Quarterly Financial Report

MARINE ATLANTIC INC.

June 30, 2025

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The following Quarterly Financial Report of the financial results of Marine Atlantic Inc. ("the Corporation") is for the three months ended June 30, 2025. This report should be read in conjunction with the Corporation's 2024/25 – 2028/29 Corporate Plan Summary and the Corporation's 2024/2025 Annual Report which includes the audited annual financial statements for the year ended March 31, 2025. Information about the Corporation, including the Annual Report and the Corporate Plan Summary, can be found at www.marineatlantic.ca once approved by the Federal Government.

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

OVERVIEW OF THE CORPORATION

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

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

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

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

MARINE ATLANTIC INC.
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June 30, 2025

QUARTERLY RESULTS

Financial Performance snapshot (in thousands)

	Three months ending June 30, 2025						
	Actual	Budget	Prior Year	Variance to Budget[1]		Variance to Prior Year[1]	
				$	%	$	%
Revenue	$ 33,470	$ 31,443	$ 29,582	2,027	6%	3,888	13%
Expenses	$ 77,057	$ 78,385	$ 79,978	1,328	2%	2,921	4%

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

Statistics snapshot

	Three months ending June 30, 2025						
	Actual	Forecast	Prior Year	Variance to Forecast[2]		Variance to Prior Year[2]	
				#	%	#	%
Passengers	91,140	89,842	82,873	1,298	1%	8,267	10%
Passenger Units	36,410	36,080	32,895	330	1%	3,515	11%
Commercial Units	27,376	24,563	26,198	2,813	11%	1,178	4%
Auto Equivalent Units [3]	154,422	143,272	145,894	11,150	8%	8,528	6%
Trips	459	452	452	7	2%	7	2%

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

REVENUES

The Corporation’s revenue was six percent higher compared to budget and 13% above prior year. Compared to budget passenger traffic was one percent higher, while commercial traffic showed a significant increase of 11%. Compared to prior year, passenger traffic was ten percent higher while commercial traffic was four percent higher.

EXPENSES

Compared to Budget

The Corporation’s expenses were two percent below budget during the quarter. There were overall savings in operating costs. Some increased cost in wages and benefits and data storage costs more than offset by savings in other non-labour costs and fuel.

Compared to Prior Year

The Corporation’s expenses were four percent lower for the quarter when compared to last year. Operating expenses were seven percent lower than the prior year mainly due to costs incurred last year to return the Atlantic Vision to Europe at the conclusion of the lease and transit and integration costs relating to the arrival of the Ala'suinu. Fuel was fifteen percent lower due to lower prices and charter fees were less than prior year due the overlap of the Vision and Ala'suinu leases in the first quarter.

Tangible capital assets

The Corporation invested $8.1 million in its capital assets during the first quarter as part of ongoing reinvestment in assets. This included $7.6 million for fleet-related projects and $0.5 million for replacement and modernization of shore facilities, information technology, investments in innovation and equipment purchases.

Forecast

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

RISK ANALYSIS

The financial risks of the Corporation have previously been disclosed in the Corporation’s 2024/25 – 2028/29 Corporate Plan Summary and the Corporation’s 2024/25 Annual Report. There are no significant changes to the risks previously identified.

SIGNIFICANT EVENTS

The Government of Canada announced in July that Marine Atlantic passenger rates would be reduced by 50 percent effective for travel on or after August 1, 2025. This includes passenger fares, passenger vehicle fares, and commercial driver fares. Commercial vehicle rates will be frozen at the current levels. Passengers that had an existing reservation for travel after August 1, 2025, would receive a refund for the price difference resulting from the newly reduced fares.

The Government of Canada also provided the approval and associated funds to move forward with a chartered replacement vessel for the Leif Ericson. The organization is now beginning the formal process to source this vessel. A project team will lead our efforts to focus on identifying and securing a 5-year bare boat charter.

REPORTING ON USE OF APPROPRIATIONS

The Corporation received $50.7 million in appropriations from the Government of Canada during the first quarter ended June 30th, 2025. Please refer to Note 2(a) to the unaudited interim financial statements for the Corporation's accounting policy for government appropriations. Note 5 to the unaudited interim financial statements reports on how the appropriations received were used during the period.

