benefit plan for current and future retirees is determined by the Corporation's independent actuary on the basis of management assumptions. An actuarial valuation was conducted as of December 31, 2013 for the year ended March 31, 2014 whereas the March 31, 2013 accrued liability was determined based on the January 1, 2011 actuarial valuation.

The statement of operations includes a charge of $3,402 (2013 – $3,365) for non-pension post-retirement benefits for the cost of these benefits during the period.

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

	2014	2013
Obligation for non-pension post-retirement benefits (actuarial value)		
Unamortized net actuarial (losses) gains	$ (33,341)	$ (40,843)
Employer contributions during the year from measurement date to March 31	(8,107)	2,293
Accrued benefit liability for non-pension post-retirement benefits	122	172
	$ (41,326)	$ (38,378)

The following presents a summary of contributions and benefit payments in the year:

	2014	2013
Employer's contributions	$ 454	$ 452
Benefits paid	$ 454	$ 452

The non-pension post-retirement benefit costs are comprised of following:

	2014	2013
Determination of non-pension post-retirement benefit costs for the year are calculated as:		
Current period benefit cost	$ 2,081	$ 2,032
Interest on obligations	1,012	1,001
Amortization of net actuarial losses	309	332
Non-pension post-retirement benefit costs	$ 3,402	$ 3,365

The assumptions are:

	2014	2013
Non-pension post-retirement benefits obligations		
Discount rate	3.1%	2.3%
Rate of compensation increase	3.5%	3.5%
Initial weighted-average health care trend rate	5.8%	5.9%
Ultimate weighted-average health care trend rate	4.5%	4.5%
Year ultimate rate reached	2032	2032
Inflation rate	2.0%	2.0%
Non-pension post-retirement benefits costs		
Discount rate	2.3%	2.4%
Rate of compensation increase	3.5%	3.5%
Initial weighted-average health care trend rate	5.9%	6.0%
Ultimate weighted-average health care trend rate	4.5%	4.5%
Year ultimate rate reached	2032	2032
Inflation rate	2.0%	2.0%

Assumed health and dental care cost trend rates have a significant effect on the amounts reported for the health and dental care plans. A one percentage point change in assumed health care and dental cost trend rates would have had the following effects on amounts for March 31, 2014:

	2014	2013
Total of current service and interest costs	$ 946	$ (667)
Accrued benefit liability for non-pension post-retirement benefits	$ 6,353	$ (4,865)

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

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 Commission of Prince Edward Island for work-related injuries of current and former employees.

The actuarially determined liability consists of an obligation for known awarded disability and survivor pensions, an obligation for all other potential future awards for past claims and other costs consisting of temporary compensation, health care expenses, rehabilitation costs and related administration costs charged by the various provincial commissions. These amounts are presented on a net present value basis taking into account inflation rates, interest rates, mortality rates and aggregate claim projections for incidents which have occurred. The most recent actuarial valuations for accounting purposes for workers' compensation benefits were conducted as of December 31, 2011 and were extrapolated to the measurement dates of December 31, 2012 and December 31, 2013. The most recent actuarial valuation for accounting purposes for other post-employment benefits was conducted as of December 31, 2013.

The statement of operations includes a charge of $1,904 (2013 – $900) for post-employment benefit costs.

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

	2014	2013
Obligation for post-employment benefits (actuarial value)	$ (13,273)	$ (14,570)
Unamortized net actuarial losses	1,606	3,374
Employer contributions during the year from measurement date to March 31	476	498
Accrued benefit liability for post-employment benefits	$ (11,191)	$ (10,698)

The following presents a summary of benefit payments in the year:

	2014	2013
Benefits paid	$ 1,411	$ 1,843

The post-employment benefit costs are comprised of the following:

	2014	2013
Determination of post-employment benefit costs for the year are calculated as:		
Current period benefit cost	$ 1,210	$ 509
Interest on obligations	344	303
Amortization of net actuarial losses	350	88
Post-employment benefit costs	$ 1,904	$ 900

