2015–2016 ANNUAL REPORT

Marine Atlantic
Marine Atlantique

Canada

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HIGHLIGHTS FOR 2015–16

NUMBER OF SAILINGS

1,684

PASSENGERS

322,661

PASSENGER VEHICLES

116,574

COMMERCIAL VEHICLES

95,914

ON-TIME PERFORMANCE (EXCLUDING WEATHER DELAYS)

91%

MESSAGE FROM THE BOARD OF DIRECTORS

It has been another year of growth and improvement for Marine Atlantic as we continued making service enhancements to better meet the needs of our customers in a safe, reliable and efficient manner.

From the purchase of the MV *Blue Puttees* and MV *Highlanders* to the opening of a new terminal building in North Sydney, the investments made by the Government of Canada are building a service on which our customers can depend. These improvements are a great source of pride for our employees. I wish to thank the federal government for their continued commitment, especially the $200 million investment to purchase our new vessels, which have proven to be significant assets and will provide a strong foundation for a high-quality ferry service for years to come.

Our successes are being guided by our corporate vision, along with our values of safety, teamwork, commitment, integrity and excellence. These values are brought to life by our employees: the women and men who keep our vessels in operation each and every day and are the backbone of our operation.

Change does not happen overnight; it takes time, hard work and commitment. Building on the positive results in our customer satisfaction rates, on-time performance, and reliability, we will keep working hard to achieve even greater results for those who rely on our ferry service.

While the infrastructure investment projects associated with the recent five-year federal funding envelope are now complete, we persist in our efforts to transform our businesses processes to better serve our customers. These enhancements will continue over the next 12 months.

Working together with our dedicated Executive Team, Marine Atlantic is becoming a modern and efficient organization offering a high level of customer service. We will also continue our work and co-operation with the Government of Canada as we prepare for the next phases of fleet renewal and undertake new initiatives to achieve the service results that our customers expect. Through our actions and initiatives, we look forward to more improvement in the year ahead.

Sincerely,

Sharon Duggan

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

MESSAGE FROM THE PRESIDENT AND CEO

It is very rewarding to look back at all of the hard work that Marine Atlantic employees have undertaken over the past five years to renew our fleet, upgrade our shore-based infrastructure and increase the efficiency of our business processes. This past fiscal year allowed us to finish the remaining infrastructure related projects that flowed from the Government of Canada's five-year, $521 million investment in our ferry service, including the opening of our new state-of-the-art terminal building in North Sydney.

The efforts of our employees have been an important part of our evolution. With safety as our first priority, our team is committed to serving our customers with integrity and excellence. Achieving an on-time performance of 91 per cent (excluding weather), our employees' efforts and focus on getting our customers to their destination are reflected in a greater than 20 percentage point increase in customer satisfaction since 2010. We also experienced the first year-over-year increase in passenger traffic in a number of years, a credit to the efforts of employees throughout the organization.

Even though many of the large brick and mortar projects ended in the prior year, there were still many exciting initiatives taking place within the Corporation. The purchase of the MV *Blue Puttees* and MV *Highlanders* will provide the basis for our long-term fleet. Our focus is now the replacement of the MV *Atlantic Vision* and MV *Leif Ericson*.

Business process change has also been a significant focus of our activities during the year. With commercial customers comprising approximately 70 per cent of our business, we introduced a real-time drop trailer tracking system to better meet their needs. Technology upgrades also increased efficiency in other business processes including data storage and financial practices. While many of these upgrades will be in our backend systems, the improvements will be experienced by every single customer, employee and vendor of Marine Atlantic. We also launched a successful trial discount campaign through our Argentia-North Sydney service, the results of which will help us develop a new pricing structure in the future.

We are committed to providing a strong, modern and efficient ferry service, and working with our customers to make enhancements that benefit their needs and those of Marine Atlantic. We value our customers and constantly strive to strengthen our service. The upgrades that have taken place and our team approach have resulted in positive change, but there is still much more to be done. I look forward to our progress in the year ahead.

Sincerely,

Paul Griffin,
President and CEO

OUR ROLE AND SERVICE

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".

OUR CORPORATE PROFILE

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

Headquartered in St. John's, NL, Marine Atlantic operates terminals in Port aux Basques, NL, Argentia, NL, and North Sydney, NS, and provides ferry services on two routes: a year-round 96 nautical mile daily ferry service between Port aux Basques and North Sydney and a seasonal 280 nautical mile ferry service between Argentia and North Sydney.

To fulfill its mandate, Marine Atlantic operates a fleet of four ice-class ferries: the MV *Blue Puttees*, MV *Highlanders*, MV *Atlantic Vision* and the MV *Leif Ericson*. The Corporation reports annually to the Government of Canada through the Minister of Transport.

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

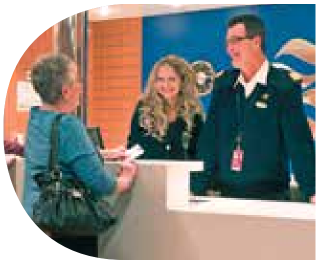
Protection of people, property and the environment is our ultimate priority. Excellence in managing health, safety and environmental performance is critical to our sustainability and long-term business success.

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 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.

OUR OPERATIONS

Marine Atlantic transports a diverse range of traffic, in keeping with its mandate. On a daily basis, the Corporation transports passengers, passenger vehicles and their occupants, tractor-trailers and drivers, drop trailers (trailers only - no attached truck), 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, fresh fish, dangerous goods and medical supplies are transported daily, and local Newfoundland industries rely on our service to maintain their supply chain to customers off the Island. 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.

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

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 our 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.

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

OUR SAFETY STANDARDS AND REGULATIONS

Marine Atlantic's vessels are maintained to high regulatory and safety standards, inspected by DNV GL, a world leading classification society, and comply with Flag State Transport Canada Marine Safety Statutes and Regulations. The Safety Management System of the Corporation is audited independently by Lloyd's Register to verify compliance 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, International Maritime Dangerous Goods Regulations, *Marine Liability Act* and Regulations, *Canada Shipping Act* and Regulations, Financial Administration Act, Domestic Ferries Security Regulations (DFSR) and Sulphur Emission Control Areas (SECA) Regulations.

OUR YEAR IN REVIEW

Since 2010, significant focus has been placed on investing the $521 million provided by the Government of Canada for vessel and infrastructure renewal. The five-year funding envelope ended in fiscal year 2014-15, with all funding-related projects concluded during the year. Future fleet configuration and business process renewal was a focus during the year to further enhance the service and continue the positive momentum ongoing within the organization.

FLEET RENEWAL

PURCHASE OF MV *BLUE PUTTEES* AND MV *HIGHLANDERS*

In May, the Government of Canada announced approximately $200 million in funding to purchase the MV *Blue Puttees* and MV *Highlanders*, two vessels that joined Marine Atlantic's fleet in 2010 and 2011 respectively and have been an important component of the improved ferry service. Since the introduction of the two vessels, customer satisfaction levels have increased by 20 percentage points and our on-time performance has improved to 91 per cent. The increased capacity of the vessels enables us to carry significantly more traffic in a shorter period of time, thereby reducing recovery time from weather delays.

Adding these ships to the fleet for the long-term offers increased certainty for a strong level of customer service. With the MV *Blue Puttees* and MV *Highlanders* forming the basis of the fleet, the evaluation of future options for replacing the MV *Atlantic Vision* and MV *Leif Ericson* is now underway.

FUTURE FLEET OPTIONS

As a key element of the next phase of Marine Atlantic's fleet renewal process, the Corporation issued a Request for Information (RFI) to gather data as it relates to companies available and the market capacity for the supply of vessels required for our fleet.

The RFI, which was posted on the Government of Canada's procurement site in February 2016, requested interested providers to submit information about their organization that supports their ability to supply newly built ships and/or modified existing ships to meet Marine Atlantic's specifications. At year-end, this information was being reviewed to determine next steps as part of this multi-year process.

SHORE-BASED INFRASTRUCTURE RENEWAL

NORTH SYDNEY TERMINAL

One of the final projects associated with the Government of Canada's infrastructure investment from Budget 2010 was the construction of the new terminal building in North Sydney. The new modern, efficient and environmentally-friendly facility officially opened in early June and has been very popular with customers. Offering new amenities such as a commercial driver seating area, this state-of-the-art facility is better meeting the needs of customers while improving the terminal operational needs of Marine Atlantic.

With the opening of the new terminal building, the former building was demolished and new marshalling space for approximately 80 drop-trailer units added as part of the terminal yard re-development. This has resulted in an improved parking layout for customers.

STRENGTHENING BUSINESS PROCESSES

Activities continued throughout the fiscal year to enhance and improve the Corporation's business operations. From modernizing business processes, introducing new and more effective technologies, and enhancing customer touch points, the Corporation moved forward on a number of fronts to become more efficient.

BUSINESS PROCESS RENEWAL

Business Process Renewal is a multi-year corporate-wide initiative designed to identify more efficient processes and technologies that will enable Marine Atlantic to streamline activities and integrate work processes. Designed to help further strengthen our business, the benefits of moving forward with this project will be experienced well into the future.

During the year, the Corporation completed the analysis stage related to the potential implementation of an Enterprise Resource Planning (ERP) system, and at year-end the development of a Request for Proposals (RFP) document to solicit interest from suppliers was nearing completion. The issuance of the RFP is planned for the next fiscal year following which the Corporation will select the solution best suited to manage and integrate the Corporation's business functions.

TERMINAL MANAGEMENT SYSTEM: PROJECT DROPS PHASE II

During the 2014-15 fiscal year, the Corporation implemented phase one of an automated system to improve the tracking and standardization for loading and unloading of drop trailer units. During fiscal year 2015-16, phase two of the project was completed, providing customers with real-time information regarding their drop trailer units while on Marine Atlantic property.