STATEMENT OF MANAGEMENT RESPONSIBILITY

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

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

Murray Hupman, P. Eng.	Shawn Leamon, CPA, CGA
President and CEO	Vice President of Finance

St. John's, NL
August 14, 2025

MARINE ATLANTIC INC.
Unaudited Statement of Financial Position
As at June 30th , 2025
(in thousands)

		Jun 30 2025		Mar 31 2025
Financial assets				
Cash (Note 4)	$	15,599	$	10,782
Accounts receivable		13,364		14,067
Receivable from Government of Canada (Note 5)		-		16,325
Inventories held for resale		554		435
Derivative financial instruments		116		2,053
Accrued pension asset		190,018		187,778
	$	219,651	$	231,440
Liabilities				
Accounts payable and accrued liabilities	$	23,789	$	30,640
Asset retirement obligation (Note 12)		28,500		28,500
Derivative financial instruments		948		8
Deferred revenue		22,163		18,589
Payable to Government of Canada (Note 5)		4,980		-
Accrued vacation pay		8,597		8,651
Accrued pension liability		3,722		3,722
Accrued liability for non-pension		48,008		48,458
Accrued liability for post-employment benefits		14,264		14,024
		154,971		152,592
Net financial assets	$	64,680	$	78,848
Non-financial assets				
Tangible capital assets		336,197		342,390
Inventories held for consumption		28,653		25,355
Prepaid expenses		15,976		15,752
		380,826		383,497
Accumulated surplus	$	445,506	$	462,345

Contingencies (Note 8)

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

MARINE ATLANTIC INC.
Unaudited Statement of Operations

As at June 30, 2025
(in thousands)

	2025	2024
Revenues		
Transportation revenue	$ 33,390	$ 29,410
Other income	80	172
Foreign currency exchange gain	155	-
Realized Gain on derivative financial instruments	-	563
	33,625	30,145
Expenditures		
Wages and benefits	32,345	32,502
Charter fees	6,128	7,432
Charter importation taxes	806	806
Fuel	10,049	11,859
Materials, supplies and services	9,310	11,603
Repairs and maintenance	2,715	2,718
Insurance, rent and utilities	1,833	2,180
Travel	405	901
Administrative Costs	575	604
Employee future benefits (Note 6)	(1,616)	(3,250)
Realized loss on derivative financial instruments	175	-
Amortization	14,332	12,626
	77,057	79,981
(Deficit) before government funding	(43,432)	(49,836)
Government funding		
Operations	21,270	18,552
Capital	8,139	5,421
	29,409	23,973
Operating deficit	(14,023)	(25,863)
Accumulated operating surplus, beginning of period	459,169	434,388
Accumulated operating surplus, end of period	$ 445,146	$ 408,525

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

MARINE ATLANTIC INC.
Unaudited Statement of Remeasurement Gains and Losses
As at June 30, 2025
(in thousands)

	2025	2024
Accumulated remeasurement gains, beginning of year	$ 3,176	$ 3,919
Remeasurement gains (losses) arising during the year		
Unrealized gain (loss) on foreign exchange of cash	61	(25)
Unrealized (loss) gain on derivatives	(3,052)	403
Reclassifications to the statement of operations		
Realized loss (gain) on derivatives	175	(563)
Net remeasurement (losses) for the year	(2,816)	(185)
Accumulated remeasurement gains, end of the period	$ 360	$ 3,734

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

MARINE ATLANTIC INC.
Unaudited Statement of Change in Net Financial Assets
As at June 30th , 2025
(in thousands)

	2025	2024
Operating (deficit)	$ (14,023)	$ (25,863)
Change in tangible capital assets		
Acquisition of tangible capital assets	(8,139)	(5,421)
Amortization of tangible capital assets	14,332	12,623
Decrease in tangible capital assets	6,193	7,202
Change in other non-financial assets		
Net change in inventories held for consumption	(3,298)	6,282
Net change in prepaid expenses	(224)	(12,864)
Increase in other non-financial assets	(3,522)	(6,582)
Net remeasurement (losses)	(2,816)	(185)
Decrease in net financial assets	(14,168)	(25,428)
Net financial assets, beginning of period	78,848	40,046
Net financial assets, end of period	$ 64,680	$ 14,618

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

MARINE ATLANTIC INC.
Unaudited Statement of Cash Flow
As at June 30th, 2025
(in thousands)