The assumptions are:

	2014	2013
Post-employment benefits obligations		
Discount rate	3.1%	2.3%
Increase in average industrial wage	3.0%	3.0%
Inflation rate	2.0%	2.0%
Health care cost increases	5.0%	5.0%
Post-employment benefits costs		
Discount rate	2.3%	2.4%
Increase in average industrial wage	3.0%	3.5%
Inflation rate	2.0%	2.0%
Health care cost increases	5.0%	5.0%

For the year ended March 31, 2014, the Corporation paid $380 (2013 – $413) 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.

11. TANGIBLE CAPITAL ASSETS

	2014 Cost				
	Beginning Balance	Additions	Disposals	Write–Downs	Ending Balance
Vessel	$ 103,136	$ 3,309	$ (1,016)	$ -	$ 105,429
Shore facilities	123,256	23,470	(59)	-	146,667
Leasehold improvements	53,992	10,869	(225)	-	64,636
Equipment	23,950	4,031	(672)	-	27,309
Work in progress	48,419	(6,321)	-	-	42,098
	$ 352,753	$ 35,358	$ (1,972)	$ -	$ 386,139

	2014 Accumulated Amortization				
	Beginning Balance	Additions	Disposals	Write–Downs	Ending Balance
Vessel	$ 55,277	$ 6,975	$ (1,001)	$ -	$ 61,251
Shore facilities	44,570	6,423	(51)	-	50,942
Leasehold improvements	22,530	18,507	(212)	-	40,825
Equipment	11,902	3,025	(596)	-	14,331
	$ 134,279	$ 34,930	$ (1,860)	$ -	$ 167,349

2013 Cost	Beginning Balance	Additions	Disposals	Write–Downs	Ending Balance
Vessel	$ 103,114	$ 627	$ (605)	$ -	$ 103,136
Shore facilities	115,871	22,489	(15,104)	-	123,256
Leasehold improvements	46,929	7,063	-	-	53,992
Equipment	18,295	6,408	(753)	-	23,950
Work in progress	34,003	14,416	-	-	48,419
	$ 318,212	$ 51,003	$ (16,462)	$ -	$ 352,753

2013 Accumulated Amortization	Beginning Balance	Additions	Disposals	Write–Downs	Ending Balance
Vessel	$ 49,276	$ 6,442	$ (441)	$ -	$ 55,277
Shore facilities	51,378	4,341	(11,149)	-	44,570
Leasehold improvements	11.627	10,903	-	-	22,530
Equipment	9,516	3,111	(725)	-	11,902
	$121,797	$ 24,797	$ (12,315)	$ -	134,279

	2014	2013
	Net Book Value	Net Book Value
Vessel	$ 44,178	$ 47,859
Shore facilities	95,725	78,686
Leasehold improvements	23,811	31,462
Equipment	12,978	12,048
Work in progress	42,098	48,419
	$ 218,790	$ 218,474

12. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The carrying amounts of financial assets and liabilities recorded at cost or amortized cost or at fair value are as follows:

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
FINANCIAL ASSETS				
Cash	$ -	$ 13,364	$ -	$ 12,087
Accounts receivable	-	9,868	-	12,248
Receivable from Government of Canada	-	-	-	-
Derivative financial instruments	739	-	641	-
	$ 739	$ 23,232	$ 641	$ 24,335
FINANCIAL LIABILITIES				
Accounts payable and accured liabilities	$ -	$ 30,089	$ -	$ 28,039
Payable to Government of Canada	-	2,604	-	2,687
Derivative financial instruments	227	-	781	-
	$ 227	$ 32,693	$ 781	$ 30,726

(b) Fair value

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. The methods used to establish the fair values of the Corporation's financial assets and financial liabilities at March 31, 2014, which are all classified as level 2 are based on quoted prices in similar assets or liabilities or modeled using inputs that are observable. The fair value of the derivative financial instruments is estimated at the discounted unrealized gain or loss calculated based on the market price 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 the Canadian chartered banks to assist in determining the fair value of the derivative financial instruments.

