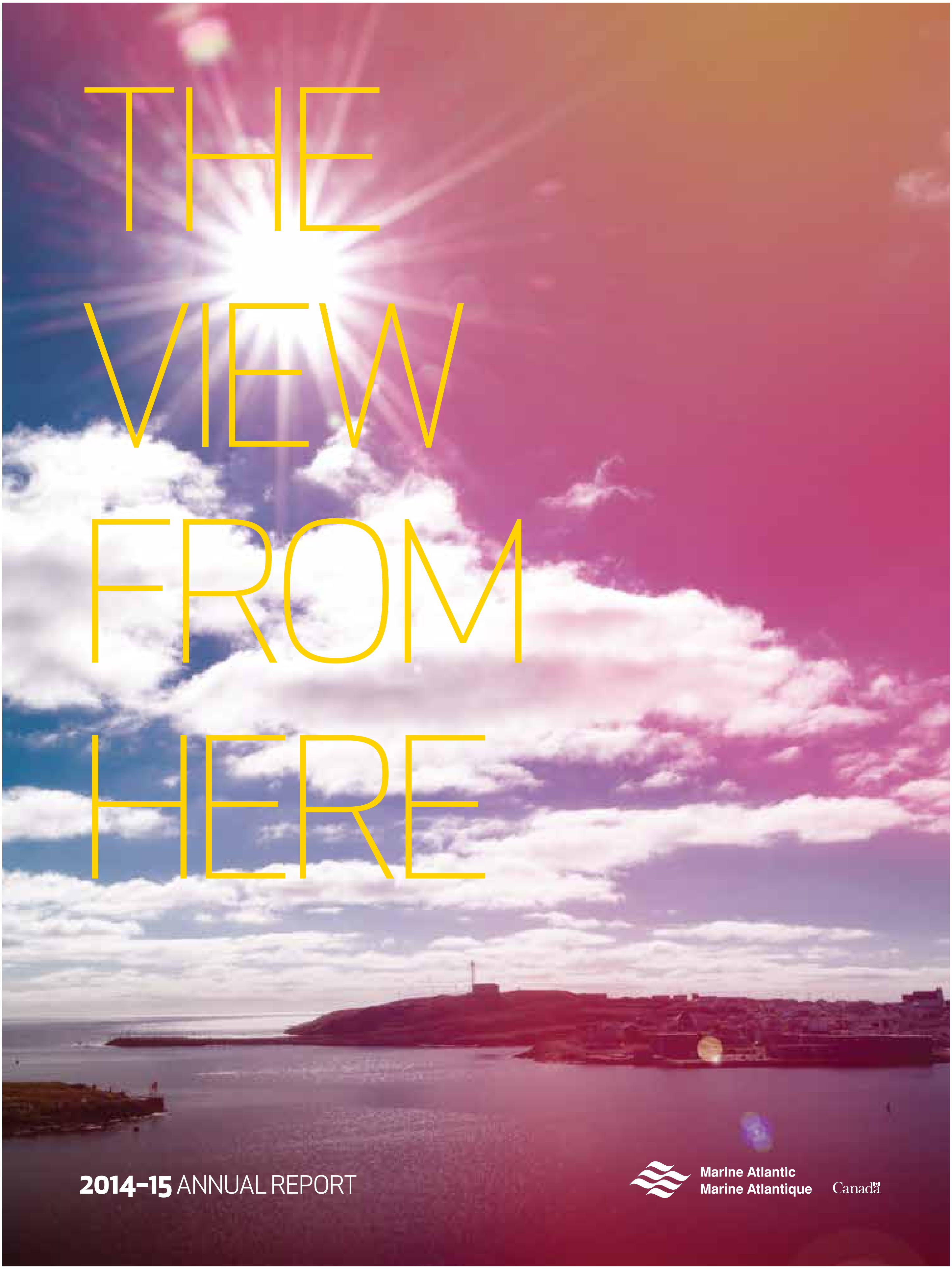


THE VIEW FROM HERE

2014–15 ANNUAL REPORT

Marine Atlantic
Marine Atlantique

Canada

TABLE OF CONTENTS

cover photo credit: Roland Kettle, Port aux Basques

2014-2015 HIGHLIGHTS

NUMBER OF SAILINGS

1,594

PASSENGERS

305,197

PASSENGER VEHICLES

109,167

COMMERCIAL VEHICLES

95,552

ON-TIME PERFORMANCE (EXCLUDING WEATHER DELAYS)

90%

MESSAGE FROM THE **BOARD OF DIRECTORS**

This is a very exciting time to be part of the Marine Atlantic team. We have seen significant improvements in operational performance that have been made possible by the efforts of the Corporation's employees, coupled with the Government of Canada's five-year, $521 million funding investment announced in Budget 2010. As this fiscal year marked the end of the five-year funding commitment, we thank the Government of Canada for their ongoing support and commitment and continue working with them towards new funding arrangements that will allow even greater improvement in the years ahead.

Over the past year, the Board of Directors has continued to enhance the risk management and governance framework for Marine Atlantic, including the ongoing development of policies and improved management reporting, all designed to strengthen the oversight role of the Board of Directors.

Our journey of renewal would not be the success it is without the ongoing hard work and dedication of our management team and all of the employees who do a tremendous job on a daily basis. On behalf of the Board of Directors, thank you for your continued commitment to our service and customers.

I want to thank Rob Crosbie, our former Chair, for his tremendous commitment to the Board of Directors and his guidance that has made such a great contribution to the Corporation and its success during his eight years of service. While his term as Chair concluded in October, his efforts will have a lasting positive impact on our operations for the foreseeable future.

Significant work has already been completed, but there is much more to be done. We can never stop improving and the Board of Directors is excited to be part of this ongoing change for the benefit of our customers. We look forward to our continuing work with the Government of Canada and the Marine Atlantic Executive Team to further strengthen the service during the year ahead.

Sincerely,

Sharon Duggan, Chair of Safety, Corporate Governance and Accountability Committee

Recognition of Rob Crosbie as Past Chair of the Board of Directors

Marine Atlantic would like to recognize and thank its former Chair, Mr. Rob Crosbie, whose term concluded on October 29, 2014. Mr. Crosbie helped oversee the Corporation's renewal agenda including the introduction of a new fleet of vessels, upgraded shore-based infrastructure and business process renewal. The improvements and strengthened service being experienced today at Marine Atlantic are certainly a credit to him, his leadership and his level of commitment during the past eight years.

MESSAGE FROM THE **PRESIDENT AND CEO**

As we reflect upon the significant work that has taken place over the past 12 months, and all we have accomplished over the past five years as a result of the Government of Canada's funding investment, there is no doubt that significant improvements to our service have taken place. With our ongoing commitment to safety, reliability and efficiency bringing about positive change, and customer satisfaction surveys showing continual year-over-year improvements, we can see first-hand the tremendous progress that has been made for our customers.

I want to recognize the efforts of our former Chair, Rob Crosbie, who led our Board of Directors for eight years. He acted as a mentor and inspiration to our entire Executive Team and impacted the organization in ways that will continue to benefit us in the months and years ahead.

This year was a continuation of the momentum that we experienced over the past four years. With new infrastructure investments at all three of our ports, business process and technology enhancements, and a stronger focus on our customer, Marine Atlantic is becoming a modern and efficient Corporation offering a high level of customer service.

This past winter we experienced severe ice and weather conditions not encountered in decades. I would like to thank all of our customers for their patience as we worked through this difficult period. I also want to thank our employees for going above and beyond the call of duty to keep the traffic moving and taking such good care of our customers during these trying times.

While this marked the final year of our five-year funding arrangement with the Government of Canada, we have already begun looking to the future. In February, we announced a renewal agreement for the charter of the *MV Atlantic Vision*, part of a new funding envelope that will provide us with more certainty regarding our current fleet configuration.

We have come a long way over the past five years and we know our efforts are resulting in real change that is being experienced each and every day. Our commitment is to continue working with our customers, stakeholders and industry partners to enhance our service. Significant work has already been completed, but there is much more to be done. I look forward to sharing our ongoing successes in the years ahead.

Sincerely,

Paul Griffin, President and CEO

WHO ARE WE?

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

OUR VISION

Building on our rich tradition, we provide a valued public transportation link that enhances the well-being of our customers and those who depend on them.

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.

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.

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.

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.

photo credit: Roland Kettle

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 OPERATIONS

Marine Atlantic is a ropax 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.

Marine Atlantic transports a wide 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 (trailers only) 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. Vitally important items such as fruits, vegetables, dairy supplies, meats and medical supplies are transported daily, and local Newfoundland industries rely on our service to maintain their supply chain to customers off the Island. Marine Atlantic also transports dangerous goods, which are used each and every day on the island of Newfoundland and is one of the only modes of travel available to transport many of these goods. Serving commercial customers is important to Marine Atlantic, as this customer segment represents a significant portion of overall customer traffic.

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 large numbers of tourists, both resident and non-resident, and is an important player in supporting the province's tourism industry.

OUR SAFETY STANDARDS AND REGULATIONS

Marine Atlantic's vessels are maintained to high standards, inspected by Det Norske Veritas (DNV) Classification Society and comply to Flag State Transport Canada Marine Safety Statutes and Regulations. The Safety Management System of the Corporation is audited to ensure that it complies with the requirements of the International Management Code for the Safe Operations of Ships and Pollution Prevention. 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.