	For the 3 Months Ended 2025	For the 3 Months Ended 2024
Operating transactions		
Cash receipts from customers	$ 35,988	$ 31,518
Other income received	80	172
Government funding - operations	32,952	41,890
Government funding - capital	17,762	18,739
Cash payments to suppliers	(33,450)	(37,280)
Cash receipts (payments) for settlement of derivatives	(160)	758
Cash payments to and on behalf of employees	(30,130)	(28,566)
Cash paid for employee future benefits	(525)	(440)
	22,517	26,791
Capital transactions		
Purchase of tangible capital assets	(17,762)	(18,739)
	(17,762)	(18,739)
Effect of exchange rate changes on cash	61	(25)
Net increase in cash	4,816	8,027
Cash, beginning of period	10,783	9,919
Cash, end of period	$ 15,599	$ 17,946
Cash consists of:		
Restricted cash	$ 6,645	$ 6,077
Unrestricted cash	8,954	11,869
	$ 15,599	$ 17,946

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

1. BASIS OF PRESENTATION

Marine Atlantic Inc. ("the Corporation") is incorporated under the *Canada Business Corporations Act.* The *Marine Atlantic Inc. Acquisition Authorization Act* of 1986 established the Corporation as a parent Crown Corporation. As a result of the *National Marine Policy (1995)*, the mandate of the Corporation was narrowed to the operation of a ferry system.

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

These unaudited interim financial statements have been prepared by management in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations. The basis of accounting used is Canadian public sector accounting standards. These interim financial statements do not include all of the disclosures provided in Marine Atlantic Inc.'s annual audited financial statements. The disclosures provided below are incremental to those included with the annual financial statements. The interim financial statements should be read in conjunction with the financial statements and the notes thereto for the year ended March 31, 2025.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

(a) Government funding

The Corporation receives government funding to fund its current cash requirements, related to operating expenses in excess of generated revenues and to acquire tangible capital assets. The funding received is included in income for the period when funding has been authorized and all eligibility criteria have been met by the Corporation. Any difference between amounts provided and amounts authorized and eligible represents a receivable from (payable to) the Government of Canada. On occasion, the Corporation sells assets for which the net proceeds are required to be returned to the Consolidated Revenue Fund. On these occasions, the net proceeds are applied against the operating funding requirements in the period of disposition.

(b) Financial instruments

Cash, accounts receivable, accounts payable and accrued liabilities are measured at cost or amortized cost.

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

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The estimates are subjective in nature involving uncertainties and significant judgment. Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

(c) Inventory

Inventories include fuel, valued at the lower of historical or replacement cost, and vessel spare parts, valued at historical cost.

(d) Tangible capital assets

Tangible capital assets are comprised of vessels, shore facilities and equipment which are carried at historical cost less accumulated amortization. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment, as well as the estimated cost to settle liabilities for asset retirement obligations. Betterments are expenditures relating to the alteration or modernization of an asset that appreciably prolong the item's period of usefulness or improve its functionality.

Vessels include corporate owned vessels and vessel projects, shore facilities include terminal buildings, stevedore buildings, docks and related infrastructure. Equipment includes computer hardware and software, furniture and vehicles.

Major spare parts are accounted for as tangible capital assets and are not amortized until they are put into use. For this purpose, major spare parts are those that are expected to be used for more than one fiscal period in connection with a tangible capital asset.

The cost of work in progress includes materials, direct labour and overhead. Amounts included in work in progress are transferred to the appropriate tangible capital asset classification when available and ready for use and are then amortized.

Amortization is calculated at rates sufficient to write off the cost, less any residual value, of tangible capital assets over their estimated useful lives on a straight-line basis. The cost, less any residual value, of capital vessel projects are amortized over the lesser of the useful life of the asset or the useful life of the vessel.

Estimated useful lives and amortization methods are reviewed at the end of each year. The rates for significant classes of tangible capital assets are as follows:

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

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

(e) Employee future benefits

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets, as the benefits accrue to employees for expected retirement projections.

i) Accrued pension asset (liability)

The Corporation maintains, through a trustee, a registered defined benefit pension plan comprising a pension obligation and pension plan assets, covering substantially all employees; and three supplementary unfunded retirement arrangements.

The registered pension plan is a defined benefit pension plan. The pension formula gives members a pension based on 1.6% of their best 5-year average non-annualized earnings or last 60 months average annualized earnings, whichever is higher. This formula applies up to the 5-year average of the Canada Pension Plan's maximum earnings before retirement. For earnings above that threshold, the formula adds 2% per year of service, up to 35 years. The plan provides for possible indexation adjustments for pension and survivor benefits payable during a calendar year following the third anniversary of the member's retirement or death, whichever occurs first. The indexation adjustment is calculated as the annual increase in the Consumer Price Index less 3%, subject to a maximum annual increase of 3%. No indexation adjustment is provided if the annual increase in the Consumer Price Index is below 3%.

