



2021 – 2022

B.C. Ferry Authority Annual Report





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B.C. Ferry Authority Fiscal 2021/22 Year End Review Report



A Message from the Chair

On behalf of the board, it is my pleasure to present the 2021/2022 Annual Report of the B.C. Ferry Authority.

The challenges of COVID-19 continued this past year with intermittent travel restrictions affecting service and mobility patterns for B.C. Ferries. Ferry usage recovered in a meaningful manner but new challenges, including those related to staffing, required sustained adjustments. As the fiscal year came to an end, new hope of moving to a post-pandemic future started to emerge.

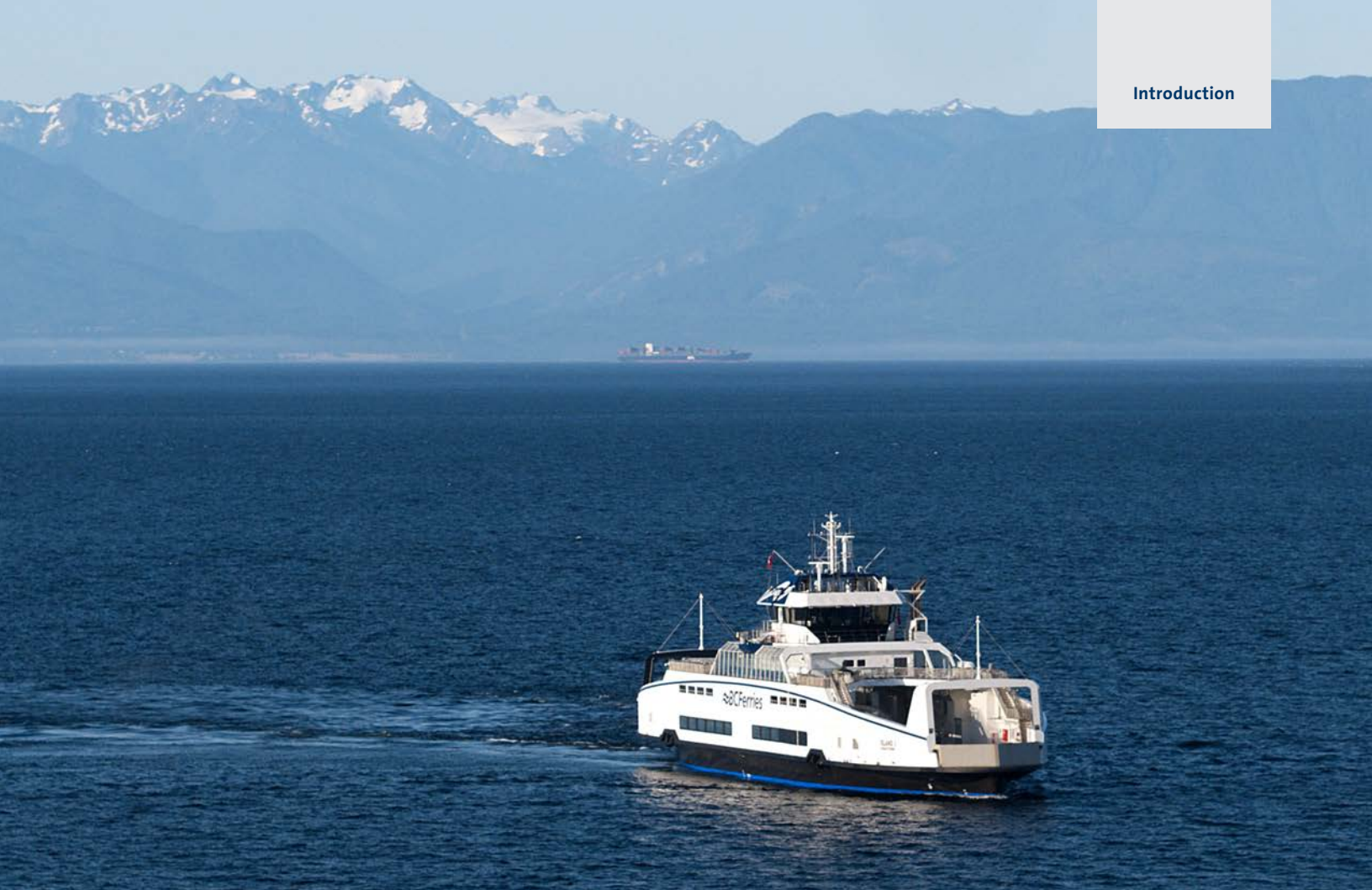
The B.C. Ferry Authority focused on three major initiatives over the year. These were the recruitment of an experienced pool directors for B.C. Ferry Services Inc. to fill vacancies on the Board as they arise, the BC Ferry Services executive compensation plan and the need for long-term aspirational visioning and strategic planning that reflect the public interest and the importance of the ferry service to coastal communities. All three are detailed further in this report.