OUR OPERATING ENVIRONMENT

Marine Atlantic's routes are amongst the most diverse nautical environments in the world. Operating year-round, the Corporation's vessels and crews sail during 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 safety and passenger comfort. Our vessels cross the Gulf of St. Lawrence where high 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 highlights Marine Atlantic's requirement for ice-class vessels for its service.

During this past winter season, ice conditions were amongst the worst experienced over the past 30 years. In some places, Marine Atlantic's vessels were faced with heavy, pressurized ice measuring upwards of seven metres (25 feet) in thickness. In these types of conditions, it is vital to have ready access to heavy Coast Guard icebreakers that have the ability to travel through extreme ice conditions. While this type of thick ice presented challenges to the largest icebreakers in the Coast Guard fleet, their efforts were vital in keeping Marine Atlantic's service in operation.

When considering the operating environment in which Marine Atlantic's service operates, it demonstrates why the service requires modern, ice-class, well-maintained vessels, as well as highly trained and skilled employees. By its very nature, Marine Atlantic's service is costly to operate, but the focus is always to provide a safe, quality and efficient service for customers.

AN OVERVIEW OF THE PAST 12 MONTHS

ONGOING RENEWAL AND TRANSFORMATION

As part of the Government of Canada's five-year funding commitment announced in Budget 2010, Marine Atlantic continued with its aggressive agenda of infrastructure renewal and business process change during the 2014-15 fiscal year. The last year of the $521 million commitment, there were a number of projects ongoing throughout the year designed to strengthen Marine Atlantic's service and the experience offered to customers during their travels.

SHORE-BASED INFRASTRUCTURE RENEWAL

Marine Atlantic placed a significant focus on upgrading and renewing shore-based infrastructure over the past five years. The 2014-15 fiscal year continued this momentum with a number of important projects moving forward.

NORTH SYDNEY

The landscape in North Sydney has changed dramatically over the past several months as construction activities continued 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 $20 million facility will be open and operational during spring 2015.

The new terminal building, combined with other shore-based upgrades including the construction of a new stevedore building, the new administration and warehouse building, the upgrading and expansion of the marshalling yard, shore power upgrades, improved electrical infrastructure system and renewed dock infrastructure, have strengthened the North Sydney port operations.

PORT AUX BASQUES

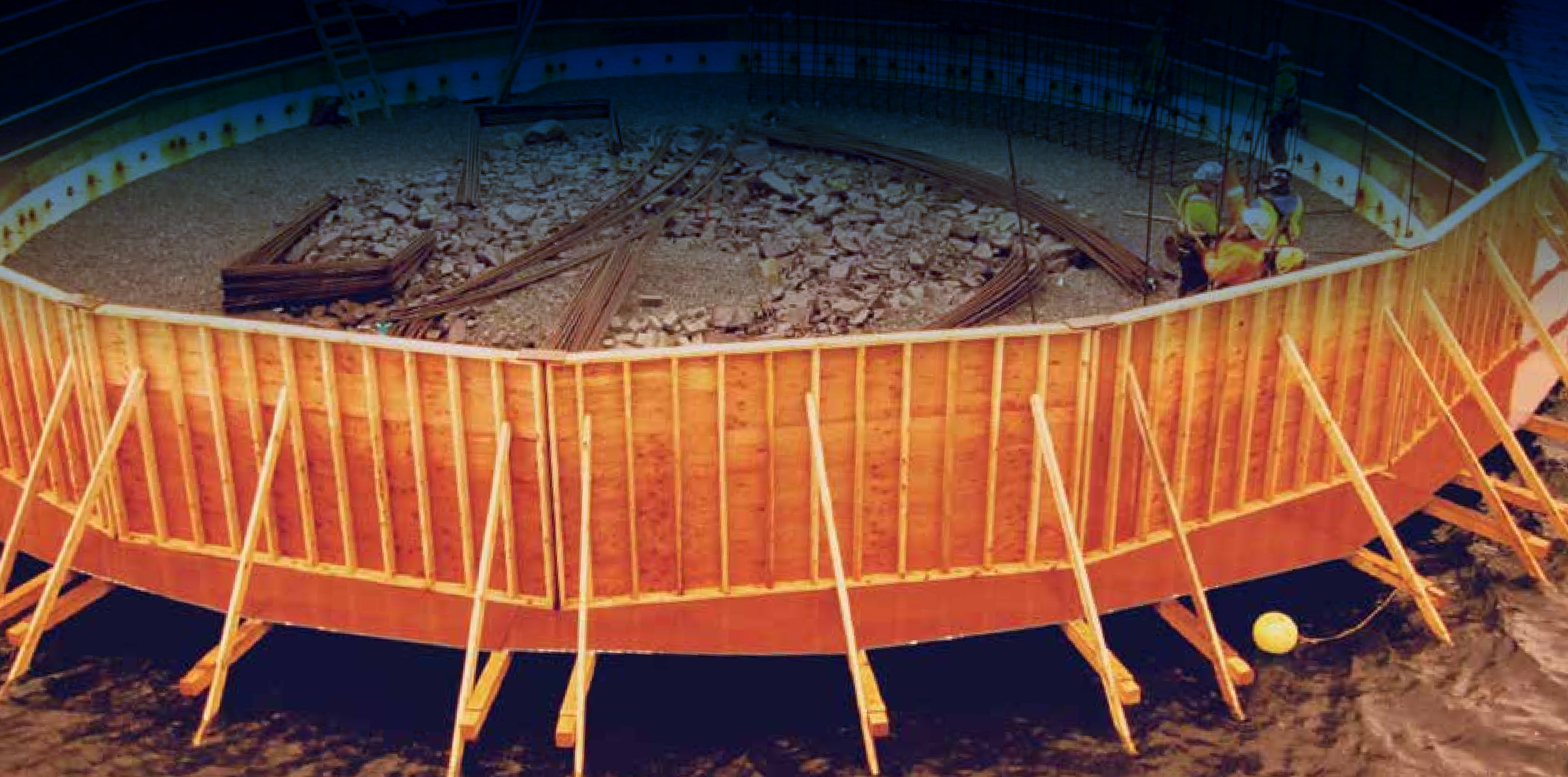
Extensive interior and exterior upgrades to the terminal building in Port aux Basques, totalling approximately $6 million, were completed during the year. Substantial upgrades were made to the cafeteria, washrooms, common and seating areas, the establishment of a commercial drivers' seating lounge area and an entirely renovated exterior, making the facility more modern and efficient for our customers.

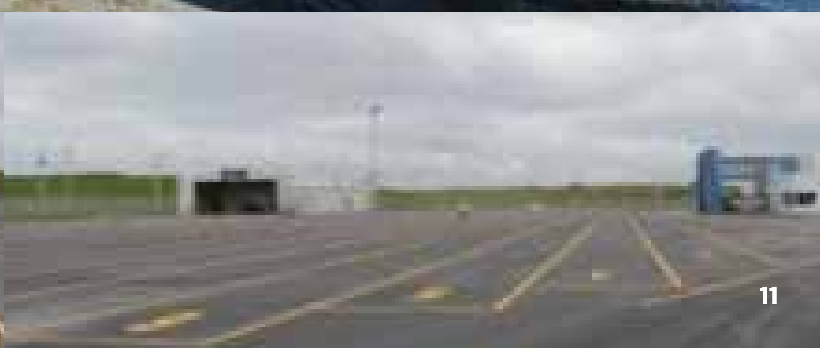
Other shore-based projects included dock upgrades, the expansion of the drop trailer yard, parking lot improvements and an upgraded fuelling system.

ARGENTIA

Dock infrastructure upgrades were completed during the year strengthening the reliability, efficiency and safety of Marine Atlantic's seasonal service to the eastern portion of the Island of Newfoundland.

Other shore-based upgrades include terminal enhancements, new ticket booths, improvements to the marshaling yard, new exterior lighting, a new mooring dolphin and upgrades to the stevedore building.





BUSINESS PROCESS RENEWAL

OUR CONTINUED BUSINESS PROCESS RENEWAL IS A VITAL COMPONENT OF MARINE ATLANTIC'S JOURNEY TO BECOME A MODERN AND EFFICIENT ORGANIZATION OFFERING A HIGH LEVEL OF CUSTOMER SERVICE. AS A RESULT, THE CORPORATION HAS FOCUSED ON PROCESS IMPROVEMENTS, INFORMATION TECHNOLOGY ENHANCEMENTS AND INFORMATION MANAGEMENT CAPABILITIES INVOLVING TECHNOLOGY, PEOPLE AND PROCESSES.

FEWER TRIPS. MORE VEHICLES.*

AEU's in 2005
505,415

AEU's in 2014
525,988

An increase of
3.9%

* AEU = Auto Equivalent Unit, the average length of one automobile.

CUSTOMER APPROVAL

In 2005, **42.8%** of our customers gave us top marks.

In 2014, with the **new fleet**, the rate increased to

66.9%

DELAY RECOVERY

In the past, recovery from delays could take upwards of **5 days**.

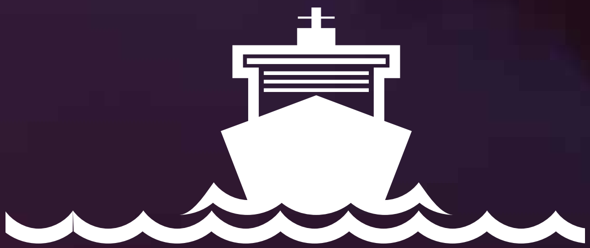
With today's **new fleet**, we can recover in about

24

HOURS!