Using a bilingual commercial website link, drop trailer customers access information such as their drop trailer's arrival time onto Marine Atlantic property, when the drop trailer unit is loaded on the vessel, and when it arrives at the destination port. This information is available to customers 24 hours a day, 7 days a week, and has received very positive feedback from commercial trucking representatives since its introduction.

DATA CENTRE PROJECT

Launched during fiscal year 2014-15, the goal of the data centre project was to improve the protection, security, availability and reliability of Marine Atlantic's corporate information.

Throughout the 2015-16 fiscal year, data was successfully migrated to the new enterprise-grade centre which has allowed the Corporation to evaluate the information stored and shared, implement new safeguards to protect our corporate information, and improve information and data capabilities. These improvements have strengthened Marine Atlantic's growth in the Information Management/Information Technology function.

PROJECT MANAGEMENT GROWTH

The number of projects undertaken within Marine Atlantic over the past few years has increased significantly and so has the focus on developing a strengthened project management function. During the year, there was a continued focus on developing these skills to position the Corporation with the right abilities to guide and develop project plans, target work deliverables and meet budgeting outcomes. This increased focus on the project planning approach is credited with helping to achieve successful project outcomes.

STRENGTHENING BANKING ARRANGEMENTS AND SERVICES

As part of our efforts to become more modern and efficient, the Corporation began exploring options related to new banking arrangements to improve services and provide the best value to Marine Atlantic.

During the year, an RFP for banking services was issued with a new supplier subsequently selected to provide the Corporation's banking and financial services. Through this process, Marine Atlantic has achieved net savings in banking costs, lower transactional fees, new products and services, enhanced technologies, risk reduction and increased efficiencies.

ENHANCED ELECTRONIC FUNDS TRANSFER

Electronic funds transfer was enhanced throughout the year providing immediate benefits to our customers with faster invoice payment. Further efficiencies were achieved through the elimination of postage costs and improved processes.

EFFICIENT WAREHOUSE TECHNOLOGY

The introduction of warehouse scanners is enabling employees to better track and manage requests for goods. The new scanning process is providing for improved inventory tracking, greater accuracy and is reducing the time associated with the counting, transfer, selection and delivery of inventory, thereby increasing the efficiency of warehousing.

NEW VESSEL LOADING PROCESS

Working together, employees at our terminals implemented a new loading process for our vessels that further enhanced the safety of employees and customers. While increased safety was the main focus of the change, increased efficiency during the unloading process has been an added benefit.

SAFETY ABOVE EVERYTHING ELSE

For the second time in less than five years, the Port aux Basques Terminal OHS Committee has been recognized as the Newfoundland and Labrador OHS Committee of the Year (2014).

Congratulations to committee members Eric Davis, Brad Matthews, Ross Skinner, Dave Stockley, Basil Taylor, Dave Mauger, Robert Horwood, Gwen Davis, Betty-Lynn Battiste, Bob Green, Tony Jeans, Tammy Buckhurst, Sharmaine Strickland, Dave Keats, Darryl Matthews and Carolann Keough for a job well-done and for once again demonstrating what they do best, keeping people safe!

Safety is the most important priority at Marine Atlantic and is part of everything we do. Just how important is our commitment to safety? It involves every single employee, starting with the President and CEO. Marine Atlantic's Occupational Health and Safety (OHS) Committees are present at every location. Employees undertake regular tool box discussions highlighting safety, undergo safety training, and focus on incident and accident reporting to prevent more serious incidents from occurring in the future.

The safety of employees, customers and contractors will continue to be at the core of every decision that is made.

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STRENGTHENED HEALTH AND SAFETY

The health and safety of employees continues to be an overarching theme in all activities within Marine Atlantic. New programs, initiatives and resources were added during the year to build upon previous investments and reinforce the strengthened approach to health and safety matters within the Corporation. Leadership positions within the Health, Safety, and Environment (HSE) Department were relocated to the newly opened North Sydney terminal building to be closer to day-to-day operational activities, putting a greater emphasis on safety.

MYHEALTH WELLNESS PROGRAM

The health and wellness of employees is a strong focus of Marine Atlantic's wellness programs. Building upon the Corporation's previous successful wellness initiatives, a new program entitled "myHealth" was launched during the year. This enhanced program has been developed to place more focus on employees' health through a number of initiatives including access to medical professionals, support programs, and activity programs designed to encourage employees to adopt and sustain healthy behaviours. The goal of the program is to develop a more engaged and healthier workforce that will improve each employee's physical, mental and emotional well-being.

GLOBAL CORPORATE CHALLENGE

Marine Atlantic's participation in the Global Corporate Challenge continues to be a popular healthy living initiative in the "myHealth" program and encourages teams of employees to compete against other Corporations in a simulated online race around the world. The goal of this challenge is to increase physical activity, improve eating habits, and encourage healthier lifestyles while promoting team participation.

HIGHLIGHTS FROM THE GLOBAL CORPORATE CHALLENGE

25
teams

175
employees

217,246,212
steps

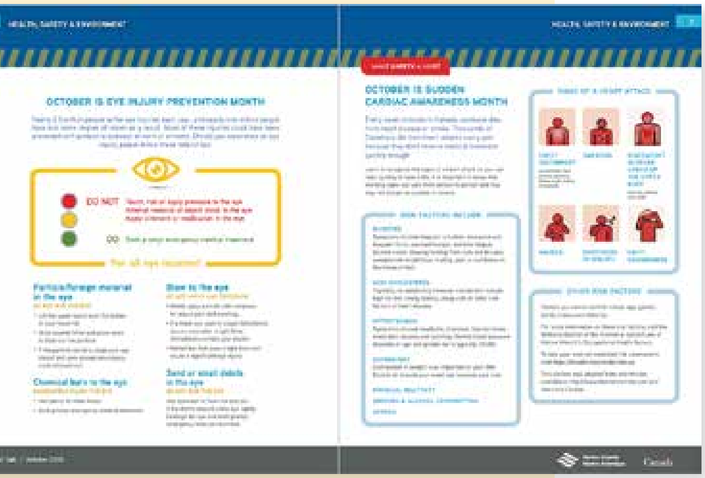
139,038
kilometres

8,717,246
calories burned

THE WALKER FAMILY received the Spirit Award - the top team at Marine Atlantic for the 2nd straight year.

Murray Hupman, VP Operations, receives an award for his participation in the Global Corporate Challenge.

Marine Atlantic is a proud supporter of North American Occupational Safety and Health (NAOSH) Week. This annual event is held each May and encourages employers, workers and all occupational health and safety partners to collaborate and promote injury and illness prevention in the workplace.



DISABILITY MANAGEMENT PROGRAM

Everyone benefits from an employee returning to the workplace as quickly as it is safe to do so following an illness or injury. Marine Atlantic is committed to working with employees who are dealing with an injury or illness, and helping them through all stages of their ailment.

During the year, Marine Atlantic introduced new disability management processes for reporting, tracking and following-up on employee illness or injuries. Strengthened processes and resources will provide employees with appropriate care during their illness or injury thereby facilitating an early and safe return to work.

DEDICATED AND TARGETED INTERNAL COMMUNICATIONS ACTIVITIES

The addition of a new, expanded HSE section of the Corporation's employee newsletter, Strait Talk, was implemented during the year making health and safety information a focal part of the monthly publication. This section is sharing information, updates on initiatives and programs, and providing employees with important information to help them be safe, secure and healthy at home and at work.

TERMINAL SANITATION PLAN

With the opening of the new North Sydney terminal building, Marine Atlantic introduced a new terminal sanitation plan during the year designed to maintain a safe, clean and sanitary environment, ensure cleaning products are environmentally friendly, highlight response activities when dealing with particular situations, and protect employees and customers from potential issues related to sanitation. This improved approach to sanitation is in use at all three terminal properties.

STRENGTHENED EMERGENCY PREPAREDNESS AND SECURITY

DNV GL EMERGENCY RESPONSE SERVICES

In consultation with our Class Society, DNV GL, Marine Atlantic has invested in around the clock access to DNV GL Emergency Response Services (ERS). This response centre is staffed with marine and emergency response professionals who have dealt with numerous emergency situations around the world. Marine Atlantic has immediate access to technical professionals who, working alongside our subject matter experts, are able to provide additional perspectives or advice when troubleshooting issues, provide recommendations and offer suggestions to operational challenges. This is designed to help maximize response and minimize impact should a situation occur.

OCEAN SAFE THREE

Building upon previous exercises, a simulated emergency response event entitled Ocean Safe Three was held to practice Marine Atlantic's Emergency Response Plan. This exercise tested the Corporation's readiness to respond to an emergency, identified areas for improvement, and provided employees with another opportunity to learn from a simulated exercise. Approximately 70 employees participated in the scenario, as well as external agencies from surrounding communities.

INTERAGENCY CO-OPERATION

Working with and developing professional relationships with outside authorities continued to be a focus of security personnel. Through co-operative joint investigations with regional and national police forces and conference presentations on marine related experiences, information sharing will continue to be an important part of secure operations.

STRENGTHENED ENVIRONMENTAL COMMITMENT

LEED CERTIFICATION

Through detailed planning, analysis and design work, Marine Atlantic's new terminal building in North Sydney will be applying for LEED certification from the Green Council of Canada demonstrating that is a Leader in Energy and Environmental Design. The building's many features will save energy and encourages a more positive environmental footprint for the present and future.

What are Sulphur Emission Control Areas (SECA)?

The International Maritime Organization has designated areas around the world to reduce sulphur emissions. Canada is a signatory to these agreements and is therefore mandated to meet the new regulations.

MONITORING AND REDUCING FUEL USAGE

As the Corporation continues to move to more expensive marine diesel fuel to meet new Sulphur Emission Control Areas (SECA) environmental regulations by January 1, 2020, internal efforts have continued to monitor and reduce fuel burn. Through a fuel management and averaging program, shore power projects, better matching capacity and demand, and improved procurement processes, continuous efforts are being made to reduce fuel consumption and the high fuel costs associated with operating our fleet.