(c) Derivatives

The derivative financial instruments used by the Corporation, and measured at fair value, 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 and #6 heavy fuel 1%) or a market index while fixing the price effectively paid for fuel.

The Corporation uses foreign exchange forwards which are contractual agreements to buy Euros at a specified price and date in the future related to lease payments for the MV *Atlantic Vision*.

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

	2014				2013
	Period (Note 1)	Fixed Price Per Unit (Note 2)	Notional Quantity (Note 3)	Fair Value	Fair Value
Crude swap – #2 heating oil	2013	2.701-2.3	588	$ -	$ 92
Crude swap – #2 heating oil	2014	2.9174	126	6	$ 113
Crude swap – #2 heating oil	2015	2.923-3.243	672	62	36
Crude swap – #2 heating oil	2016	2.822-3.159	378	22	-
Crude swap – #6 heavy fuel 1%	2013	91.88-99.02	18	-	58
Crude swap – #6 heavy fuel 1%	2014	113.035	8	83	249
Crude swap – #6 heavy fuel 1%	2015	80.90-108.003	54	329	93
Crude swap – #6 heavy fuel 1%	2016	95.015-107.969	36	237	-
				$ 739	$ 641

Note 1 – These financial instruments have a monthly settlement schedule.

Note 2 – #2 heating oil swaps are priced per US gallon; #6 heavy fuel 1% swaps are priced per barrel.

Note 3 – #2 heating oil swap quantities are based on gallons; #6 fuel 1% swap quantities are based on barrels.

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

	2014				2013
	Period (Note 1)	Fixed Price Per Unit (Note 2)	Notional Quantity (Note 3)	Fair Value	Fair Value
Crude swap – #2 heating oil	2013	3.160	84	$ -	$ (13)
Crude swap – #2 heating oil	2014	2.8875-2.890	168	(12)	(7)
Crude swap – #2 heating oil	2015	2.819-3.151	504	(30)	(5)
Crude swap – #2 heating oil	2016	2.819-3.151	168	(6)	-
Crude swap – #6 heavy fuel 1%	2013	97.38-103.59	8	-	(24)
Crude swap – #6 heavy fuel 1%	2014	100.95	2	(24)	(53)
Crude swap – #6 heavy fuel 1%	2015	89.90-104.58	42	(103)	(214)
Crude swap – #6 heavy fuel 1%	2016	92.25-96.5	8	(37)	-
				$ (212)	$ (316)

Note 1 – These financial instruments have a monthly settlement schedule.

Note 2 – #2 heating oil swaps are priced per US gallon; #6 heavy fuel 1% swaps are priced per barrel.

Note 3 – #2 heating oil swap quantities are based on gallons; #6 fuel 1% swap quantities are based on barrels.

	2014				2013
	Period (Note 1)	Forward Rate CAD/EURO	Notional Quantity (Euros)	Fair Value	Fair Value
Foreign exchange forwards	2014	1.5230	3,150	$ (15)	$ (465)
				$ (15)	$ (465)

Note 1 – These financial instruments have a monthly settlement schedule.

13. 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 management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk 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, interest rate 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 have been no changes compared to previous years with respect to the exposures to risk and how they arise, the Corporation's objectives, policies and processes for managing the risks and the methods used to measure the risks.

(a) Credit risk

The carrying amount of cash other than restricted cash, accounts receivable and derivatives represents the Corporation's maximum exposure to credit risk. The Corporation minimizes credit risk on cash and derivative financial instruments by dealing only with reputable and high quality financial institutions. 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.

Cash

Cash other than restricted cash is held in a Canadian chartered bank. 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 a vessel 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.