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

In 2006 a supplementary retirement arrangement was introduced for designated positions providing benefits for service since 2004. Eligibility under this supplementary arrangement was extended to benefits accrued for service since 2009 for all members of the registered defined benefit pension plan who are affected by the maximum pension payable by the registered plan. Benefits are generally based on employees' length of service and final or best average earnings for all benefits.

The cost of pensions is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, inflation and retirement ages of employees. The discount rate used to calculate the interest cost on the pension obligations is based on its expected return on plan assets for the registered pension plan.

The expected long-term rate of return on plan assets is based on estimated returns, consistent with market conditions applicable on the measurement date, for each major asset class and the target asset mix specified in the plan's investment policy. A market-related value of plan assets is used for purposes of the financial statements, and the expected return on plan assets is based thereon. The market-related value of plan assets is determined using a method which amortizes gains or losses relative to the expected return over five years. Actuarial gains or losses arise from the difference between the actual rate of return and the expected long-term rate of return on plan assets and from changes in the pension obligations due to changes in actuarial assumptions used or actual experience differing from that which is expected based on the assumptions.

Actuarial gains and losses are amortized over the expected average remaining service life of active members expected to receive benefits. Actuarial gains and losses for the former supplementary retirement arrangements are recognized immediately on the determination of the gain or loss.

Adjustments for plan amendments, net of offsetting unamortized actuarial gain/losses, related to prior period employee services are recognized in the statement of operations in the period of the plan amendment.

The estimated average remaining service period of the members covered by the registered pension plan and the remaining supplementary retirement arrangement is 10.6 years (2024 – 10.5 years).

ii) Non-pension post retirement benefits

The Corporation provides life insurance and health and dental care benefits to current and retired employees. Union and non-union/management employees become eligible for basic and optional life insurance the first of the month following 60 days of continuous employment. Union employees become eligible for extended health and dental benefits the first of the month following the attainment of 1,040 hours of work, and non-union/management employees become eligible the first of the month following date of hire.

The cost of non-pension post-retirement benefits is actuarially determined using the projected benefit method prorated on service and management’s best estimate of future participation rates in the retiree health and dental plan, average health care cost per plan member, health care trend rates and utilization, salary escalation and mortality rates. A proxy for the cost of borrowing has been used to calculate the discount rate for the obligation and the interest cost. The costs for current employees are expensed as they are incurred. The costs projected to be incurred during retirement are accrued and expensed evenly over the expected remaining service life of the employee.

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

Adjustments for plan amendments, net of offsetting unamortized actuarial gain and losses, related to prior period employee service are recognized in the statement of operations in the period of the plan amendment.

The estimated average remaining service period of members covered by non-pension post-retirement benefits is 11.5 years (2024 – 11.5 years).

iii) Post employment benefits

For certain employees and former employees, the Corporation is a self-insured employer and is accountable for workers’ compensation liabilities incurred. The Corporation’s accrued obligation for workers’ compensation benefits represents the unfunded liability for the costs of self-insured benefits specified and administered by the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador, the Workplace Health, Safety and Compensation Commission of New Brunswick and the Workers Compensation Board of Prince Edward Island for work-related injuries of current and former employees.

The cost of workers' compensation liabilities is actuarially determined using the net present value of liabilities for work-related injuries of current and former employees when awards are approved by the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador; Workplace Health, Safety and Compensation Commission of New Brunswick; or Workers Compensation Commission of Prince Edward Island; or legislative amendments are made and the anticipated future costs can be reasonably calculated. Management recognizes changes in the net present value of the liability, based on updated actuarial estimates of future costs, as a result of actual experience and changes in actuarial assumptions. A proxy for the cost of borrowing is used to calculate the discount rate for the obligation and the interest cost.

Adjustments arising from actuarial gains and losses are amortized over the average expected period over which benefits will be paid which is 7.0 years (2024– 9.0 years).

(f) Revenue recognition

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

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

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

The aforementioned types of revenue are classified as recurring revenues. Other income, such as interest income and income from derivatives are recognized when they are earned and are classified as non-recurring revenue.

(g) Expenses

Expenses are reported on an accrual basis. Expenses for the operations of the Corporation are recorded when goods or services are received.

Expenses also include provisions to reflect changes in the value of assets or liabilities, including provisions for bad debt and inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

(h) Prepaid expenses

Prepaid expenses are disbursements made before the completion of the work, delivery of the goods or rendering of services or advance payments under the terms of lease agreements. Prepaid expenses also include the payment of charter importation taxes on the *MV Ala'suinu* which is being amortized over the life of the lease.