GREEN MARINE

GREEN MARINE

Continuing with our commitment to environmental excellence, Marine Atlantic is 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.

ENVIRONMENTAL MANAGEMENT PLAN

During the year, the Corporation undertook a review of documents and initiated site inspections to begin the process of developing a comprehensive Environmental Management Plan. The development of this plan will continue into fiscal year 2016-17 and will help outline actions to monitor and address identified environmental issues or those that could become issues in the future.

ELECTRONIC PAYSTUBS

Marine Atlantic is committed to reducing its environmental footprint and continues to take steps to eliminate unnecessary waste. As such, paper-based paystubs were phased out during the year. Employees can now access their paystubs electronically which has reduced the amount of paper purchased and mailed every two weeks.

FOCUSING ON OUR CUSTOMERS

Ensuring our customers have a quality, enjoyable experience remains a key focus of Marine Atlantic. Numerous initiatives have been introduced over the past several years to strengthen our customers' journey including new approaches, technologies and campaigns. The Corporation will continue working hard to meet the expectations and needs of customers.

90% Customers **highly satisfied with the courtesy of staff** on board and at the terminal.

91% Customers likely to **recommend Marine Atlantic** to family and friends.

91% Customers told us that their **expectations were met or exceeded**.

81% Customers **highly satisfied** with the **on board experience**.

77% Customers **highly satisfied** with the **reliability of Marine Atlantic's service**.

ARGENTIA/NORTH SYDNEY SUMMER TRAFFIC STATS 2015

+11.4%
passenger traffic

+7.9%
passenger vehicles

PORT AUX BASQUES/ NORTH SYDNEY SUMMER TRAFFIC STATS 2015

+5.4%
passenger traffic

+6.7%
passenger vehicles

TRIAL DISCOUNT CAMPAIGNS

Marine Atlantic continues to explore the offering of various trial discount campaigns to customers. The purpose of these campaigns is to explore different pricing models including discounts, bundles, off peak fares, with the objective of developing an enhanced pricing structure for customers that reflect their individual travel circumstance.

ARGENTIA 30 TRIAL DISCOUNT CAMPAIGN

Marine Atlantic's first passenger related trial discount campaign was implemented during the summer of 2015. Offering a 30 per cent discount on passenger and vehicle fares on the Argentia-North Sydney service, the campaign was a tremendous success with an 11 per cent increase in passenger traffic. The data showed that new customers who have never used our service, and past customers who haven't used our service in over three years, made up approximately 50 per cent of the trial campaign bookings.

PAB 50 TRIAL DISCOUNT CAMPAIGN

In late February, a second trial discount was launched, a 50 per cent discount for customers using the Port aux Basques-North Sydney service for travel on specified dates between May and July 2016. This campaign was designed to test the scope of the discount and the impact discounted rates have on off-peak travel. The results of this campaign will be known in fiscal year 2016-17 and will help Marine Atlantic better understand another component of customer booking preferences.

TOURISM MARKETING AND PARTNERSHIPS

Marine Atlantic continues to work with tourism associations in both Nova Scotia and Newfoundland and Labrador, as well as government sectors to promote the tourism potential of Atlantic Canada. Marine Atlantic recognizes the vital role it plays in transporting tourists between Nova Scotia and Newfoundland and Labrador and the Corporation is continuously looking at new ways to partner with the local tourism industry in developing new opportunities.

MARKETING EFFORTS

During the 2015-16 fiscal year, Marine Atlantic continued its investment in marketing and enhanced its promotional activities to reach a wider tourism audience, including a greater focus on the Ontario marketplace.

The Corporation also participated in a number of trade shows in partnership with the Province of Newfoundland and Labrador, and initiated a number of targeted advertising campaigns. One of the campaigns focused on travel to Unesco World Heritage sites such as Gros Morne, L'Anse aux Meadows and Red Bay in an effort to attract tourists to visit western Newfoundland through our gateway community of Port aux Basques.

ON BOARD MAGAZINE PARTNERSHIP

Marine Atlantic continued its on board magazine partnership with Downhome Magazine. Popular with customers, complimentary copies of the magazine are made available to customers while travelling on our vessels and features a branded Marine Atlantic wrap that provides corporate profiles, messages and initiatives regarding our ferry service.

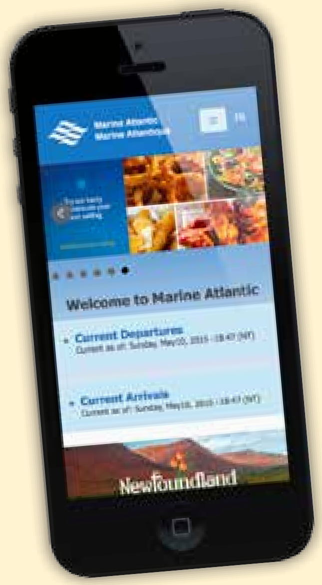
HOSPITALITY NEWFOUNDLAND & LABRADOR ANNUAL CONVENTION AND TRADE SHOW

The tourism industry in Newfoundland and Labrador continues to be a strong success story employing thousands of people each year. As an industry partner with the tourism sector, Marine Atlantic is very pleased to continue our ongoing commitment to listening, consulting and working with tourism operators to improve our service and better meet their needs. Marine Atlantic is proud to be an ongoing corporate sponsor of the annual Hospitality Newfoundland and Labrador (HNL) Conference and Trade Show and be part of the outreach activities to develop new opportunities and further strengthen the growing tourism sector.

Don Barnes, VP Customer Experience, speaking at HNL conference.

ENHANCED SCHEDULING

During the year, a new projection and scheduling tool was under development with a focus on improving traffic forecasting to better match capacity with demand. This initiative will allow the Corporation to better meet customer travel needs while managing costs. It is expected this new tool will be implemented during the 2016-17 fiscal year.



MOBILE VISITORS

54.8%
of visitors to our website used mobile devices, up from 40% in the previous year.

ON BOARD SERVICES REVIEW

Improving the services available to customers while on board our vessels is an important ongoing priority for Marine Atlantic. During the year, a review of services was undertaken to identify areas that need to be strengthened and opportunities for growth. This review will be complete during the 2016-17 fiscal year.

ON BOARD RESTAURANT SERVICE UPGRADES

Changes were made to restaurants on the MV *Blue Puttees* and MV *Highlanders* to improve our customers' on board dining experience as it relates to the speed of service. New technology enabled employees to enter the food and beverage order into a handheld digital device while at the table, which is then sent directly to the galley for preparation. This customer friendly approach is improving our table service restaurants.

CUSTOMER COMMUNICATIONS

In addition to the implementation of the new Terminal Management System for tracking commercial drop trailers, and enhanced customer alert and contact systems, Marine Atlantic continued to focus on digital communication with customers.

RESPONSIVE WEBSITE

The launch of Marine Atlantic's new responsive website is attracting more visits to the website. With technology changing and more focus being placed on mobile website access, the Corporation is seeing more customer use of this platform. The website offers better access to information, enhanced search functionality and direct access to all of Marine Atlantic's social media accounts.

SOCIAL MEDIA

Marine Atlantic continues to grow its social media presence enabling greater interaction with customers, stakeholders and the general public. Through our Twitter, YouTube, LinkedIn, and Instagram accounts, as well as our blog, *www.marineatlanticjourney.com*, the Corporation is sharing important information about our service, human interest stories, employment opportunities and background regarding our proud history.

DIGITAL SIGNAGE

Our new digital signage platform has been launched throughout the Corporation in our terminals, on our vessels and business offices. These digital screens are making it easier for customers and employees to access information regarding our operations, schedules, weather, services, amenities, and features on our destinations. Content for the signs is growing and will be an important communication tool moving forward.

A STRONG, SKILLED AND DEDICATED WORKFORCE

The backbone of Marine Atlantic's service is our employees. A highly skilled, hard-working and dedicated workforce has allowed our Corporation to achieve past successes and make plans to meet future opportunities. From ensuring safety, helping customers, and developing a modern and efficient operation, our employees are amongst the best in the marine industry.

POSITIVE LABOUR RELATIONS CULTURE

The Corporation continued its efforts to foster a positive labour relations culture during the year. Through constructive negotiations and conciliation processes, effective and professional relationships were strengthened between the organization, our union leadership, and our employees. Following the successful conclusion of three labour agreements in 2014-15, the final three outstanding agreements were concluded during the 2015-16 fiscal year.

A HIGHLY SKILLED AND TRAINED WORKFORCE

Access to training and support for professional development remains a key priority for Marine Atlantic. By supporting additional educational opportunities for employees, the Corporation is strengthening our talent for today and into the future.

MARINE EMERGENCY DUTIES TRAINING

Safety plays a significant role in everything we do at Marine Atlantic. As part of ensuring safe operations, employees receive regular training regarding their roles and responsibilities in the workplace. An important component of safe operations while at sea includes Marine Emergency Duties training. As a result of regulatory changes, all staff operating on our vessels must complete refresher training by December 31, 2016. During the 2015-16 fiscal year, Marine Atlantic developed and implemented a plan that will ensure all vessel employees meet this regulated deadline with no disruption to services.

MARINE ATLANTIC SKILLS AND TRAINING

MAST
MARINE ATLANTIC SKILLS & TRAINING

During the year, the first module for a new interactive training program was launched for vessel employees. The program will provide new learning tools to assist in increasing the knowledge and proficiency of seafarers and provide wide-ranging opportunities for our employees to upgrade and further their skills. Employees are able to complete the training at their own pace and have flexibility for the use of the training material for future reference. Additional modules will continue to be developed and implemented throughout 2016-2017.