The German bank holds a stand-alone rating of E, a guaranteed long-term rating of Aa1, and an unguaranteed short-term rating of P-3 from Moody's, and a stand-alone rating of b, a guaranteed long-term rating of AAA, and unguaranteed short-term rating of F1 from Fitch Ratings at March 31, 2014.

Accounts receivable

The Corporation's total accounts receivable is $9,868 as at March 31, 2014 (2013 – $12,248) and consists of trade receivables of $4,283 (2013 – $4,982) and other accounts receivable of $5,585 (2013 – $7,266) of which $3,405 (2013 – $4,044) is recoverable insurance claims.

Trade accounts receivable are incurred in the normal course of business and are due on demand. The Corporation provides services to numerous customers. However, five customers represent 51% of the trade receivables (2013 – five customers represented 50% of the trade receivables). The Corporation does not consider there to be any significant credit risk associated with accounts receivable.

As at March 31, 2014, approximately 4% (2013 – 2%) of trade accounts receivables were over 60 days past due, whereas 96% (2013 – 98%) were current, or less than 30 days past due. Historically, the Corporation has not incurred any significant losses with respect to bad debts. The Corporation's allowance for doubtful accounts was $190 at March 31, 2014 (2013 – $115). The allowance for doubtful accounts is based on an account by account analysis that considers the aging of the account and the current credit-worthiness of the customer.

Details of the Corporation's trade accounts receivable at March 31 are as follows:

	2014	2013
Current	$ 3,607	$ 4,306
1–30 days past due	693	680
31–120 days past due	19	25
Past due 121 days and over	154	86
	4,473	5,097
Less: Allowace for doubtful accounts	(190)	(115)
Trade accounts receivable, net	$ 4,283	$ 4,982

Derivatives

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 uses derivatives (foreign exchange forwards) to manage this risk. The Corporation makes monthly lease payments for the charter of the MV *Atlantic Vision*, in the amount of 900 Euros. To minimize this risk, the Corporation purchased forward contracts for 50% of the amount of the monthly lease payments. The Corporation has reduced exposure to currency risk given that these lease payments have been partially hedged.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate for the Corporation's cash balances varies based on changes in the prime rate. The Corporation has no significant exposure to interest rate risk. A variation of 1% in the interest rate would affect the amount of investment income earned on cash balances but would not have a significant impact on the financial statements.

(iii) Commodity fuel price risk

In order to manage the risk associated with fuel price variation, the Corporation enters into derivative contracts (swaps) with financial intermediaries. The objectives of the Corporation's fuel hedging policy are to stabilize fuel budget variances and the fuel surcharges charged to customers throughout the years. A fluctuation in vessel fuel prices of 5% would not have a significant impact on the financial statements. This variance is managed through fuel hedging activities as well as the fuel surcharges charged to customers.

(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 $4,000 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 has an operating credit facility of up to $35,622 (2013 – $35,622) available at an interest rate not to exceed the prime lending rate. No amount had been drawn down on the credit facility at March 31, 2014 (2013 – nil), although, irrevocable letters of credit have been provided against the facility in the amount of $35,622 (2013 – $35,622). The credit facility is available to the Corporation as required with annual renewal subject to the approval of the Minister of Finance.

The Corporation's bank has provided an irrevocable letter of credit against the Corporation's operating credit facility 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 (2013 – $4,200) for an indefinite period.

The Corporation's bank has provided irrevocable letters of credit against the Corporation's operating credit facility in favour of CIBC Mellon Trust Company in Trust for The Pension Plan for Employees of Marine Atlantic Inc. in amounts totalling $31,422 (2013 – $31,422) with expiry dates of December 31, 2014. The letters of credit do not exceed 15% of the market value of assets per regulations supporting the *Pension Benefits Standards Act,* 1985.