ON-TIME PERFORMANCE

	Including weather	Excluding weather
2005	71%	76%
2014	**85%**	**90%**



PROCESS CHANGE

To achieve business improvements through process change, Marine Atlantic initiated a multi-year project to review processes and systems that support the Corporation's business functions. With the goal to reduce process and system complexities and provide a more integrated environment that ensures data integrity, reduces operational risks and increases operational efficiencies, the project is being guided by employee input and analysis of the processes and systems used on a daily basis.

INFORMATION TECHNOLOGY ENHANCEMENTS

Through improved technologies, Marine Atlantic's Information Technology/ Information Management (IT/IM) Division is focusing its resources to help the Corporation achieve its business goals. These investments are being recognized throughout Marine Atlantic for improving the day-to-day operations for staff in all areas, resulting in a more modern and efficient service for employees and customers. In addition, several initiatives have been launched to further enhance the security and controls that protect the Corporation's systems and information.

TERMINAL MANAGEMENT SYSTEM

Moving towards a more efficient and customer friendly means of managing drop trailer traffic, the Corporation initiated an automated system to improve the tracking and standardization for loading and unloading drop trailers. Phase one of the project was completed during the year, with phase two to move forward in the next fiscal year. Phase one achieved process standards as well as introduced electronic monitoring of drop trailer units while on Marine Atlantic property. Phase two, once completed, will provide commercial customers with electronic access via the internet to real time information regarding the location and transport of their product while at Marine Atlantic's terminal facilities.

DATA CENTRE PROJECT

Critical to the maturation and growth of Marine Atlantic's Information Technology Strategy, the data centre project improved information protection, process, security, availability and reliability of the Corporation's core information systems. Significant work has already taken place with migration activities continuing. The project will be completed during the next fiscal year.

VESSEL SATELLITE COMMUNICATION

Reliable network/internet connectivity is critical to enabling collaboration and information sharing amongst employees regardless of whether they are on shore or at sea. During the year, a new vessel satellite service was introduced to increase connectivity enabling improved point of sale and operational abilities while our vessels are at sea.

INFORMATION MANAGEMENT AND PROTECTION

As part of Marine Atlantic's information management program during the 2014/15 fiscal year, an information classification plan for vessel records was established and significant progress was made in the rollout of the Corporation's new document management system. These initiatives will further enhance the organization's ability to manage and protect information.

SUPPLY CHAIN MANAGEMENT ENHANCEMENTS

A continued focus took place during the year to strengthen supply chain, procurement and materials management processes and procedures. Building on the previous years' enhancements, the organization focused on contract lifecycle management. Additional training and resources were also established as the supply chain function continues to evolve through the Corporation's daily business practices.

RENEWING FUEL MANAGEMENT PRACTICES

Fuel costs continue to be a significant challenge for Marine Atlantic and will continue to be for the foreseeable future, especially as the Corporation moves towards using 100 percent marine diesel to meet environmental regulations for reduced sulphur emissions. Through continued efforts to better manage fuel burn and to better understand and manage fuel costs, an enhanced solution was deployed to provide better analytic capabilities related to fuel burn. This, combined with additional human resources, shore power projects, a fuel averaging program, improved vessel scheduling and stronger procurement processes, enables the Corporation to manage and mitigate against increased fuel costs.

SAFETY ABOVE EVERYTHING ELSE

At Marine Atlantic, safety is a part of everything we do and the first part of every task undertaken. We continue to develop a culture that ensures that the safety of our customers, employees, and contractors is our highest priority.

This commitment starts at the very top and moves through the entire organization. Marine Atlantic's Occupational Health and Safety (OHS) Committees are present at every location and corporately. There are currently 14 worksite specific committees which meet once per month, an OHS Policy Committee which meets quarterly and a Senior Management Committee, which also meets once per month.

That's 184 meetings that are held annually to ensure that every employee has a voice regarding corporate-wide safety programs, initiatives and activities.

Strengthened Health, Safety and Environment (HSE) Division

During the year, additional resources and a re-organization of activities took place to allow the HSE Division to further their mandate to ensure the health, welfare and safety of employees and customers, the security of assets and facilities, and stewardship of the environment. This included the creation of new positions and broader responsibilities to strengthen the Division's overall mandate.

Disability Management Program

Through its Disability Management program, Marine Atlantic 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. In an effort to make the program even stronger, new resources are being added to provide additional supports to employees.

Hazard Prevention Program

This Hazard Prevention Program is designed to prevent work-related injuries and diseases, and is prepared in response to hazards found in a particular workplace. During the year, Marine Atlantic implemented its own program to identify and mitigate against potential hazards.

Enhanced Safety Statistical Reporting

In an effort to make safety statistics more efficient and readily available to employees, new formatting was created that make the statistical presentation easier to understand and highlight key areas of accomplishment and areas for improvement. The frequency of information being available to employees was also enhanced with weekly, monthly and quarterly reports being produced. More frequent reporting and the presentation of more predictive information is helping managers to better identify potential safety issues in their respective areas.

Ocean Safe Two exercise

Secure Operations

Ocean Safe Two

Building upon previous exercises, a simulated emergency response event entitled Ocean Safe Two was held to practice Marine Atlantic's Emergency Response Plan. This exercise tested the various components of the plan and provided employees with another opportunity to learn from a simulated exercise.

ENVIRONMENTAL COMMITMENT

CONTINUING WITH OUR COMMITMENT TO ENVIRONMENTAL EXCELLENCE, MARINE ATLANTIC BECAME A MEMBER OF GREEN MARINE, THE LARGEST VOLUNTARY ENVIRONMENTAL PROGRAM FOR THE MARITIME INDUSTRY IN NORTH AMERICA. THROUGH THE PROGRAM, THE CORPORATION HAS COMMITTED TO UNDERTAKE CONCRETE ACTIONS THAT GO BEYOND REGULATORY REQUIREMENTS AIMED AT IMPROVING ENVIRONMENTAL PERFORMANCE AND SUSTAINABILITY.

GREEN MARINE

All four of Marine Atlantic's vessels have been approved with a valid Ship Energy Efficiency Management Plan (SEEMP). This includes air, water, and noise monitoring, and also sets the stage for future improvements that the Corporation is currently working towards for energy consumption, waste reduction and recyclable materials. It is an approved plan by our Class Society, DNV.

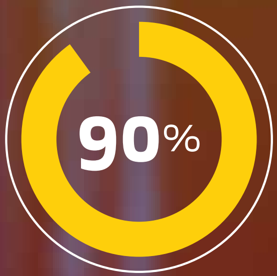
LEED CERTIFICATION

Through detailed planning, analysis and design work, Marine Atlantic has applied to the Green Building Council of Canada to have its new terminal building in North Sydney granted the LEED certification, a designation reinforcing leadership in environmental and energy efficient design.

GREEN MARINE

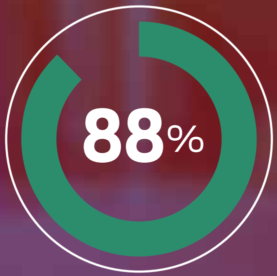
ENHANCING THE CUSTOMER EXPERIENCE

MARINE ATLANTIC IS COMMITTED TO IMPROVING THE OVERALL CUSTOMER EXPERIENCE FOR THOSE USING THE SERVICE. THROUGH NEW AND STRENGTHENED INITIATIVES AND WORKING MORE CLOSELY WITH KEY STAKEHOLDERS, THE CORPORATION IS LOOKING TO BETTER SERVE AND UNDERSTAND THE NEEDS OF CUSTOMERS.



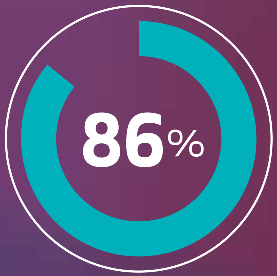
STAFF EXPERIENCE

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



RECOMMENDATIONS

88% of customers likely to recommend Marine Atlantic to family and friends.

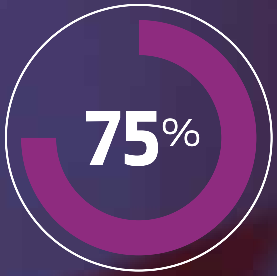


EXPECTATIONS

86% of customers told us that their expectations were met or exceeded.

ONBOARD EXPERIENCE

76% of customers highly satisfied with the onboard experience.



RELIABILITY

75% of customers highly satisfied with the reliability of Marine Atlantic's service.

MV ATLANTIC VISION CHARTER RENEWAL

In February, Marine Atlantic and the Government of Canada announced the renewal of the charter agreement for the *MV Atlantic Vision* until November 2017. With its cruise ship feel and numerous amenities, customer satisfaction levels with the vessel have grown steadily over the past five years.

For customers and stakeholders, this announcement means more certainty regarding fleet configuration and allows Marine Atlantic the ability to continue providing a strong service commitment to the Port aux Basques, North Sydney and Argentia service routes.

VESSEL MAINTENANCE

Through the Corporation's ongoing commitment to well-maintained and reliable vessels, a request for refit/dry docking services was issued and awarded. Each of the vessels will receive class and regulatory inspections, mechanical and related enhancements and upgrades and a complete superstructure paint renewal.

BETTER MATCHING CAPACITY AND DEMAND

By offering scheduled morning and overnight crossings, Marine Atlantic is better matching capacity and demand with popular travel times for customers. During 2014-15, the Corporation returned to year-round morning and overnight crossings, while offering dedicated commercial crossings. This approach is balancing the needs and preferences expressed by Marine Atlantic's various customer segments during the high travel summer season and off peak travel periods.