LEADERSHIP DEVELOPMENT

Having strong leaders is an important part of business success. During the year, Marine Atlantic maintained its focus on developing and growing leadership skills for managers through leadership development courses that provide key instruction, discussion and interaction on a variety of leadership topics. Future sessions are being developed based on feedback from those who have completed the training and new agendas are being developed based on user feedback.

The Corporation also conducted Managers' Forums during the year which provided a setting in which key Marine Atlantic initiatives were discussed and feedback sought in an effort to address potential challenges, harness opportunities, and enhance engagement.

IMPROVING ORGANIZATIONAL STRUCTURE

Building upon previous re-structuring to better align resources and functions to the needs of Marine Atlantic, additional changes took place during the year within the Human Resources Division. In an effort to further strengthen the Corporation's delivery of human resources services including recruitment and selection, training and development, labour relations, employee engagement, and organizational effectiveness, the division was restructured into three key functional areas - Labour Relations, Organizational Effectiveness, and Recruitment, Compensation and Employee Services.

ENHANCED PERFORMANCE MANAGEMENT

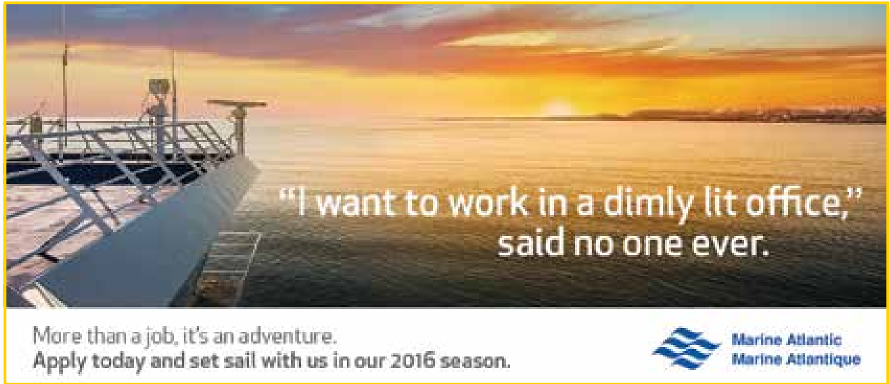
A new performance coaching and planning process, MYCareerCompass, was introduced during the year for selected management positions to provide them with the support and dialogue needed to help them better manage their current role and better equip them for more challenging roles within the organization. These initiatives have helped individuals better understand and manage workload expectations, identify development opportunities, and improve succession planning within the Corporation. While this program is currently in the introductory stage, it is anticipated that it will be expanded over time to include more employees.

EMPLOYEE SURVEY

Marine Atlantic strives for excellence in all that we do and we know that positive employee morale, satisfaction and engagement are vital to the overall success of the organization. We believe living our corporate values of Safety, Excellence, Teamwork, Commitment, and Integrity is key to a positive workplace for all employees.

With this in mind, the Corporation initiated an Employee Engagement Survey during the year to gather insight into our activities and interactions, and help identify areas of strength and improvement.

L to R: Marine Cadet Sterling Van Der Putten and Dan Tobin, Human Resources Manager, at a Marine Atlantic career fair.



PASSENGER SERVICES RECRUITMENT CAMPAIGN

During the year, a recruitment campaign was undertaken to meet the crewing requirements for the summer season and develop a comprehensive plan to attract talent to our service. Career fairs, advertising campaigns, and the expanded use of social media were used in the search for dedicated individuals looking for a career at sea. These efforts led to unprecedented interest in employment at Marine Atlantic with approximately 1000 applications received.

INTERNAL COMMUNICATIONS

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

AWARDS AND DISTINCTION

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

PRESIDENT'S AWARD AND AWARDS OF DISTINCTION

VOLUNTEER OF THE YEAR AWARD

Volunteer of the Year Award presented to Steven MacDonald for his dedication to the youth at the Tri-Town Amateur Boxing Club in North Sydney.

PRESIDENT'S AWARD

Outstanding teamwork and commitment to the success of Project DROPS

Project DROPS Team

AWARDS OF DISTINCTION

Immediate and effective action in a life-threatening situation

Ashley Bonner

Outstanding commitment to excellence in reservations operations

Maisie Evans

Outstanding commitment to excellence in terminal operations

Terry Anderson

Immediate and effective action in a life-threatening situation

Annette LeBlanc
Todd Feltham

Outstanding teamwork and commitment to the success of Project DROPS

Andrea MacLeod
Andrew Tobin
Earlene MacMullin
Elaine Fraser
Edward Davis
Edwin Northcott
Gerard Merrigan
Heather Bennett
Janice Downey
Karen Downey
Katelin Grist
Maisie Evans
Mavis Grist
Melvin Rose
Nicholas Douglas
Natalie Musseau
Patrick Cleary
Paula Meade
Sherry Anderson
Shelley Hibbs
Sharmaine Strickland
Terry Anderson
Tanya Cantwell
Tara Laing
Todd Musseau

OUR PLANS FOR THE FUTURE

With an ongoing focus on public trust, customer value and operational excellence in our service, Marine Atlantic will continue its efforts in the months and years ahead with initiatives related to a safe, reliable, transparent service for customers and stakeholders.

Key elements of our strategic approach in the months ahead will continue to involve the strengthening of business processes, the development of options for long-term fleet renewal planning and enhanced customer initiatives.

In the year ahead, Marine Atlantic is planning to initiate a Request for Proposals (RFP) process for an Enterprise Resource Planning (ERP) system to help establish more efficient processes and technologies enabling the Corporation to streamline activities and integrate work processes. This will help strengthen our business into the future.

The purchase of the MV *Blue Puttees* and MV *Highlanders* provided the Corporation with the certainty needed for both short-term and longer-term planning initiatives. Options for future fleet replacement, including decisions related to the MV *Atlantic Vision* and MV *Leif Ericson*, will be evaluated and presented to the Government of Canada for consultation and direction. The initial phase of this approach was launched during fiscal year 2015-16 through a Request for Information (RFI) process.

Customers can expect additional trial pricing campaigns as the Corporation continues its evaluation of customer preferences and the development of a new pricing structure into the future. In addition, our ongoing review of the services currently offered to customers and the potential enhancements that can be made will be evaluated and introduced. We will focus our external outreach activities to build stronger relationships with key stakeholders.

Internally, the Corporation's focus on health and safety will remain the highest priority, and new employee health initiatives will be introduced through the Wellness Program. Regulatory and skill building training activities will also be an important responsibility during the year ahead.

We are pleased with the accomplishments that have been achieved through the hard work and dedication of our employees, and look forward to the positive stewardship and growth in our service during the year ahead. Customer feedback remains very positive, and our key performance indicators remain very high. Hard work is resulting in demonstrable results and we can assure our customers and stakeholders that this work will continue into the future.

PRIDE IN OUR SERVICE AND COMMUNITIES

WORKING TO ETHICAL STANDARDS

The Corporation prides itself on maintaining high ethical standards while operating in a fiscally responsible manner. The management team adheres to conflict of interest guidelines to deliver on the corporate mandate in an ethical manner, and all employees are guided by Marine Atlantic's values and follow the Public Sector Code of Ethics. The Corporation also has a whistleblowing policy which outlines ways for employees to report behaviour that is outside of ethical and Corporate values.

PROMOTING HUMAN RIGHTS

Marine Atlantic is committed to creating and maintaining a workplace free from harassment and discrimination, and 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*.

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.

IN OUR COMMUNITY

Marine Atlantic 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, individuals, and not-for-profit organizations that benefit the Atlantic region.

SCHOLARSHIPS

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 technical college 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.

In partnership with the Atlantic Journalism Awards, a $1,200 journalism scholarship was developed and sponsored by Marine Atlantic to be awarded to a student at the College of the North Atlantic, Newfoundland and Labrador's only journalism school.

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.

College of the North Atlantic

Port aux Basques Come Home Year
Credit: Chantelle MacIsaac/Gulf News

PORT AUX BASQUES COME HOME YEAR

Marine Atlantic was proud to be a sponsor of the 2015 Port aux Basques Come Home Year which celebrated the culture and heritage of the southwest coast, while encouraging tourists, former and current residents to experience the local hospitality of the region that is recognized around the world.

NORTH SYDNEY BARTOWN FESTIVAL

Celebrating its 41st year of celebrating everything unique about North Sydney and Cape Breton culture, Marine Atlantic was proud to sponsor the North Sydney Bartown Festival in July. With a variety of music, food and family fun events, the event continues to be a popular attraction for tourists and residents alike.

Downtown North Sydney

VOICES OF PLACENTIA BAY FESTIVAL

Reflecting the incredible tradition of singing and storytelling in the Placenta Bay region, Marine Atlantic was pleased to sponsor the 4th annual event during the summer of 2015. Influenced by past resettlement activities and the former American presence at Argentia, the rich history and cultural traditions come to life each year.

Teddy Bear Convoy, June 2015

JANEWAY TEDDY BEAR CONVOY

The *Janeway Teddy Bear Convoy* is organized by the Just For Kids Transportation Group, made up of volunteers from the transport industry in Newfoundland and Labrador. Marine Atlantic is a sponsor of the event as a way of thanking the commercial industry for their fundraising efforts, and for making a difference in the lives of children and families in Newfoundland and Labrador.

Participants travelling to the Atlantic Burn Camp.

ATLANTIC BURN CAMP

The Atlantic Burn Camp is designed for children between the ages of 6-17 who have experienced injuries from burns. Celebrating its 18th year, Marine Atlantic has been one of the major supporters since the beginning. Our dedicated team of volunteers go above and beyond every year to make this a memorable experience for everyone. This year, Marine Atlantic was given special recognition for our ongoing participation.

Kim Snow, Manager of Customer Relationships, with Good Samarian Award winner Stephen Bartlett.