The carrying amount of accounts payable and accrued liabilities and derivative financial liabilities represents the maximum exposure to liquidity risk. The Corporation's carrying value of accounts payable and accrued liabilities was $30,089 (2013 – $28,039). The carrying value of accounts payable as at March 31, 2014 was $18,352 (2013 – $17,449) and are all due within 60 days. The Corporation's accrued liabilities had a carrying value of $11,737 as at March 31, 2014 (2013 – $10,590).

The following table summarizes the contractual maturities for accounts payable and accrued liabilities and derivative financial liabilities as at March 31:

2014

	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Total
Account payable and accrued liabilites	$ 30,089	-	-	-	$ 30,089
Derivative financial liabilities	$ 58	34	92	43	$ 227

2013

	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Total
Account payable and accrued liabilites	$ 28,039	-	-	-	$ 28,039
Derivative financial liabilities	$ 177	229	156	219	$ 781

14. ACCUMULATED SURPLUS

The accumulated surplus is comprised of:

	2014		2013	
Accumulated operating surplus	$	272,115	$	265,690
Accumulated remeasurement (losses)		(2,225)		(4,299)
Accumulated surplus	$	269,890	$	261,391

Accumulated operating surplus includes share capital in the amount of $258 (2013– $258). The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no par value. As at March 31, 2014, 517,061 shares (2013 – 517,061 shares) at $0.50 per share (2013 – $0.50 per share) have been issued and fully paid.

15. 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 year, the Corporation incurred expenses of $1,787 (2013 - $1,283) with other related parties, which includes the accounts payable as described in note 6. In addition to these transactions, the Government of Canada provides funding to the Corporation as described in notes 2(a) and 4. 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.

16. CONTRACTUAL OBLIGATIONS

(a) The total amount required to complete contracted work in progress at March 31, 2014 is $10,492 (2013 – $6,572). The remaining balance of these contracts will be paid during 2014–15.

(b) The Corporation leases certain facilities and equipment. As well, the Corporation entered into five-year charter agreements for three vessels in its fleet; the MV *Atlantic Vision,* the MV *Blue Puttees* and, the MV *Highlanders*. The minimum annual lease payments are as follows:

	Charter	Other	Total
2014 – 15	$ 36,025	$ 113	$ 36,138
2015 – 16	20,256	-	20,256
	56,281	113	56,394

The chartered vessels are accounted for as operating leases; therefore, no liabilities are recognized on the statement of financial position. To manage its exposure to risk and assess credit quality, the Corporation reviewed the operating lease contracts and assessed the possibility of the leasing companies failing to meet the obligations of the contracts.

17. CONTINGENCIES

In connection with its operations, the Corporation is the claimant or defendant or otherwise involved in pending claims and lawsuits. At March 31, 2014, the Corporation is in receipt of claims estimated at $60 (2013 – $132) 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 $650 (2013 – $1,010) where the occurrence of the confirming future event is not determinable and this amount has not been accrued. These estimates are derived based on professional judgement and maximum exposures which are limited due to insurance deductibles which are in place.

During the year, there was a Supreme Court judgment on liability against the Corporation for failure to award a contract in 1997. The Corporation has appealed the Supreme Court judgment and the appeal will be heard in June 2014 before the Court of Appeal. The Supreme Court judgment did not address damages or quantum. At this time, estimated financial amount related to this matter is not determinable.

18. BUDGETED FIGURES

Budgeted 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.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

Date: 23 Jun 2014 **Job:** 68010875

Version #: MAI Annual Report - ENG

INTERNAL APPROVAL

	Consultant	Proof Reader
Approved	NO	CLIENT
Approved with noted changes		
Not approved, needs revision		

CLIENT APPROVAL

Please examine this proof carefully. Errors noted or changes made after client approval will not be the responsibility of this agency.

Approved ☐

Approved with noted changes ☐

Not approved, needs revision ☐

Signature ______________________

Date ______________________

N|A|T|I|O|N|A|L