MARKETING EFFORTS

Marine Atlantic continued its investment in marketing the service to new and potential customers as an opportunity to generate new business and revenues. Throughout the year new print, radio and web-based advertising campaigns were launched under the Every Journey Matters creative umbrella, continuing to reflect the progress that has been made during Marine Atlantic's renewal process and the focus being placed on our customers.

Marine Atlantic has developed a commercial marketing strategy to better focus on this valuable part of the business. The strategy will be rolled out during the coming fiscal year and includes enhanced outreach and research programs which will lead to an increased level of customer insight.

ONBOARD MAGAZINE PARTNERSHIP

During the year, a request for proposals (RFP) was initiated for an onboard magazine partnership. This process followed a successful and popular trial period that took place during fiscal year 2013-14 with Downhome Magazine in which a complimentary copy of the magazine was available to customers when they boarded the Corporation's vessels. Following the RFP process, Downhome Magazine was selected for the partnership opportunity. Generating positive customer feedback, the magazines features a branded Marine Atlantic wrap which include corporate profiles, messages and initiatives.

DYNAMIC PRICING TRIALS

Through ongoing efforts to implement changes that benefit the customer and make efficient use of resources, Marine Atlantic introduced its first trial discount to passengers. The 30 percent discount for the 2015 Argentia-North Sydney service was designed to understand the impact of offering promotional fares and the subsequent effect it has on traffic volumes and revenue opportunities. Learning from this experience, Marine Atlantic will likely test other concepts in the future.

MOBILE WEBSITE

Recognizing the changing use of technology by customers, Marine Atlantic launched its mobile website during the year. With approximately 40 percent of visitors to the Corporation's website using a mobile device, the establishment of a mobile site is improving access for customers looking to interact and receive information regarding Marine Atlantic.

INVESTING IN OUR EMPLOYEES

Employees are the strength of Marine Atlantic. Through their ongoing commitment and dedication to customers and the overall ferry service, the Corporation's employees are helping to achieve ongoing successes each and every day. Recognizing the importance of having an engaged, skilled and active workforce, Marine Atlantic continues to invest in its employees through training, recruitment and retention initiatives, awards programs, employee benefits and related initiatives.

Leadership Training

In partnership with the Canada School of Public Service, Marine Atlantic continued its development of key leadership and managerial personnel. Through the program, the Corporation's leaders are integrating new skills and techniques that are helping to strengthen employee relationships and improve work processes on a daily basis.

Enhanced Performance Management

A new performance management and planning process was developed during the year to increase opportunities for senior employees and better equip them for more challenging roles within the organization. These initiatives will help employees better manage workload expectations, while improving succession planning within the Corporation. The program will be introduced during the 2015-16 fiscal year.

Working Together for a Strong Service

During the year, negotiations for all six of Marine Atlantic's collective agreements were concluded through the mutual goal of recognizing and providing fair and equitable contracts to the Corporation's workforce. With three agreements settled and three going to arbitration in 2015-16, customers can be assured of a continued high quality ferry service delivered by talented and skilled individuals.

Internal Communications

Marine Atlantic values the sharing of information 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, focus groups and workplace assessments, information is being shared and valuable employee feedback is being received to help identify areas for continued improvement for the organization and the workplace.

Improving Organizational Structure

During the year, the organization's structure was improved to better align resources and functions to the needs of the organization and focus on key objectives to position Marine Atlantic for long-term success. As our customers' needs continue to evolve and change, Marine Atlantic will revisit its organizational structure to ensure that it best supports our mission and goals.

CONTINUED FOCUS **ON 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, and have the opportunity to learn new skills for advancement within the Corporation.

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 Award 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. Award ceremonies are held annually in each of our port towns.

The new Volunteer of the Year award was 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.

VOLUNTEER OF THE YEAR

Volunteer of the Year, Mary MacIntyre-Cormier, on left

PRESIDENT'S AWARD

Todd Musseau accepts award from President and CEO Paul Griffin

AWARDS OF DISTINCTION

Dan Tobin accepts award on behalf of GCC Co-ordinators

Supply Chain Management Team

CONGRATULATIONS TO OUR RETIREES AND SERVICE AWARD WINNERS

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 ENCOURAGES EMPLOYEES FROM ACROSS THE ORGANIZATION TO PARTICIPATE IN HEALTHY LIFESTYLE ACTIVITIES. EMPLOYEES CAN PARTICIPATE IN TEAMS OR AS INDIVIDUALS AND RECEIVE AWARDS AND PRIZES FOR THEIR ACCOMPLISHMENTS.

Christine LeRiche and Sherry Scott – 4th place finish in the industry category

GLOBAL CORPORATE CHALLENGE

During the summer and fall of 2014, 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.

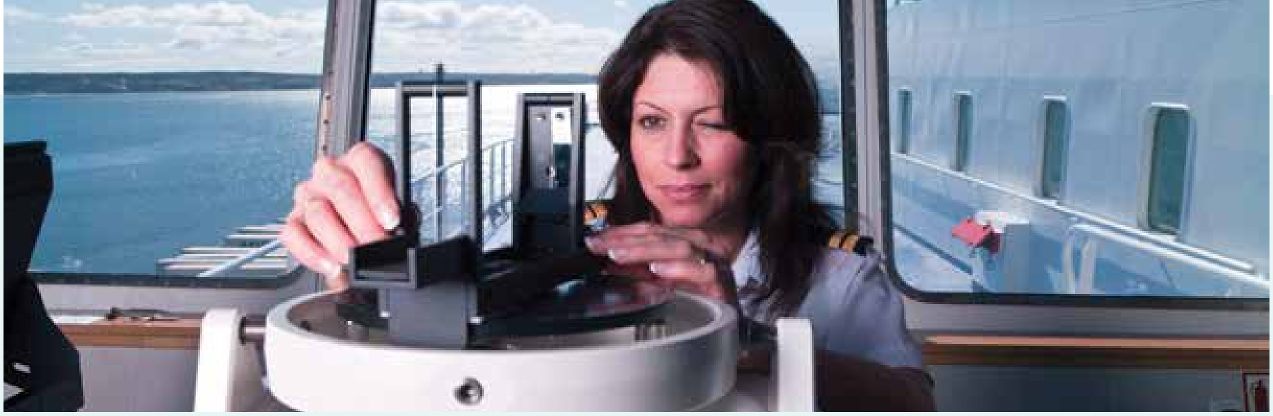
THIS INITIATIVE INCLUDED

210
employees

who walked
315,917,205
steps

burning
737,782
calories

that equates to walking
210,125,633
miles, or around the world **5.05** times!



LOOKING TOWARDS **THE FUTURE**

Reflecting on the past five years, much has been accomplished to strengthen Marine Atlantic's service, including a renewed fleet of vessels, improved shore-based infrastructure and changing business processes. While the five-year funding envelope has come to a close, the team at Marine Atlantic is continuing its journey for a strong health and safety culture, and the commitment to becoming a modern and efficient organization offering a high level of customer service is as focused as ever.

In the year ahead, Marine Atlantic will continue to change how it does business from both an internal and external perspective, including through new technologies and processes. Customer needs are changing and the Corporation must evolve to meet those needs with a goal of enhancing the overall customer experience.

Internally, the Corporation will continue its focus on improving health and safety and enhancing employee skills to equip and enable them to excel within the organization. Standardized education, evaluation and work standards programs will be introduced throughout the coming year.

Customer service enhancements will be a strong focus of ongoing activities. Marine Atlantic will evaluate pricing discount models to determine what potential future discounts to offer and whether overall pricing models should evolve as well. New systems will be introduced at our terminal properties to better manage commercial traffic and offer customers the opportunity to track their product on a real time basis. External relationships will be strengthened and the Corporation will work more closely with key customers.

The Corporation will also continue working with the Government of Canada on future funding arrangements. With the renewal of the *MV Atlantic Vision* charter agreement until November 2017, Marine Atlantic has a strong commitment to current fleet configuration and can ensure the necessary infrastructure is available to meet the needs of customers. Long-term fleet planning initiatives will continue, including the purchase of the *MV Blue Puttees* and *MV Highlanders*.

With the improvements experienced over the past number of years, Marine Atlantic is headed in the right direction. Customer satisfaction levels, on-time performance, reliability, capacity and delay recovery data demonstrates the Corporation has made tremendous progress. With ongoing initiatives, the Corporation is looking for these key performance indicators to get even stronger in the year ahead.

OUR INVESTMENT
IN THE COMMUNITY

Working to Ethical Standards

The Corporation prides itself on maintaining high ethical standards and 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, while employees are guided by Marine Atlantic's values and follow the Public Sector Code of Ethics.

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 levels in elevators, and visual alarms.

Ensuring Equal Opportunities

Marine Atlantic is an equal opportunity employer and encourages applicants from groups designated under the *Employment Equity Act*.

Gina Quessy accepting Horizon Achievement Award on behalf of Marine Atlantic

Business Partnership Award

Marine Atlantic has a strong history of supporting persons with disabilities and fostering and promoting their abilities and contributions. During the year, Marine Atlantic was presented with the Business Partnership Award from the Horizon Achievement Centre. This award was designed to recognize the commitment of organizations who understand the abilities of persons with disabilities, particularly through the use of the centre's services.

Amy Barnett, daughter of Glenda King-Barnett, Ticket Clerk, Argentia Terminal.

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, and also partners with the Institute for a cadet program.

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 town regions, and 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.