GOOD SAMARITAN AWARD

Each year, Marine Atlantic sponsors the Atlantic Provinces Trucking Association's Good Samaritan Award. The award is given to an individual who demonstrates an act of charity and/or provides assistance to those in need. This year's award winner was Stephen Bartlett of Armour TransportationSystems for his efforts in helping to save the life of a co-worker.

SAFETY IN THE COMMUNITY

The Port aux Basques Terminal OHS Committee is committed to the safety and well-being of Marine Atlantic's employees and customers and has been recognized twice in the past five years as the Newfoundland and Labrador OHS Committee of the Year.

As an extension of their commitment to safety, the committee has reached out into the community to help educate and train local young people on the importance of safety in all of their activities. As part of the program, members of the Port aux Basques Terminal OHS Committee have participated in Career Education classes at St. James High School. This initiative is designed to provide information and advice to young people regarding safe decisions in their daily lives, and demonstrate the importance of safety in the workplace as they make career decisions in preparation for graduation.

WORKING TOWARDS POSITIVE CHANGE
AN OVERVIEW OF BOARD AND MANAGEMENT ACTIVITIES

Marine Atlantic's Board of Directors provides oversight and strategic direction to the management team, which in turn is responsible for the day-to-day activities of the Corporation. Together, the Board and management team make a united effort to provide a safe, environmentally responsible, quality and efficient interprovincial ferry system for its customers, governed by a strong set of corporate values that clearly outlines what is expected of every employee.

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

The Board of Directors operates within a highly regulated environment. The *Financial Administration Act* and the *Marine Atlantic Inc. Acquisition Authorization Act* both provide direction to the Corporation's business affairs. The Corporation's Articles of Incorporation, its by-laws, 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 continued its focus on safety governance and the monitoring and strengthening of initiatives related to safety, employee wellness, public health, security and the environment; providing feedback, recommendations and direction in an effort to continuously improve. Additional activities focused on the completion of all Board level policies, the development of a Board profile for Privy Council, and the development of a Board matrix outlining the skill composition of the Board of Directors to assist in training activities and the appointment process. The Committee also continued its monitoring and review of the Corporation's strategic planning process and approved the Corporation's strategy map.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is mandated to provide the Board advice and services to set the context for an effective Enterprise Risk Management (ERM) and internal control framework to provide reasonable assurance that the strategic, operational, financial and regulatory objectives of the Corporation will be achieved. Within the ERM and control frameworks, the Committee assists the Board in fulfilling its oversight responsibilities regarding safeguarding of assets; compliance with laws, regulations and governing policies; integrity of management and financial information; efficiency and effectiveness of operations; and independence of the external and internal audit functions. During the year, the Committee's Terms of Reference and governance policies were reviewed and updated, and significant work was undertaken to advance the Corporation's ERM framework. In addition, the Committee undertook financial reviews including the quarterly financial reports, audited financial statements and pension statements; took a lead role in reviewing internal audit information; and provided oversight on large financial projects including vessel refits, fuel and capital expenditures.

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, the Committee played a key oversight role in performance planning, employee and labour relations, recruitment, skill development, and key performance indicator targets. In addition, the Committee undertook member training related to pensions and committee structure, reviewed Human Resource policies, and ensured governance policies were being followed in hiring and workplace-related issues. From a pension perspective, the Committee continued to enhance the plan's governance structure, introduced new oversight and work plan provisions and updated the statement of Investment Policies and Procedures. The Committee took actions to mitigate volatility related to the defined pension plan and entered into an annuity arrangement for a portion of its pension obligations and initiated reviews of various investment types and alternatives, and continued to be active in the review and selection of an investment manager.

BOARD OF DIRECTORS

PAUL GRIFFIN

St. John's, NL

WALTER PELLEY

North Sydney, NS

NICK CAREEN

Jerseyside, NL

DWIGHT RUDDERHAM

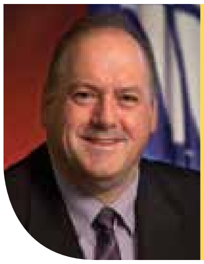
Sydney, NS

STAN COOK

St. John's, NL

GARFIELD MOFFATT

Truro, NS



JAMES G. DOODY

St. John's, NL

SHARON DUGGAN

St. John's, NL

JOHN J. HENLEY

St. John's, NL

BOARD MEMBERSHIP AND ATTENDANCE

BOARD MEMBERSHIP	COMMITTEE MEMBERSHIP	ATTENDANCE
Paul Griffin	Acting Board Chair, Ex-officio member of the Board; ex-officio member of Safety, Corporate Governance and Accountability Committee; ex-officio of HRPMC	4
Nick Careen	Member – Safety, Corporate Governance and Accountability Committee; Member - Audit and Risk Committee	5
Stan Cook	Member - Audit and Risk Committee	5
James G. Doody, CA	Chair - Audit and Risk Committee	4
John J. Henley	Member – Safety, Corporate Governance and Accountability Committee	4
Walter Pelley	Member - HRPMC; Member - Audit and Risk Committee	5
Dwight Rudderham	Member - HRPMC	4
Garfield Moffatt	Chair - HRPMC	5
Sharon Duggan	Chair – Safety, Corporate Governance and Accountability Committee; Member - HRPMC	5

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 OVERVIEW

As a federal Crown Corporation, Marine Atlantic receives a significant annual subsidy from its shareholder, the Government of Canada, through Transport Canada. In 2015-16, the Corporation spent $444.9 million; $106.9 million was generated via customer tariffs and other ancillary revenue; and $337.9 million was received via subsidy. The Corporation's cost recovery was 65.8 per cent which falls within the targeted range established by the shareholder.

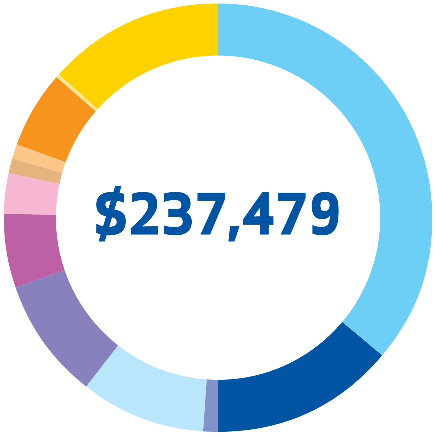
REVENUES AND GAINS 2015/16

YEAR ENDED MARCH 31 2016
(IN THOUSANDS OF DOLLARS)

Transportation revenue	97,109
Fuel surcharge revenue	10,105
Other income	110
Realized gain on derivative financial instruments	2,137
TOTAL	**$109,461**

EXPENSES AND LOSSES 2015/16

YEAR ENDED MARCH 31 2016
(IN THOUSANDS OF DOLLARS)



Wages and benefits	86,227
Charter fees	33,135
Charter importation taxes	2,386
Fuel	22,574
Materials, supplies and services	21,451
Repairs and maintenance	13,014
Insurance, rent and utilities	7,838
Travel	2,165
Administrative costs	2,793
Employee future benefits	13,764
Foreign currency exchange loss	317
Loss on disposal of tangible capital assets	183
Amortization	31,632
TOTAL	**$237,479**

FINANCIAL OVERVIEW TABLE

(IN THOUSANDS OF DOLLARS)

	2015–16	2014–15	2013–14	2012–13	2011–12
OPERATIONS					
Transportation Revenue	$ 97,109	$ 92,273	$ 91,355	$ 93,276	$ 87,772
Fuel surcharge	10,105	12,930	13,331	13,796	12,464
Other income	110	154	200	201	204
	107,324	105,357	104,886	107,273	100,440
Operating expenses	189,946	203,993	198,257	214,569	215,395
Employee Future benefits	13,764	6,855	18,374	19,387	16,022
Amortization	31,632	32,792	34,930	24,797	20,165
	235,342	243,640	251,561	258,753	251,582
Deficit before government funding	128,018	138,283	146,675	151,480	151,142
GOVERNMENT FUNDING					
Operations	114,637	117,227	117,742	136,880	135,060
Capital	236,362	18,895	35,358	51,003	36,698
Recovery of vessel decommissioning costs		-	-	-	2,371
Operating surplus (deficit)	$ 222,981	$ (2,161)	$ 6,425	$ 36,403	$ 22,987
ASSETS					
Total assets	$ 587,814	$ 363,990	$ 365,202	$ 351,948	$ 316,492
Purchases of vessels, facilities and equipment	$ 236,362	$ 18,895	$ 35,358	$ 51,003	$ 36,698

TRAFFIC AND EMPLOYEES

	2015–16	2014–15	2013–14	2012–13	2011–12
Passengers	322,661	305,197	323,352	351,643	365,786
Passenger vehicles	116,574	109,167	115,243	123,609	128,014
Commercial vehicles	95,914	95,552	97,396	103,160	103,253
AEU's*	523,144	511,105	524,988	559,740	565,301
Number of single crossings	1,684	1,594	1,709	1,818	1,908
Employees (peak employment)	1,252	1,289	1,307	1,393	1,389
Employees (full-time equivalent)**	1,049	1,031	1,025	1,108	1,153

** 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 $2 million or 1.9 per cent higher compared to 2014-15. The increase is attributed to higher volumes of passenger and vehicle traffic and a 2.6 per cent general tariff increase. The fuel surcharge revenue was impacted with a reduction in rate from 21 per cent to 15 per cent in response to lower fuel prices; however, these reduced revenues were offset by the increased traffic volumes. Total revenue for the year was $2.5 million higher than budgeted. The traffic volumes for passenger and commercial traffic was higher than forecasted, more than offsetting the reduction in fuel surcharge revenue resulting from the rate reduction.

WAGES AND BENEFITS

Labour costs were $2 million or 2.3 per cent higher than 2014-15 as a result of general wage rate inflation, slightly higher full-time equivalent employees, and the Corporation's decision to add additional sailings during the fall sailing season to offset weather interruptions and provide customers with a more reliable service.