(i) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the financial statement date. Revenues and expenses are translated using exchange rates in effect at the date of the transaction. Commitments and contingencies denominated in foreign currencies are translated at exchange rates in effect at the financial statement date. An exchange gain or loss that arises prior to settlement is recognized in the statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses and an exchange gain or loss measured in relation to the exchange rate at the date of initial recognition is recognized in the statement of operations.

(j) Contingent liabilities

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

(k) Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Corporation to incur retirement costs, a past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods. The discount rate used reflects the Government of Canada's cost of borrowing, associated with the estimated number of years to complete the retirement or remediation.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset and amortized over the asset's estimated useful life. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period. An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized or no longer in productive use. In this case, the asset retirement cost would be expensed.

At each financial reporting date, the carrying amount of the liability is reviewed. The Corporation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. Once the related tangible capital asset is no longer in productive use, changes to the liability are recognized as an expense in the period they are incurred. The Corporation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(l) Measurement uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that effect the reporting amounts of assets and liabilities, revenues and expenses in the financial statements and accompanying notes, at the date of the financial statements. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

Measurement uncertainty that is material exists when it is reasonably possible that a material variance could occur in the reported or disclosed amount in the near term (within one year from the date of the financial statements). Management determined that measurement uncertainty exits with respect to the reported amounts related to asset retirement obligations, the accrued pension asset which is composed of the defined benefit obligation and the pension plan assets, contingent liabilities and the expected useful lives of tangible assets.

3. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

The Public Sector Accounting Board has approved the following accounting standards and conceptual framework, which are effective for fiscal years beginning April 1, 2026:

The Conceptual Framework for Financial Reporting in the Public Sector
The Conceptual Framework is the foundation for public sector financial reporting standards. It replaces the conceptual aspects of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

PS 1202: Financial Statement Presentation
This standard sets out general and specific requirement for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework. This standard revises and replaces PS 1201 Financial Statement Presentation.

The Corporation has not yet adopted the standard or framework and is currently assessing the impact of these new items on the financial statements.

4. CASH

Cash includes restricted cash consisting of cash denominated in Euros held in an escrow account with a German bank as security for the charter of the MV *Atlantic Vision*. Restricted cash is €4,146 (2024 – €4,146), which translates to $6,644 Canadian dollars at June 30, 2025 (March 31, 2025 – $6,441). The release of these monies is subject to a dispute resolution process, as discussed further in note 9.

(in thousands)

5. (PAYABLE TO) RECEIVABLE FROM GOVERNMENT OF CANADA

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

	June 30, 2025 (3 months)	Mar 31, 2025 (12 months)
(Receivable from) Government of Canada, beginning of period	$ 16,325	$ 29,329
Parliamentary appropriations received during the period	50,714	207,114
Recognized during the period:		
Operations	(21,270)	(147,349)
Tangible Capital Assets	(8,139)	(46,761)
Government funding (deficit) surplus	21,305	13,004
Payable to (Receivable from) Government of Canada, end of period	$ (4,980)	$ 16,325

6. TRANSPORTATION REVENUE

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

	June 30 2025	**June 30 2024**
Commercial vehicle	$ 13,267	$ 12,709
Other transportation	4,918	4,433
Onboard sales	5,204	3,876
Passenger vehicle	4,401	3,682
Fuel surcharge	2,726	2,473
Passenger	2,874	2,237
Total transportation revenue	$ 33,390	$ 29,410

7. EMPLOYEE FUTURE BENEFITS

During the three months ended June 30, 2025, the net employee future benefit recovery was $ (1,616) (June 30, 2024– $ (3,250)). The Corporation is in a recovery position as it ceased contributions to the registered pension plan as the plan was in an overfunded position. The recovery amount includes costs for the Corporation's defined benefit pension plan, life insurance and health and dental care benefits to retirees and Workers' Compensation.

8. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business under the same terms and conditions that apply to unrelated parties. During the period, the Corporation incurred expenses of $320 (2024 – $422) with other federal Crown corporations, departments and agencies. In addition to these transactions, the Government of Canada provides funding to the Corporation as described in notes 2(a) and 5. The Corporation is given the right to use the crown land on which the terminals sit free of charge by Transport Canada. No amount was recorded since the fair value of the service received for free is not reliably measurable.

9. CONTINGENCIES

Legal contingencies have been amended to account for amounts that have been settled and new claims that have occurred.