Ice Bucket Challenge

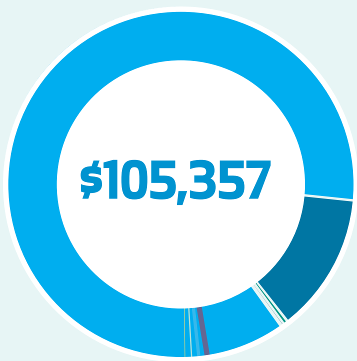
Marine Atlantic employees embraced the amyotrophic laterals sclerosis (ALS) Ice Bucket Challenge designed to raise significant awareness regarding the fight against ALS and raise funds to combat the disease. From vessel crews, shore-based employees to the President and CEO, Marine Atlantic employees were proud to participate and support this worthwhile initiative for ALS awareness.

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 2014/15, the Corporation spent $242.6 million; $106.4 million was generated via customer tariffs and other ancillary revenue; and $136.3 million was received via subsidy. The Corporation's cost recovery was 66.5 percent, which falls within the targeted range established by the Shareholder.

REVENUES 2014/15

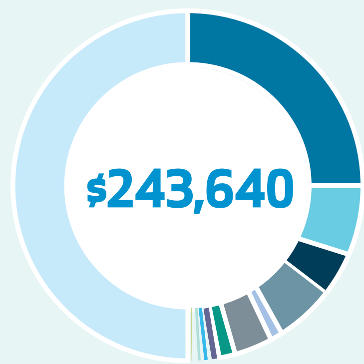
(IN THOUSANDS OF DOLLARS)
YEAR ENDED MARCH 31, 2015



Transportation revenue	92,273
Fuel surcharge revenue	12,930
Other income	154
TOTAL REVENUE	**$105,357**

EXPENSES AND LOSSES 2014/15

(IN THOUSANDS OF DOLLARS)
YEAR ENDED MARCH 31, 2015



Wages and benefits	84,266
Charter fees	42,226
Amortization	32,792
Fuel	32,246
Employee future benefits	6,855
Materials, supplies & services	17,026
Repairs and maintenance	10,901
Insurance, rent and utilities	7,200
Other	2,851
Charter importation taxes	2,861
Loss on disposal of tangible capital assets	268
Foreign currency exchange loss	1
Realized loss on derivative financial instruments	4,147
TOTAL	**$243,640**

Year Ended March 31, 2015

(IN THOUSANDS OF DOLLARS)

	2014–15	2013–14	2012–13	2011–12	2010–11
OPERATIONS					
Transportation revenue	$ 92,273	$ 91,355	$ 93,276	$ 87,772	$ 83,920
Fuel surcharge	12,930	13,331	13,796	12,464	11,662
Other income	154	200	201	204	181
	105,357	104,886	107,273	100,440	95,763
Operating expenses	203,993	198,257	214,569	215,395	202,035
Employee future benefits	6,855	18,374	19,387	16,022	8,278
Unrealized (gain) loss	-	-	-	-	(5,442)
Amortization	32,792	34,930	24,797	20,165	12,476
	243,640	251,561	258,753	251,582	217,347
Deficit before government funding	138,283	146,675	151,480	151,142	121,584
GOVERNMENT FUNDING					
Operations	117,227	117,742	136,880	135,060	124,370
Capital	18,895	35,358	51,003	36,698	77,839
Recovery of vessel decommissioning costs	-	-	-	2,371	3,118
Operating surplus (deficit)	$ (2,161)	$ 6,425	$ 36,403	$ 22,987	$ 83,743
ASSETS					
Total assets	$ 363,990	$ 365,202	$ 351,948	$ 316,492	$ 291,372
Purchases of vessels, facilities & equipment	$ 18,895	$35,358	$ 51,003	$ 36,698	$ 77,839

	2014–15	2013–14	2012–13	2011–12	2010–11
Passengers	305,197	323,352	351,643	365,786	382,522
Passenger vehicles	109,167	115,243	123,609	128,014	131,597
Commercial vehicles	95,552	97,396	103,160	103,253	100,620
AEU's*	511,105	524,988	559,740	565,301	558,361
Number of single crossings	1,594	1,709	1,818	1,908	2,095
Employees (peak employment)	1,289	1,307	1,393	1,389	1,364
Employees (full-time equivalent)**	1,031	1,025	1,108	1,153	1,139

**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

Revenue was $0.5 million or 0.4 percent lower compared to 2013/14. The Corporation implemented a 3 percent general tariff increase at the beginning of 2014/15 partially offsetting the drop in passenger and commercial traffic. Total revenue for the year was $4.1 million higher than budgeted. Although the Corporation anticipated reductions in both passenger and commercial traffic volumes, the actual decline was less than expected.

Wages & Benefits

Labour costs were $3.4 million higher than 2013/14. General wage rate inflation and slightly higher full time equivalent employees resulted in higher labour costs. Compared to budget, wages and benefits were $3 million higher. Changes to vessel operating plans due to emerging maintenance requirements and schedule disruptions due to extreme winter weather and ice conditions resulted in increased labour requirements.

Charter Fees

The Corporation has lease arrangements for three of its four vessels. Charter fees were $1.4 million below budget as a result of the renewal of the MV Atlantic Vision charter arrangement at a lower daily rate and an exchange rate for the Euro that was lower than anticipated. The $2.4 million difference compared to the prior year represents the lower daily charter rate paid in fiscal 2014/15 compared to 2013/14 for the MV Atlantic Vision.

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 initial charter period for the MV Atlantic Vision concluded in November 2013 resulting in the taxes for this vessel being fully amortized in that year. The amount in 2014/15 represents the importation taxes for the two additional vessels mentioned whose lease agreements are not set to expire until late 2015 and early 2016.

Fuel

Fuel expense was $3 million higher than last year, and also $3 million higher than budget. Consumption was 10 percent higher than anticipated. Changes in maintenance requirements resulted in a change in fleet configuration and reduced layup days. Although the consumption price was 2 percent lower than budget, the cost per litre was 8 per cent higher than 2013/14. The drop in world oil prices resulted in lower ending inventory values. Recognizing the decline in international oil prices, Marine Atlantic reduced its fuel surcharge by 6 percent.

Materials, Supplies and Services

Materials, supplies and services costs were 1 percent lower than the previous year, although 1.5 percent higher than budget. Reductions in consulting costs were partially offset by overall higher consumption costs this year compared to last year. This includes costs for supporting information technology, security, legal costs and inventory related adjustments.

Repairs and Maintenance

The repairs and maintenance costs were $2.4 million higher in 2014/15 and $1.5 million higher than budgeted. The Corporation completed planned preventative maintenance while having to address emerging requirements in the year. Changing fleet requirements also resulted in the advancement of some preventative maintenance activities scheduled for next year.

Insurance, Rent and Utilities

Insurance, rent and utilities was 1 percent lower than 2013/14 and 6 percent lower than budget. Communications and rental costs were lower, partially offset by higher insurance and electrical costs.

Other

Other expenses are $1.9 million lower than budget, and $2.6 million lower than last year. There were revisions made in 2014/15 to estimates for non-trade receivables in addition to reductions in customer compensation and service costs.

Employee Future Benefits

Actuarially calculated expenses relating to Employee Future Benefits decreased by $11.5 million. The actuarially determined accrued expenses for the Pension Plan for Employees of Marine Atlantic Inc. decreased by $10 million while the expense for Workers' Compensation and other benefits decreased by $1.5 million. The budget represents the estimated cash requirements for current service and premium payments.

Foreign Currency Exchange Loss

The Corporation foreign currency expense was $44,000 higher compared to 2013/14. These currency gains/losses arise from our requirement to pay some vendors in foreign currencies.

Realized Loss (Gain) on Derivative Financial Instruments

In November of 2014, world oil prices collapsed to historic lows. The Corporation has a hedging program that involves advance purchase of energy swaps and forward exchange contracts. The Corporation's loss from the settlement of these contracts was $4.2 million higher this fiscal year compared to last year.

Loss on disposal of Tangible Capital Assets

The Corporation incurred a loss of $0.3 million this year compared to $0.1 million last years in relation to the disposal of capital assets.

Government Funding

Government funding revenue recognized was $17 million lower in 2014/15 compared to 2013/14. Government funding for operations was $0.5 million lower while funding for capital projects was $16.5 million lower.

Tangible Capital Assets

In 2014/15, Marine Atlantic spent $18.9 million in asset renewal compared to $35.4 million last year. The Corporation spent $15.1 million on replacing and modernizing shore facilities and equipment compared to $29.4 million last year. While $3.8 million was spent on fleet related projects this year compared to $6.0 million in 2013/14.

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 our 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. 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 operates within a highly regulated environment. The *Financial Administration Act* and the *Marine Atlantic Inc. Acquisition Authorization Act* provide direction to the Corporation's business affairs. The Corporation's Articles of Incorporation, its by-laws, vision 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.

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: Safety, Corporate Governance and Accountability; Audit and Risk; and Human Resources and Pension Management.

Safety, Corporate Governance and Accountability Committee

The Safety, 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, health and safety, corporate values and ethics and the elements that facilitate Board effectiveness, such as Board self-assessment, Board committee structure and terms of reference. During the year, the Committee changed its name from "Corporate Governance and Accountability" to "Safety, Corporate Governance and Accountability" to reflect the importance Marine Atlantic places on its safety culture. The committee was particularly focused on improving safety in the workplace. In addition, the Committee reviewed several Board level policies and implemented new governing practices for these 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, in addition to the regular review of key operational risks and associated mitigating actions, the Committee oversaw the implementation of a new approach to ERM which is expected to be completed in 2015-16.