CHARTER FEES

Charter fees were $9 million lower than last year. In 2015-16, the Corporation purchased the MV *Blue Puttees* in December 2015 and the MV *Highlanders* in February 2016 upon expiration of their respective initial five-year lease periods. The Corporation now owns three of the four vessels in the fleet. The daily charter rate paid in fiscal 2014-15 for the MV *Atlantic Vision* during the first three quarters of the year was higher than the daily rate in 2015-16. The $1.7 million savings compared to budget is the result of lower than anticipated Euro exchange rates.

CHARTER IMPORTATION TAXES

The non-refundable importation taxes paid as part of the reflagging of the MV *Blue Puttees* and MV *Highlanders* are recognized as a non-financial asset and amortized over the duration of the charter agreements. The charter importation taxes were fully amortized in 2015-16.

FUEL

Fuel expense was $9.7 million lower than last year, and also $5.8 million lower than budget. The significant drop in crude oil prices has resulted in lower fuel costs year over year, partially offset by fuel swap settlements recognized as realized losses on financial derivatives. Consumption was lower this year compared to last year due to investments and utilization of fuel efficiency systems and more favourable ice conditions in the gulf.

MATERIALS, SUPPLIES AND SERVICES

Materials, supplies and services' costs were $4 million higher than the previous year, and $1.5 million higher than budget. As part of the Corporation's business process renewal, increased costs were incurred for professional services relating to corporate initiatives. Ongoing support costs for information technology have also increased compared to prior years.

REPAIRS AND MAINTENANCE

The repairs and maintenance costs were $3.5 million higher in 2015-16 and $3 million higher than budget. The Corporation completed planned preventative maintenance as well as addressing emerging requirements during the year. Additional preventative maintenance activities were undertaken based on internal re-allocation of available funding.

INSURANCE, RENT AND UTILITIES

Insurance, rent and utilities was $0.5 million higher than last year, while on par with budget. The Corporation upgraded vessel communication services in 2015-16.

TRAVEL

Travel costs were under budget by 6.2 per cent or $0.1 million, although $0.4 million higher than last year. These costs were associated with movement of crew to meet operational needs.

ADMINISTRATIVE COSTS

Administrative costs were $0.8 million higher compared to last year and $0.98 million higher than budget. These increases are related to the Corporation's marketing and public relations initiatives.

EMPLOYEE FUTURE BENEFITS

Actuarially calculated expenses relating to employee future benefits increased by $6.9 million. The actuarially determined accrued expenses for the Pension Plan for Employees of Marine Atlantic Inc. increased by $6.2 million due to changes in actuarial assumptions such as discount rates and expected rate of return on plan assets, while the expenses for Workers' Compensation and other benefits increased by $0.7 million. The budget represents the estimated cash requirements for current service and premium payments.

FOREIGN CURRENCY EXCHANGE LOSS

The Corporation's foreign currency expense was $0.3 million higher compared to 2014-15. The Corporation incurred net loss on foreign currency of $0.3 million relating to purchases of the MV *Blue Puttees* and MV *Highlanders*. The Corporation incurs currency gains/losses in the normal course of business arising from the requirement to pay some vendors in foreign currencies which was on par with last year.

REALIZED (GAIN) LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation realized a gain of $2.1 million in 2015-16 compared to a loss of $4.1 million in 2014-15. The Corporation has a hedging program that involves advance purchase of energy swaps and forward exchange contracts. The hedging losses from the settlement of energy swaps were $2.9 million higher this fiscal year, compared to last year. The settlement of forward exchange contracts resulted in gains increasing by $9.3 million. The forward exchange contracts secured to mitigate foreign exchange risk relating to the purchase of the MV *Blue Puttees* and MV *Highlanders* resulted in the recognition of an $8.8 million gain.

LOSS ON DISPOSAL OF TANGIBLE CAPITAL ASSETS

The Corporation incurred a loss of $0.2 million this year compared to $0.3 million in the last fiscal year related to the disposal of capital assets.

AMORTIZATION

Amortization was $1.2 million higher this year compared to last year as the Corporation's significant capital investments are now active and depreciating.

GOVERNMENT FUNDING

Government funding revenue recognized was $214.9 million higher in 2015-16. Government funding for operations was $2.6 million lower while funding for capital projects was $217.5 million higher. The capitalized cost of the vessel purchases was $212 million.

TANGIBLE CAPITAL ASSETS

In 2015-16, Marine Atlantic spent $236.4 million in asset renewal compared to $18.9 million last year. The Corporation spent $212 million on the purchase of the MV *Blue Puttees* and MV *Highlanders*, while $17.5 million was spent on fleet related projects compared to $3.8 million in the previous year. An additional $6.9 million was spent replacing and modernizing shore facilities and equipment compared to $15.1 million in 2014-15.

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 audit department whose functions include reviewing internal controls and their application on an ongoing basis.

The Auditor General of Canada, the independent auditor of the Corporation appointed under the *Financial Administration Act*, 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 23, 2016

Paul Griffin
President and CEO

St. John's, Canada
June 23, 2016

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 2016, 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 2016, 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 directives issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the financial statements.

HMcManaman

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

23 June 2016
Halifax, Canada

STATEMENT OF FINANCIAL POSITION

As at March 31, 2016 (IN THOUSANDS OF DOLLARS)

	2016	2015
Financial assets		
Cash (Note 3)	$ 13,105	$ 12,527
Accounts receivable (Note 13(a))	11,089	10,082
Receivable from Government of Canada (Note 4)	13,000	-
Inventories held for resale (Note 5)	363	335
Derivative financial instruments (Note 12)	848	797
Accrued pension asset (Note 8)	123,168	111,832
	161,573	135,573
Liabilities		
Accounts payable and accrued liabilities (Notes 6 and 13(c))	25,687	28,120
Derivative financial instruments (Notes 12 and 13(c))	6,921	6,027
Deferred revenue	3,624	3,547
Payable to Government of Canada (Note 4)	2,626	2,766
Accrued vacation pay	6,077	5,840
Accrued pension liability (Note 8)	2,241	2,118
Accrued liability for non-pension post-retirement benefits (Note 9)	45,001	42,904
Accrued liability for post-employment benefits (Note 10)	11,748	11,622
	103,925	102,944
Net financial assets	57,648	32,629
Non-financial assets		
Tangible capital assets (Note 11)	409,172	204,625
Inventories held for consumption (Note 5)	15,022	16,904
Prepaid expenses	2,047	6,888
	426,241	228,417
Accumulated surplus (Note 14)	$ 483,889	$ 261,046

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, 2016 (IN THOUSANDS OF DOLLARS)

	2016		2015
	Budget	Actual	Actual
	(Note 18)		
Revenues			
Transportation	$ 91,331	$ 97,109	$ 92,273
Fuel surcharge	13,327	10,105	12,930
Other income	149	110	154
	104,807	107,324	105,357
Expenditures			
Wages and benefits	88,201	86,227	84,266
Charter fees	34,856	33,135	42,087
Charter importation taxes	2,386	2,386	2,861
Fuel	28,399	22,574	32,246
Materials, supplies and services	19,593	21,451	17,501
Repairs and maintenance	10,052	13,014	9,534
Insurance, rent and utilities	7,806	7,838	7,334
Travel	2,308	2,165	1,738
Administrative costs	1,809	2,793	2,010
Fleet renewal costs	1,621	-	-
Employee future benefits (Notes 8, 9 and 10)	10,337	13,764	6,855
Foreign currency exchange loss	-	317	1
Realized (gain) loss on derivative financial instruments	-	(2,137)	4,147
Loss on disposal of tangible capital assets	-	183	268
Amortization (Note 11)	30,000	31,632	32,792
	237,368	235,342	243,640
Deficit before government funding	(132,561)	(128,018)	(138,283)
Government funding (Note 4)			
Operations	132,016	114,637	117,227
Capital	242,311	236,362	18,895
	374,327	350,999	136,122
Operating surplus (deficit)	241,766	222,981	(2,161)
Accumulated operating surplus, beginning of year	266,233	266,223	268,384
Accumulated operating surplus, end of year (Note 14)	$ 507,989	$ 489,204	$ 266,223

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

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the year ended March 31, 2016 (IN THOUSANDS OF DOLLARS)

	2016	2015
Accumulated remeasurement gain (losses), beginning of year	$ (5,177)	$ 1,507
Remeasurement gain (losses) arising during the year		
Unrealized gain (loss) on foreign exchange of cash	$ 705	$ (942)
Unrealized gain (loss) on derivatives	1,294	(9,889)
Reclassifications to the statement of operations		
Realized (gain) loss on derivatives	(2,137)	4,147
Net remeasurement (losses) for the year	(138)	(6,684)
Accumulated remeasurement (losses), end of year (Note 14)	$ (5,315)	$ (5,177)

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

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31, 2016 (IN THOUSANDS OF DOLLARS)

	2016		2015
	Budget	Actual	Actual
	(Note 18)		
Operating surplus (deficit)	$ 241,766	$ 222,981	$ (2,161)
Change in tangible capital assets			
Acquisition of tangible capital assets (Note 11)	(242,311)	(236,362)	(18,895)
Amortization of tangible capital assets (Note 11)	30,000	31,632	32,792
Loss on disposal of tangible capital assets	-	183	268
(Increase) decrease in tangible capital assets	(212,311)	(204,547)	14,165
Change in other non-financial assets			
Acquisition of inventories held for consumption	(30,284)	(23,067)	(27,061)
Use of inventories held for consumption	29,110	24,949	33,709
Purchase of prepaid expenses	(34,856)	(30,260)	(41,005)
Use of prepaid expenses	37,242	35,101	43,069
Decrease in other non-financial assets	1,212	6,723	8,712
Net remeasurement (losses)	-	(138)	(6,683)
Increase in net financial assets	30,667	25,019	14,033
Net financial assets, beginning of year	32,629	32,629	18,596
Net financial assets, end of year	$ 63,296	$ 57,648	$ 32,629

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

STATEMENT OF CASH FLOW

For the year ended March 31, 2016 (IN THOUSANDS OF DOLLARS)

	2016	2015
Operating transactions		
Cash receipts from customers	$ 106,806	$ 106,280
Other income received	110	154
Government funding - operations	102,694	113,610
Government funding - capital	235,165	22,674
Cash payments to suppliers	(100,486)	(110,561)
Cash payments to and on behalf of employees	(86,496)	(82,405)
Cash paid for employee future benefits	(22,755)	(26,972)
	235,038	22,780
Capital transactions		
Purchase of tangible capital assets	(235,165)	(22,674)
	(235,165)	(22,674)
Effect of exchange rate changes on cash	705	(943)
Net increase (decrease) in cash	578	(837)
Cash, beginning of year	12,527	13,364
Cash, end of year	$ 13,105	$ 12,527
Cash consists of:		
Restricted cash	$ 9,194	$ 8,477
Unrestricted cash	3,911	4,050
	$ 13,105	$ 12,527

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016 (IN THOUSANDS OF DOLLARS)

1. NATURE OF OPERATIONS AND AUTHORITY

Marine Atlantic Inc. is incorporated under the *Canada Business Corporations Act*. The *Marine Atlantic Inc. Acquisition Authorization Act* of 1986 established the Corporation as a parent Crown Corporation. Marine Atlantic Inc. is a federal Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to income tax under the provisions of the I*ncome 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 leased and three owned 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 acquisition of tangible capital assets is subject to approval of parliamentary appropriations. The Corporation is economically dependent on the Government of Canada.

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

In December 2014, the Corporation 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 began implementing the pension reforms. The Corporation anticipates the commitments to be fully implemented by the deadline. Member contribution rates will be adjusted to meet the 50:50 current service cost-sharing ratio target rate effective January 1, 2017.

In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation has begun implementation of new policies and changes to existing policies and procedures. Full implementation is expected to be completed by the end of June 2016.

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 eligibility criteria are met by the Corporation. Any difference between amounts provided and amounts required represents a receivable from (payable to) the Government of Canada. On occasion, the Corporation sells assets for which the net proceeds are required to be returned to the Consolidated Revenue Fund. On these occasions, the net proceeds are applied against the operating funding requirements in the period of disposition.

(b) Financial instruments
Cash, accounts receivable, accounts payable and accrued liabilities 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 gains and 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 10.7 years (2015 - 10.9 years). For the former supplementary retirement arrangements, the average life expectancy of plan members is 16.4 years (2015 - 17.1 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 11.8 years (2015 - 11.9 years). Adjustments for plan amendments, net of offsetting unamortized actuarial gain and losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

iii) 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 (2015 - 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 the 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 has 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 (2015 - €6,223), which translates to $9,194 Canadian dollars at March 31, 2016 (2015 - $8,477). These monies are to be released to the ferry's owners if there is a breach of the charter agreement by the Corporation.

4. (RECEIVABLE FROM) PAYABLE TO GOVERNMENT OF CANADA

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

	2016	2015
Payable to Government of Canada, beginning of year	$ 2,766	$ 2,604
Parliamentary appropriations received during the year	337,859	136,284
Recognized during the year:		
Government funding - operations	(114,637)	(117,227)
Government funding - capital	(236,362)	(18,895)
Government funding (deficit) surplus	(13,140)	162
(Receivable from) Government of Canada, end of year	(13,000)	-
Payable to Government of Canada, end of year	$ 2,626	$ 2,766

5. INVENTORIES

	2016	2015
Inventories held for consumption		
Fuel inventory	$ 9,326	$ 11,525
Vessel spare parts – ship based	2,607	2,336
Vessel spare parts – shore based	3,089	3,043
	15,022	16,904
Inventories held for resale		
Catering inventory	363	335
Total inventory	$ 15,385	$ 17,239

For the year ended March 31, 2016, inventories expensed during the year amounted to $27,526 (2015 - $36,740). During the year, the Corporation has written down $395 (2015 - $1,153) of inventory.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Accounts payable	$ 12,444	$ 15,124
Accrued liabilities	4,711	6,083
Wages and benefits payable	6,794	5,699
Government remittances payable	1,738	1,214
Accounts payable and accrued liabilities	$ 25,687	$ 28,120

Amounts due to other government organizations of $190 (2015 - $216) 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 $377 (2015 - $431) in accounts payable and accrued liabilities for an environmental liability which represents the estimated anticipated future costs for remediation of the site. The remediation work began in April 2016 and is expected to be complete by June 30, 2016. 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, 2015 for the year ended March 31, 2016, and December 31, 2014 for the year ended March 31, 2015). The most recent actuarial valuation for funding purposes was completed in 2015 and is as of December 31, 2014.

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

	2016	2015
Accrued benefit obligation		
Balance, beginning of year	$ 613,441	$ 552,352
Current service cost	9,701	7,554
Employee contributions	4,804	4,244
Interest costs	28,719	30,548
Benefits paid	(36,374)	(36,436)
Actuarial loss	17,293	55,179
Balance, end of year	$ 637,584	$ 613,441
Market-related value of plan assets		
Balance, beginning of year	$ 670,949	$ 625,656
Return on plan assets	72,044	60,452
Employer contributions	25,156	17,033
Employee contributions	4,804	4,244
Benefits paid	(36,374)	(36,436)
Balance, end of year	$ 736,579	$ 670,949

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

	2016		2015	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Pension plan assets (market-related value)	$ 736,579	$ -	$ 670,949	$ -
Pension obligations (actuarial value)	634,548	3,037	610,472	2,969
Surplus (deficit) end of year	102,031	(3,037)	60,477	(2,969)
Unamortized net actuarial losses	825	757	26,355	812
Employer contributions during year for				
measurement date to March 31	20,312	39	25,000	39
Accrued pension asset (liability)	$ 123,168	$ (2,241)	$ 111,832	$ (2,118)

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

	2016		2015	
	Registered Pension Plan	Supplementary Retirement Arrangements	Registered Pension Plan	Supplementary Retirement Arrangements
Contributions				
Employer	$ 20,312	$ 156	$ 25,000	$ 156
Employee	4,804	-	4,244	-
Total contributions	$ 25,116	$ 156	$ 29,244	$ 156
Benefits paid	$ 36,218	$ 156	$ 36,280	$ 156

The pension costs are comprised of the following:

	2016		2015	
	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	$ 14,368	$ 136	$ 11,692	$ 105
Amortization of net actuarial losses	2,810	76	108	51
Employee contributions	(4,804)	-	(4,244)	-
Retirement benefit expense	12,374	212	7,556	156
Interest on pension obligations	28,653	66	30,467	81
Expected return on plan assets	(32,051)	-	(35,230)	-
Retirement benefit interest (revenue) expense	(3,398)	66	(4,763)	81
Pension costs	$ 8,976	$278	$ 2,793	$ 237

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, equity securities and a buy-in annuity. The asset mix at December 31, 2015, which is the measurement date for the March 31, 2016 financial statements, was 30% in debt securities, 39% in equity securities, and 31% in annuities (2015 - 59%, 41%, and 0% respectively). The market value of plan assets is $546,899 (2015 - $737,500) in addition the actuarially determined value of the buy-in annuity is $238,917 (2015 - $0). The actual return on the market value of plan assets was $37,123 or 5% (2015 - $90,815 or 14.0%) and the actual return on the market-related value of plan assets was $72,044 or 10.7% (2015 - $60,452 or 9.7%).

Gains and losses incurred are as follows: Gain on market-related value of plan assets $39,993 (2015 - $25,220); actuarial loss on registered plan accrued benefit obligation $17,272 (2015 - $54,779); actuarial loss on supplementary arrangements accrued benefit obligation $21 (2015 - $400).

The assumptions are:

	2016	2015
Pension obligations		
Discount rate – registered plan	5.2%	4.8%
Discount rate – supplementary arrangements	2.0%	2.2%
Rate of compensation increase	3.5%	3.5%
Inflation rate	2.0%	2.0%
Pension costs		
Discount rate – registered plan	4.8%	5.7%
Discount rate – supplementary arrangements	2.2%	3.1%
Expected return on assets	4.8%	5.7%
Rate of compensation increase	3.5%	3.5%
Inflation rate	2.0%	2.0%

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

The Corporation provides life insurance and health and dental care benefits to retirees. The present value of this unfunded benefit plan for current and future retirees is determined by the Corporation's independent actuary on the basis of management assumptions. An actuarial valuation was conducted as of December 31, 2013 for the year ended March 31, 2016 and the March 31, 2015 accrued liability was also determined based on the December 31, 2013 actuarial valuation.

The statement of operations includes a charge of $2,487 (2015 - $2,042) 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:

	2016	2015
Obligation for non-pension post-retirement benefits (actuarial value)	$ (38,713)	$ (38,863)
Unamortized net actuarial (gain)	(6,395)	(4,169)
Employer contributions during the year from measurement date to March 31	107	128
Accrued benefit liability for non-pension post-retirement benefits	$ (45,001)	$ (42,904)

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

	2016	2015
Employer's contributions	$ 390	$ 464
Benefits paid	$ 390	$ 464

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

	2016	2015
Determination of non-pension post-retirement benefit costs for the year are calculated as:		
Current period benefit cost	$ 1,976	$ 1,624
Interest on obligations	892	1,075
Amortization of net actuarial (gains)	(381)	(657)
Non-pension post-retirement benefit costs	$ 2,487	$ 2,042

The assumptions are:

	2016	2015
Non-pension post-retirement benefits obligations		
Discount rate	2.0%	2.2%
Rate of compensation increase	3.5%	3.5%
Initial weighted-average health care trend rate	5.7%	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	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%

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, 2016:

	Increase	Decrease
Total of current service and interest costs	$ 804	$ (578)
Accrued benefit liability for non-pension post-retirement benefits	$ 7,657	$ (5,775)

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 Board 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/board. 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, 2014 extrapolated to the measurement date of December 31, 2015 and as of December 31, 2012 extrapolated to the measurement date of December 31, 2014. The most recent actuarial valuation for accounting purposes for other post-employment benefits was conducted as of December 31, 2015.