The Committee also reviewed several audits of critical functions of the organization including human resources, disability management, safety, inventory controls, supply chain and finance, hedging program, maintenance programs, and certain operational processes within the Operations and Customer Experience Divisions. In addition, the Committee was active in governance policy implementation and review.

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 Corporation'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. During the year a renewed focus was placed on the development of a robust succession planning process for key roles within the organization; monitoring the key information for the Corporation's pension plan including performance reviews, fee structure, funding decisions, expenditure control, and reviewing key developments in the pension industry; continued review of key human resource policies; and the oversight of negotiations involving all six of Marine Atlantic's collective agreements.

BOARD OF DIRECTORS

ROBERT CROSBIE[1]

Board Chair, Member – Safety, Corporate Governance & Accountability Committee, Member– HRPMC

PAUL GRIFFIN[2]

Acting Board Chair, Ex-officio member of Safety, Corporate Governance & Accountability Committee and HRPMC

NICK CAREEN

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

STAN COOK

Member – Audit and Risk Committee

JAMES G. DOODY

Chair – Audit & Risk Committee

JOHN J. HENLEY

Member – Safety, Corporate Governance & Accountability Committee

WALTER PELLEY

Member – HRPMC, Member – Audit & Risk Committee

DWIGHT RUDDERHAM

Member – HRPMC

GARFIELD MOFFATT

Chair – HRPMC

SHARON DUGGAN

Chair – Safety, Corporate Governance & Accountability Committee, Member – HRPMC

[1] Served as Board Chair until October 30, 2014
[2] Appointed Acting Board Chair October 31, 2014

BOARD MEMBERSHIP AND ATTENDANCE

BOARD MEMBERSHIP	COMMITTEE MEMBERSHIP	ATTENDANCE
Robert Crosbie[1] St. John's, NL	Board Chair, Member – Safety, Corporate Governance & Accountability Committee, Member– HRPMC	2
Paul Griffin[2] St. John's, NL	Acting Board Chair, Ex-officio member of Safety, Corporate Governance & Accountability Committee and HRPMC	5
Nick Careen Jerseyside, NL	Member – Safety, Corporate Governance & Accountability Committee, Member – Audit and Risk Committee	5
Stan Cook St. John's, NL	Member – Audit and Risk Committee	4
James G. Doody, CA St. John's, NL	Chair – Audit & Risk Committee	5
John J. Henley St. John's, NL	Member – Safety, Corporate Governance & Accountability Committee	3
Walter Pelley North Sydney, NS	Member – HRPMC, Member – Audit & Risk Committee	5
Dwight Rudderham Sydney, NS	Member – HRPMC	4
Garfield Moffatt Truro, NS	Chair – HRPMC	5
Sharon Duggan St. John's, NL	Chair – Safety, Corporate Governance & Accountability Committee, Member – HRPMC	5

[1] Served as Board Chair until October 30, 2014
[2] Appointed Acting Board Chair October 31, 2014

Note: There are five regularly scheduled meetings per period. Board conference calls and special meetings are held throughout the period outside the regular schedule. Committee meetings are held throughout the period.

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, CPA, CGA
Vice President of Finance
St. John's, Canada
June 18, 2015

Paul Griffin
President and CEO
St. John's, Canada
June 18, 2015

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 2015, 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 2015, 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, the articles of incorporation and by-laws of Marine Atlantic Inc. and the directive issued pursuant to Section 89 of the *Financial Administration Act* described in Note 1 to the financial statements.

Clyde M. MacLellan, FCA
Assistant Auditor General
for the Auditor General of Canada

18 June 2015
Halifax, Canada

STATEMENT OF FINANCIAL POSITION

As at March 31, 2015 (IN THOUSANDS OF DOLLARS)

	2015	2014
Financial assets		
Cash (Note 3)	$ 12,527	$ 13,364
Accounts receivable (Note 13(a))	10,082	9,868
Inventories held for resale (Note 5)	335	313
Derivative financial instruments (Note 12)	797	739
Accrued pension asset (Note 8)	111,832	89,624
	135,573	113,908
Liabilities		
Accounts payable and accrued liabilities (Notes 6 and 13(c))	28,120	30,089
Derivative financial instruments (Notes 12 and 13(c))	6,027	227
Deferred revenue	3,547	2,278
Payable to Government of Canada (Note 4)	2,766	2,604
Accrued vacation pay	5,840	5,560
Accrued pension liability (Note 8)	2,118	2,037
Accrued liability for non-pension post-retirement benefits (Note 9)	42,904	41,326
Accrued liability for post-employment benefits (Note 10)	11,622	11,191
	102,944	95,312
Net financial assets	32,629	18,596
Non-financial assets		
Tangible capital assets (Note 11)	204,625	218,790
Inventories held for consumption (Note 5)	16,904	23,554
Prepaid expenses	6,888	8,950
	228,417	251,294
Accumulated surplus (Note 14)	$ 261,046	$ 269,890

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, 2015 (IN THOUSANDS OF DOLLARS)

	2015		2014
	Budget	Actual	Actual
	(Note 18)		
Revenues			
Transportation	$ 88,254	$ 92,273	$ 91,355
Fuel surcharge	12,963	12,930	13,331
Other income	60	154	200
	101,277	105,357	104,886
Expenditures			
Wages and benefits	81,235	84,266	80,841
Charter fees	43,675	42,226	44,600
Charter importation taxes	2,861	2,861	5,034
Fuel	29,227	32,246	29,288
Materials, supplies and services	16,763	17,026	17,195
Repairs and maintenance	9,380	10,901	8,479
Insurance, rent and utilities	7,669	7,200	7,295
Other	4,785	2,851	5,401
Employee future benefits (Notes 8, 9 and 10)	10,820	6,855	18,374
Foreign currency exchange loss	-	1	45
Realized loss (gain) on derivative financial instruments	-	4,147	(33)
Loss on disposal of tangible capital assets	-	268	112
Amortization (Note 11)	35,000	32,792	34,930
	241,415	243,640	251,561
Deficit before government funding	(140,138)	(138,283)	(146,675)
Government funding (Note 4)			
Operations	109,354	117,227	117,742
Capital	18,130	18,895	35,358
	127,484	136,122	153,100
Operating (deficit) surplus	(12,654)	(2,161)	6,425
Accumulated operating surplus, beginning of year	272,115	272,115	265,690
Accumulated operating surplus, end of year (Note 14)	$ 259,461	$ 269,954	$ 272,115

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

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the year ended March 31, 2015 (IN THOUSANDS OF DOLLARS)

	2015	2014
Remeasurement (losses) gains arising during the year		
Unrealized (loss) gain on foreign exchange of cash	$ (942)	$ 1,422
Unrealized (loss) gain on derivatives	(1,594)	619
Reclassifications to the statement of operations		
Realized (loss) gain on derivatives	(4,147)	33
Net remeasurement (losses) gains for the year	(6,683)	2,074
Accumulated remeasurement losses, beginning of year	(2,225)	(4,299)
Accumulated remeasurement losses, end of year (Note 14)	$ (8,908)	$ (2,225)

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

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31, 2015 (IN THOUSANDS OF DOLLARS)

	2015		2014
	Budget	Actual	Actual
	(Note 18)		
Operating (deficit) surplus	$ (12,654)	$ (2,161)	$ 6,425
Change in tangible capital assets			
Acquisition of tangible capital assets (Note 11)	(18,130)	(18,895)	(35,358)
Amortization of tangible capital assets (Note 11)	35,000	32,792	34,930
Loss on disposal of tangible capital assets	-	268	112
Decrease (increase) in tangible capital assets	16,870	14,165	(316)
Change in other non-financial assets			
Acquisition of inventories held for consumption	(29,395)	(27,061)	(31,053)
Use of inventories held for consumption	28,052	33,709	29,319
Purchase of prepaid expenses	(43,675)	(41,005)	(36,809)
Use of prepaid expenses	46,536	43,069	41,084
Decrease in other non-financial assets	1,518	8,712	2,541
Net remeasurement (losses) gains	-	(6,683)	2,074
Increase in net financial assets	5,734	14,033	10,724
Net financial assets, beginning of year	18,596	18,596	7,872
Net financial assets, end of year	$ 24,330	$ 32,629	$ 18,596

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

STATEMENT OF CASH FLOW

For the year ended March 31, 2015 (IN THOUSANDS OF DOLLARS)

	2015	2014
Operating transactions		
Cash receipts from customers	$ 106,280	$ 105,615
Other income received	154	218
Government funding - operations	113,610	121,690
Government funding - capital	22,674	31,327
Cash payments to suppliers	(110,561)	(115,112)
Cash payments to and on behalf of employees	(82,405)	(81,213)
Cash paid for employee future benefits	(26,972)	(31,281)
	22,780	31,244
Capital transactions		
Purchase of tangible capital assets	(22,674)	(31,327)
	(22,674)	(31,327)
Effect of exchange rate changes on cash	(943)	1,360
Net (decrease) increase in cash	(837)	1,277
Cash, beginning of year	13,364	12,087
Cash, end of year	$ 12,527	$ 13,364
Cash consists of:		
Restricted cash	$ 8,477	$ 9,476
Unrestricted cash	4,050	3,888
	$ 12,527	$ 13,364

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

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 is responsible for price changes across all services, including to a maximum of five percent per year on constitutional fares. The Corporation also sets a fuel surcharge based on the annual cost recovery target.

In December 2014, the Corporation, together with a number of other Crown corporations, was issued a directive (P.C. 2014-1382) pursuant to section 89 of the *Financial Administration Act*, requiring that its pension plan provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions for all members by December 31, 2017. The directive also requires that, for any employee hired after January 1, 2015, the normal age of retirement be raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan. During 2014, the Corporation has begun taking action to implement the pension reforms. The Corporation's implementation strategy will be outlined in its corporate plan until commitments under this directive have been fully implemented.

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

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(b) Financial instruments

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

(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 (includes vessel projects)	5% to 10%
Shore facilities	2.5% to 5%
Equipment	10% to 25%
Leasehold improvements	Term of lease agreement or the asset's useful life

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

(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 10.9 years. (2014 – 11.3 years). For the former supplementary retirement arrangements, the average life expectancy of plan members is 17.1 years (2014 – 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 11.9 years (2014 – 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 (2014 – 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 a 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 pension liability, 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 January 2015 requires the continuation of the established escrow account equivalent to six months of charter fees until the end of the charter in 2017. The total balance denominated in Euros is €6,223 (2014 - €6,223), which translates to $8,477 (2014 - $9,476) Canadian dollars at March 31, 2015. These monies are to be released to the ferry's owners if there is a breach of the charter agreement by the Corporation.

4. PAYABLE TO (RECEIVABLE FROM) GOVERNMENT OF CANADA

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the statement of operations in one year may be funded by the Government of Canada in different years.

Accordingly, the Corporation has a different surplus (deficit) for the year on a government funding basis than on a generally accepted accounting principles basis.

	2015	2014
Payable to Government of Canada, beginning of year	$ 2,604	$ 2,687
Parliamentary appropriations received during the year	136,284	153,017
Recognized during the year:		
Government funding - operations	(117,227)	(117,742)
Government funding - capital	(18,895)	(35,358)
Government funding surplus (deficit)	162	(83)
Payable to Government of Canada, end of year	$ (2,766)	$ (2,604)

5. INVENTORIES

	2015	2014
Inventories held for consumption		
Fuel inventory	$ 11,525	$ 18,020
Vessel spare parts – ship based	2,336	2,246
Vessel spare parts – shore based	3,043	3,288
	16,904	23,554
Inventories held for resale		
Catering inventory	335	313
Total inventory	$ 17,239	$ 23,867

For the year ended March 31, 2015, inventories expensed during the year amounted to $36,740 (2014 - $33,968). The Corporation has written down $1,153 (2014 - $405) of inventory.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Accounts payable	$ 15,124	$ 17,152
Accrued liabilities	6,083	6,514
Wages and benefits payable	5,699	5,223
Government remittances payable	1,214	1,200
Accounts payable and accrued liabilities	$ 28,120	$ 30,089

Amounts due to the Government and other government organizations of $216 (2014 - $237) 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 (2014 - $431) 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. The main environmental issue identified at the terminal property is the presence of polychlorinated biphenyls (PCBs). The basement of the terminal building is impacted with PCBs above the applicable regulations. PCB-impacted material includes floor and wall surfaces and sub-slab soil. The cause of the impact is suspected to be from a PCB spill in the transformer and from PCB-containing building materials (paint and caulking). Other environmental issues at the terminal property include asbestos/asbestos containing material and lead-based paint.

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, 2014 for the year ended March 31, 2015, and December 31, 2013 for the year ended March 31, 2014). The most recent actuarial valuation for funding purposes was completed in 2014 and is as of December 31, 2013.

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

	2015	2014
Accrued benefit obligation		
Balance, beginning of year	$ 552,352	$ 550,678
Current service cost	7,554	8,922
Employee contributions	4,244	4,064
Interest costs	30,548	30,826
Benefits paid	(36,436)	(36,284)
Actuarial gain	55,179	(5,854)
Balance, end of year	$ 613,441	$ 552,352

	2015	2014
Market-related value of plan assets		
Balance, beginning of year	$ 625,656	$ 574,524
Return on plan assets	60,452	52,013
Employer contributions	17,033	31,339
Employee contributions	4,244	4,064
Benefits paid	(36,436)	(36,284)
Balance, end of year	$ 670,949	$ 625,656

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

	2015		2014	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Pension plan assets (market-related value)	$ 670,949	$ -	$ 625,656	$ -
Pension obligations (actuarial value)	610,472	2,969	549,814	2,538
Surplus (deficit) end of year	60,477	(2,969)	75,842	(2,538)
Unamortized net actuarial (gains) losses	26,355	812	(3,096)	462
Employer contributions during year for measurement date to March 31	25,000	39	16,878	39
Accrued pension asset (liability)	$ 111,832	$ (2,118)	$ 89,624	$ (2,037)

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

	2015		2014	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Contributions				
Employer	$ 25,000	$ 156	$ 29,263	$ 153
Employees	4,244	-	4,064	-
Total contributions	$ 29,244	$ 156	$ 33,327	$ 153
Benefits paid	$ 36,280	$ 156	$ 36,131	$ 153

The pension costs are comprised of the following:

	2015		2014	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Determination of pension costs for the year are calculated as:				
Current period benefit cost	$ 11,692	$ 105	$ 12,852	$ 135
Amortization of net actuarial losses	108	51	4,818	76
Employee contributions	(4,244)	-	(4,064)	-
Retirement benefit expense	7,556	156	13,606	211
Interest on pension obligations	30,467	81	30,759	67
Expected return on plan assets	(35,230)	-	(31,575)	-
Retirement benefit interest (revenue) expense	(4,763)	81	(816)	67
Pension costs	$ 2,793	$ 237	$ 12,790	$ 278

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, 2014, which is the measurement date for the March 31, 2015 financial statements, was 59% in debt securities and 41% in equity securities (2014 - 54% and 46% respectively). The market value of plan assets is $737,500 (2014 - $661,843). The actual return on the market value of plan assets was $90,815 or 14.0% (2014 - $60,369 or 10.0%) and the actual return on the market-related value of plan assets was $60,452 or 9.7% (2014 - $52,013 or 9.4%).

Gains and losses incurred are as follows: Gain on market-related value of plan assets $25,220 (2014 - $20,436); actuarial gain on registered plan accrued benefit obligation $54,779 (2014 - $5,713); actuarial gain on supplementary arrangements accrued benefit obligation $400 (2014 - $144). The assumptions are:

	2015	2014
Pension obligations		
Discount rate – registered plan	4.8%	5.7%
Discount rate – supplementary arrangements	2.2%	3.1%
Rate of compensation increase	3.5%	3.5%
Inflation rate	2.0%	2.0%
Pension costs		
Discount rate – registered plan	5.7%	5.5%
Discount rate – supplementary arrangements	3.1%	2.3%
Expected return on assets	5.7%	5.5%
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, 2014 for the year ended March 31, 2015 whereas the March 31, 2014 accrued liability was determined based on the December 31, 2013 actuarial valuation.

The statement of operations includes a charge of $2,042 (2014 - $3,402) 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:

		2015		2014
Obligation for non-pension post-retirement benefits (actuarial value)	$	(38,863)	$	(33,341)
Unamortized net actuarial (losses)		(4,169)		(8,107)
Employer contributions during the year from measurement date to March 31		128		122
Accrued benefit liability for non-pension post-retirement benefits	$	(42,904)	$	(41,326)

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

		2015		2014
Employer's contributions	$	464	$	454
Benefits paid	$	464	$	454

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

		2015		2014
Determination of non-pension post-retirement benefit costs for the year are calculated as:				
Current period benefit cost	$	1,624	$	2,081
Interest on obligations		1,075		1,012
Amortization of net actuarial (gains) losses		(657)		309
Non-pension post-retirement benefit costs	$	2,042	$	3,402

The assumptions are:

	2015	2014
Non-pension post-retirement benefits obligations		
Discount rate	2.2%	3.1%
Rate of compensation increase	3.5%	3.5%
Initial weighted-average health care trend rate	5.8%	5.8%
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	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%

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, 2015:

	Increase	Decrease
Total of current service and interest costs	$ 697	$ (511)
Accrued benefit liability for non-pension post-retirement benefits	$ 7,807	$ (5,896)

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, 2012 and were extrapolated to the measurement dates of December 31, 2013 and December 31, 2014. The most recent actuarial valuation for accounting purposes for other post-employment benefits was conducted as of December 31, 2014.

The statement of operations includes a charge of $1,783 (2014 - $1,904) for post-employment benefit costs.