The statement of operations includes a charge of $2,023 (2015 - $1,783) for post-employment benefit costs.

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

	2016	2015
Obligation for post-employment benefits (actuarial value)	$ (14,968)	$ (14,371)
Unamortized net actuarial losses	2,852	2,445
Employer contributions during the year from measurement date to March 31	368	304
Accrued benefit liability for post-employment benefits	$ (11,748)	$(11,622)

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

	2016	2015
Benefits paid	$ 1,897	$ 1,352

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

	2016	2015
Determination of post-employment benefit costs for the year are calculated as:		
Current period benefit cost	$ 1,384	$ 1,154
Interest on obligations	327	421
Amortization of net actuarial losses	312	208
Post-employment benefit costs	$ 2,023	$ 1,783

The assumptions are:

	2016	2015
Post-employment benefits obligations		
Discount rate	2.0%	2.2%
Increase in average industrial wage	3.0%	3.0%
Inflation rate	2.0%	2.0%
Health care cost increases	5.0%	5.0%
Post-employment benefits costs		
Discount rate	2.2%	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%

For the year ended March 31, 2016, the Corporation paid $375 (2015 - $363) 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

2016 Cost	Beginning Balance	Reclassification	Additions	Transfers	Disposals	Ending Balance
Vessel	$ 105,536	$ 47,618	$ 219,047	$ 3,980	$ (249)	$ 375,932
Shore facilities	171,467		2,306	20,381	(4,045)	190,109
Leasehold improvements	67,701	(47,618)	273	464	-	20,820
Equipment	28,043		468	3,292	(540)	31,263
Work in progress	30,898		14,268	(28,117)	-	17,049
	$ 403,645	$ -	$ 236,362	$ -	$ (4,834)	$ 635,173

2016 Accumulated Amortization	Beginning Balance	Reclassification	Amortization Expense	Disposals	Ending Balance
Vessel	$ 67,791	$ 37,200	$ 21,024	$(207)	$125,808
Shore facilities	57,869		7,634	(3,932)	61,571
Leasehold improvements	57,192	(37,200)	336	-	20,328
Equipment	16,168		2,638	(512)	18,294
	$ 199,020	$ -	$ 31,632	$ (4,651)	$ 226,001

	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

	2016 Net Book Value	2015 Net Book Value
Vessel	$ 250,124	$ 37,745
Shore facilities	128,538	113,598
Leasehold improvements	492	10,509
Equipment	12,969	11,875
Work in progress	17,049	30,898
	$ 409,172	$ 204,625

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:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Financial assets				
Cash	$ -	$ 13,105	$ -	$ 12,527
Accounts receivable	-	11,089	-	10,082
Derivative financial instruments	848	-	797	-
	$ 848	$ 24,194	$ 797	$ 22,609
Financial liabilities				
Accounts payable and accrued liabilities other than government remittances payable	$ -	$ 23,949	$ -	$ 26,906
Derivative financial instruments	6,921	-	6,027	-
	$ 6,921	$ 23,949	$ 6,027	$ 26,906

(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, 2016, which are all classified as level 2, are 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*.

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

	2016				2015
	Period (Note 1)	Fixed Price per Unit (Note 2)	Notional Quantity (Note 3)	Fair value	Fair value
Crude swap - #2 heating oil	2016	-	-	$ -	$ 168
Crude swap - #2 heating oil	2017	-	-	-	152
Crude swap - #2 heating oil	2018	-	-	-	84
Crude swap - #6 heavy fuel 1%	2016	-	-	-	233
Crude swap - #6 heavy fuel 1%	2017	-	-	-	141
Crude swap - #6 heavy fuel 1%	2018	44.94	6,000	137	-
				$ 137	$ 778

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.

	2016				2015
	Period (Note 1)	Forward Rate CAD/EURO	Notional Quantity (Euros)	Fair value	Fair value
Foreign exchange forwards	2017	1.3640-1.3863	4,290	$ 480	$ -
Foreign exchange forwards	2018	1.3883-1.4013	2,156	231	-
				$ 711	$ -

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

	2016				2015
	Period (Note 1)	Forward Rate CAD/USD	Notional Quantity (USD)	Fair value	Fair value
Foreign exchange forwards	2016	-	-	$ -	$ 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:

	2016				2015
	Period (Note 1)	per Unit (Note 2)	Quantity (Note 3)	Fair value	Fair value
Crude swap - #2 heating oil	2016	-	-	$ -	$ (938)
Crude swap - #2 heating oil	2017	1.7260-3.0575	2,226	(1,217)	(137)
Crude swap - #2 heating oil	2018	1.8120-2.7450	4,032	(1,412)	(16)
Crude swap - #2 heating oil	2019	1.9825-2.3210	1,344	(327)	-
Crude swap - #2 heating oil	2020	2.0660	294	(27)	-
Crude swap - #6 heavy fuel 1%	2016	-	-	-	(3,651)
Crude swap - #6 heavy fuel 1%	2017	36.95-101.40	106	(3,227)	(1,024)
Crude swap - #6 heavy fuel 1%	2018	43.15-67.40	13	(179)	-
Crude swap - #6 heavy fuel 1%	2019	49.63-59.52	17	(124)	-
				$ (6,513)	$ (5,766)

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.

	2016				2015
	Period (Note 1)	Forward Rate CAD/EURO	Notional Quantity (Euros)	Fair value	Fair value
Foreign exchange forwards	2016	-	-	$ -	$ (261)
Foreign exchange forwards	2017	1.5451-1.5586	4,290	(278)	-
Foreign exchange forwards	2018	1.5598-1.5680	2,156	(130)	-
				$ (408)	$ (261)

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, 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 baseline credit assessment of b3, 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 F3 from Fitch Ratings at March 31, 2016.

Accounts receivable
The Corporation's total accounts receivable is $11,089 as at March 31, 2016 (2015 - $10,082) and consists of trade receivables of $4,513 (2015 - $4,314) and other accounts receivable of $6,576 (2015 - $5,768) of which $3,142 (2015 - $3,942) 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 (2015 - 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, 2016, approximately 0.6% (2015 - 5%) of trade accounts receivables were over 30 days past due, whereas 99.4% (2015 - 95%) 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 $26 at March 31, 2016 (2015 - $209). 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:

	2016	2015
Current	$ 3,962	$ 3,262
1-30 days past due	548	1,025
31-120 days past due	29	8
Past due 121 days and over	-	228
	4,539	4,523
Less: Allowance for doubtful accounts	(26)	(209)
Trade accounts receivable, net	$ 4,513	$ 4,314

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 of 660 Euros. To minimize this risk, the Corporation purchased forward contracts for 100% of the amount of the monthly lease payments. The Corporation has reduced exposure to currency risk given that these lease payments have been fully 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 in the market price of derivatives for the year ended March 31, 2016 would decrease derivative liabilities by $1,862, while a 10% decrease in the market price of derivatives for the year ended March 31, 2016 would increase derivative liabilities by $2,111.

(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 (2015 - $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, 2016 (2015 - nil), although, irrevocable letters of credit have been provided against the facility in the amount of $35,622 (2015 - $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 (2015 - $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 (2015 - $31,422) with expiry dates of December 31, 2016. 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 other than government remittances payable and derivative financial liabilities represents the exposure to liquidity risk. The Corporation's carrying value of accounts payable and accrued liabilities was $23,949 (2015 - $26,906). The carrying value of accounts payable as at March 31, 2016 was $12,444 (2015 - $15,124) and are all due within 60 days. The Corporation's accrued liabilities had a carrying value of $11,505 as at March 31, 2016 (2015 - $11,812).

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

	2016				
	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Total
Accounts payable and accrued liabilities	$ 23,949	-	-	-	$ 23,949
Derivative financial liabilities	$ 558	1,838	2,325	2,200	$ 6,921

	2015				
	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Total
Accounts payable and accrued liabilities	$ 26,906	-	-	-	$ 26,906
Derivative financial liabilities	$ 884	2,256	1,620	1,267	$ 6,027

14. ACCUMULATED SURPLUS

The accumulated surplus is comprised of:

	2016	2015
Accumulated operating surplus	$ 489,204	$ 266,223
Accumulated remeasurement (losses)	(5,315)	(5,177)
Accumulated surplus	$ 483,889	$ 261,046

Accumulated operating surplus includes share capital in the amount of $258,530 (2015 - $258,530). The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no par value. As at March 31, 2016, 517,061 shares (2015 - 517,061 shares) at $0.50 per share (2015 - $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 $1,737 (2015 - $1,848) 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 major capital work in progress at March 31, 2016 is nil (2015 - $2,531).

(b) The Corporation leases certain facilities and equipment. As well, the Corporation has a multiyear charter agreement for the MV *Atlantic Vision*. The minimum future annual lease payments are as follows:

	Charter	Other	Total
2016-17	$ 13,183	$ 381	$ 13,564
2017-18	8,199	381	8,580
2018-19	-	381	381
2019-20	-	159	159
	$ 21,382	$ 1,302	$ 22,684

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

17. CONTINGENCIES

In connection with its operations, the Corporation is the claimant or defendant or otherwise involved in pending claims and lawsuits. At March 31, 2016, the Corporation is in receipt of claims estimated at $350 (2015 - $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 $169 (2015 - $550) 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.