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

	2015	2014
Obligation for post-employment benefits (actuarial value)	$ (14,371)	$ (13,273)
Unamortized net actuarial losses	2,445	1,606
Employer contributions during the year from measurement date to March 31	304	476
Accrued benefit liability for post-employment benefits	$ (11,622)	$ (11,191)

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

	2015	2014
Benefits paid	$ 1,352	$ 1,411

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

	2015	2014
Determination of post-employment benefit costs for the year are calculated as:		
Current period benefit cost	$ 1,154	$ 1,210
Interest on obligations	421	344
Amortization of net actuarial losses	208	350
Post-employment benefit costs	$ 1,783	$ 1,904

The assumptions are:

	2015	2014
Post-employment benefits obligations		
Discount rate	2.2%	3.1%
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	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%

For the year ended March 31, 2015, the Corporation paid $363 (2014 - $380) 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

	2015 Cost				
	Beginning Balance	Additions	Transfers	Disposals	Ending Balance
Vessel	$ 105,429	$ 312	$ 18	$ (223)	$ 105,536
Shore Facilities	146,667	4,008	21,135	(343)	171,467
Leasehold Improvements	64,636	710	2,355	-	67,701
Equipment	27,309	41	1,516	(823)	28,043
Work in progress	42,098	13,824	(25,024)	-	30,898
	$ 386,139	$ 18,895	$ -	$ (1,389)	$ 403,645

	2015 Accumulated Amortization			
	Beginning Balance	Amortization Expense	Disposals	Ending Balance
Vessel	$ 61,251	$ 6,678	$ (138)	$ 67,791
Shore Facilities	50,942	7,087	(160)	57,869
Leasehold Improvements	40,825	16,367	-	57,192
Equipment	14,331	2,660	(823)	16,168
	$ 167,349	$ 32,792	$ (1,121)	$ 199,020

2014 Cost										
	Beginning Balance		Additions		Transfers		Disposals		Ending Balance	
Vessel	$	103,136	$	1,251	$	2,058	$	(1,016)	$	105,429
Shore Facilities		123,256		2,693		20,777		(59)		146,667
Leasehold Improvements		53,992		1,307		9,562		(225)		64,636
Equipment		23,950		134		3,897		(672)		27,309
Work in progress		48,419		29,973		(36,294)		-		42,098
	$	352,753	$	35,358	$	-	$	(1,972)	$	386,139

2014 Accumulated Amortization								
	Beginning Balance		Amortization Expense		Disposals		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

	2015 Net Book Value		2014 Net Book Value	
Vessel	$	37,745	$	44,178
Shore Facilities		113,598		95,725
Leasehold Improvements		10,509		23,811
Equipment		11,875		12,978
Work in progress		30,898		42,098
	$	204,625	$	218,790

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:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Financial assets				
Cash	$ -	$ 12,527	$ -	$ 13,364
Accounts receivable	-	10,082	-	9,868
Receivable from Government of Canada	-	-	-	-
Derivative financial instruments	797	-	739	-
	$ 797	$ 22,609	$ 739	$ 23,232
Financial liabilities				
Accounts payable and accrued liabilities	$ -	$ 28,120	$ -	$ 30,089
Payable to Government of Canada	-	2,766	-	2,604
Derivative financial instruments	6,027	-	227	-
	$ 6,027	$ 30,886	$ 227	$ 32,693

(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 derivative financial assets and derivative financial liabilities at March 31, 2015, which are all classified as level 2, based on quoted prices for 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 market prices at March 31, which generally reflects the estimated amount that the Corporation would receive or pay to terminate the contracts at the financial statement date. The Corporation utilizes information provided by 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 foreign currency at a specified price and date in the future. The Euro foreign exchange forwards are related to lease payments for the *MV Atlantic Vision*. The USD foreign exchange forwards are related to tendered contracts.

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

	2015				2014
	Period (Note 1)	Fixed Price per Unit (Note 2)	Notional Quantity (Note 3)	Fair Value	Fair Value
Crude Swap - #2 heating oil	2015	2.9174-3.243	798	$ -	$ 68
Crude Swap - #2 heating oil	2016	2.1107-2.195	882	168	22
Crude Swap - #2 heating oil	2017	2.33-2.3819	1,050	152	-
Crude Swap - #2 heating oil	2018	2.4129-2.4168	672	84	-
Crude Swap - #6 heavy fuel 1%	2015	80.90-113.035	62	-	412
Crude Swap - #6 heavy fuel 1%	2016	52.11-62.16	32	233	237
Crude Swap - #6 heavy fuel 1%	2017	58.4-67.4	20	141	-
				$ 778	$ 739

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.

	2015				2014
	Period (Note 1)	Forward Rate CAD/USD	Notional Quantity (USD)	Fair Value	Fair Value
Foreign exchange forwards	2016	1.2615-1.2630	3,650	$ 19	$ -
				$ 19	$ -

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

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

	2015				2014
	Period (Note 1)	Fixed Price per Unit (Note 2)	Notional Quantity (Note 3)	Fair Value	Fair Value
Crude Swap - #2 heating oil	2015	2.8819-3.151	672	$ -	$ (42)
Crude Swap - #2 heating oil	2016	2.8015-3.106	1,050	(938)	(6)
Crude Swap - #2 heating oil	2017	2.66-3.0575	462	(137)	-
Crude Swap - #2 heating oil	2018	2.745	84	(16)	-
Crude Swap - #6 heavy fuel 1%	2015	89.90-104.58	44	-	(127)
Crude Swap - #6 heavy fuel 1%	2016	85.08-104.12	96	(3,651)	(37)
Crude Swap - #6 heavy fuel 1%	2017	89.28-101.4	32	(1,024)	-
				$ (5,766)	$ (212)

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.

	2015				2014
	Period (Note 1)	Forward Rate CAD/EURO	Notional Quantity (EUROS)	Fair Value	Fair Value
Foreign exchange forwards	2015	1.5230	3,150	$ -	$ (15)
Foreign exchange forwards	2016	1.3896-1.4499	3,473	(261)	-
				$ (261)	$ (15)

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, 2015.

Accounts receivable
The Corporation's total accounts receivable is $10,082 as at March 31, 2015 (2014 - $9,868) and consists of trade receivables of $4,314 (2014 - $4,283) and other accounts receivable of $5,768 (2014 - $5,585) of which $3,942 (2014 - $3,405) 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 (2014 - five customers represented 51% of the trade receivables). The Corporation does not consider there to be any significant credit risk associated with accounts receivable.

As at March 31, 2015, approximately 5% (2014 - 4%) of trade accounts receivables were over 30 days past due, whereas 95% (2014 - 96%) 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 $209 at March 31, 2015 (2014 - $190). 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:

		2015		2014
Current	$	3,262	$	3,607
1-30 days past due		1,025		693
31-120 days past due		8		19
Past due 121 days and over		228		154
		4,523		4,473
Less: Allowance for doubtful accounts		(209)		(190)
Trade accounts receivable, net	$	4,314	$	4,283

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 an amount ranging from 660 to 900 Euros. To minimize this risk, the Corporation purchased forward contracts for a minimum of 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. A fluctuation of 5% in foreign currency rates would not have a significant impact on the financial statements.

(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 increased fuel price variation, the Corporation enters into crude oil 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 10% increase or decrease in the price of crude oil for the year ended March 31, 2015 would impact the remeasurement gains and losses by $499 or ($499) respectively, as a result of the change in fair value of the Corporation's commodity derivatives.

(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 (2014 - $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, 2015 (2014 - nil), although, irrevocable letters of credit have been provided against the facility in the amount of $35,622 (2014 - $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 (2014 - $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 (2014 - $31,422) with expiry dates of December 31, 2015. 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 $28,120 (2014 - $30,089). The carrying value of accounts payable as at March 31, 2015 was $15,185 (2014 - $18,352) and are all due within 60 days. The Corporation's accrued liabilities had a carrying value of $12,935 as at March 31, 2015 (2014 - $11,737).

2015							
	Less than 3 months		3 to 6 months	6 months to 1 year	1 to 2 years	Total	
Accounts payable and accrued liabilities	$	28,120	-	-	-	$	28,120
Derivative financial liabilities	$	884	2,256	1,620	1,267	$	6,027

2014							
	Less than 3 months		3 to 6 months	6 months to 1 year	1 to 2 years	Total	
Accounts payable and accrued liabilities	$	30,089	-	-	-	$	30,089
Derivative financial liabilities	$	58	34	92	43	$	227

14. ACCUMULATED SURPLUS

The accumulated surplus is comprised of:

	2015		2014	
Accumulated operating surplus	$	269,954	$	272,115
Accumulated remeasurement (losses)		(8,908)		(2,225)
Accumulated surplus	$	261,046	$	269,890

Accumulated operating surplus includes share capital in the amount of $258 (2014 - $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, 2015, 517,061 shares (2014 - 517,061 shares) at $0.50 per share (2014 - $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 $1,848 (2014 - $1,787) 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, 2015 is $2,531 (2014 - $10,492). The remaining balance of these contracts will be paid during 2015-16.

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

	Charter	Other	Total
2015-16	$ 32,076	$ 381	$ 32,457
2016-17	11,819	382	12,201
2017-18	7,478	381	7,859
2018-19	-	381	381
2019-20	-	159	159
	$ 51,373	$ 1,684	$ 53,057

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.

(c) During 2015-16 the Corporation gave notice that it is exercising its option to purchase two of the currently leased passenger and freight ferries, the *MV Blue Puttees* and the *MV Highlanders*, following the initial charter period. The purchase price for each ferry denominated in Euros is €69,000 which translates to $94,000 Canadian dollars at March 31, 2015. The completion of the purchase and sale of the *MV Blue Puttees* and *MV Highlanders* will occur on or before December 22, 2015 and February 16, 2016, respectively.

The funding requirements related to the purchase of the vessels was included in the *Supplementary Estimates (A), 2015–16* which were tabled the in the House of Commons on May 14, 2015. The Board of Directors has approved a hedging strategy to reduce currency risk.

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, 2015, the Corporation is in receipt of claims estimated at $60 (2014 - $60) 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 $550 (2014 - $650) 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.

In November 2013, there was a Supreme Court of Newfoundland and Labrador judgment on liability against the Corporation for failure to award a contract in 1997. The judgment did not address damages or quantum. The Corporation appealed the judgment to Court of Appeal. In November 2014, the Court of Appeal dismissed the Corporation's appeal with costs. At this time, based on the information currently available to the Corporation, management believes that the resolution of this matter and any liability arising therefrom will not have a significant adverse effect on these financial statements.

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.