On behalf of the B.C. Ferry Authority, I would like to express our sincere thanks to the thousands of employees of BC Ferry Services for their continued dedication and resiliency in providing coastal ferry services during uniquely challenging times. Our ferry services are an essential component of the vibrant Provincial economy. As we build a more integrated transportation system throughout coastal communities, we are supporting the continued economic growth and wellbeing of all British Columbians. Dedicated and skilled staff are essential to achieving the outcomes that we all wish to obtain.

We are all looking forward to a more positive and healthier year to come and meeting the new challenges with a renewed approach to planning for a brighter future.

Lecia Stewart

Chair of the Board of Directors
B.C. Ferry Authority



Context

This report is divided in two parts to provide information on activities in the fiscal year ended on March 31, 2022 and to meet the requirements in the *Coastal Ferry Act*:

1. Section 1 - Annual Report pursuant to Section 21.01(3) that describes findings made and actions that the Authority Board has taken in carrying out its oversight role.
2. Section 2 - Annual Report pursuant to Section 18(5) that includes other information such as audited financial statements, appointment of directors, any amendments to bylaws, remuneration of directors as well as information regarding meetings held during this fiscal year.

Overview

The B.C. Ferry Authority (or the “Authority”) is established and governed by the *Coastal Ferry Act*. The Authority is a corporation without share capital that owns the single issued voting share of BC Ferry Services Inc. (or “BCFS” or the “Company”), the service provider under contract to the Province of British Columbia (or the “Province”) responsible for the delivery of coastal ferry services in British Columbia. The Province is the holder of all of the preferred shares of BCFS and has no voting interest in either the Authority or the Company.

The Authority’s responsibilities are set out in the *Coastal Ferry Act*. These responsibilities are to appoint the directors to the Board of BCFS, to establish compensation plans for the executives and directors and of the Company, and to oversee the strategic direction of the Company in support of the public interest, including the public’s interest in safe, reliable and affordable coastal ferry services in British Columbia.

To carry out its responsibilities, the Authority has been developing a more robust infrastructure to reflect its independence from the Company. More specifically, we updated the BCFA Governance Manual with new internal processes and will retain dedicated staffing to support the Board in achieving its mandate. These measures are necessary for the Authority to carry out its oversight mandate.

The Board has also established committees to oversee strategic planning and executive compensation. The work that these committees have completed in fiscal 2022 is detailed in section one of this report.

The Authority has adopted high standards of transparency and public and stakeholder accountability that require the Authority’s financial and operating performance, the reviews it has completed in respect of BCFS’ executive compensation, and its processes for appointing directors of the Authority and BCFS, to be transparent.

Section 1

Annual Report on the B.C. Ferry Authority Oversight of the Strategic Direction of British Columbia Ferry Services Inc. in Support of the Public Interest

Introductions

Coastal ferry services remain an essential service, providing an economic and transportation lifeline for people and the movement of goods, supplies and services in coastal British Columbia. Since early 2020, the COVID-19 pandemic has had a significant impact on BC Ferry Services' operations and financial outcomes. Because of these significant challenges, the Authority's public interest role has even greater relevance and importance. The public interest is always at the forefront of the Authority's oversight activities.

The following public interest definition, developed by the Authority in fiscal year 2020, continues to guide its work.

Public interest:

Matters of public interest are all those policies, plans and actions of BCFS that materially affect BCFS users, ferry-dependent communities and other British Columbians and more specifically all those matters that affect customer service, the environment, the well-being of First Nations and other coastal communities, the economy, the workforce, and the long-term sustainability of the corporation.

Additionally, in fiscal year 2021, the Authority identified six guiding principles to ensure that the public interest is appropriately considered in BCFS strategic planning processes and the delivery of core services¹. These principles are:

1. Enhancing Public Accountability
2. Providing Access to Information on Service Standards
3. Ensuring Public Safety for Passengers and the General Public
4. Improving Affordability for Passengers and Protecting Financial Outcomes
5. Working with Labour as a Partner to Promote and Support Innovation
6. Supporting the Economy and Community Sustainability

Purpose

The purpose of this section of the annual report is to set out the actions taken by the directors of the Authority as per section 21.01 of the *Coastal Ferry Act*.

Timelines

This report covers the period for the fiscal year from April 1, 2021 to March 31, 2022.

¹ For more information concerning the Guiding Principles, please refer to the 2020/2021 BC Ferry Authority Annual Report.

Reporting of Action Under Section 21.01

A. Governance

The Authority is responsible for appointing directors to the BCFS Board. In 2019, the *Coastal Ferry Act* was amended to better reflect the public interest oversight role of the BCFA and the BC Ferry Commissioner. With this mandate, the Authority commissioned a review of the BCFS Board to assess the composition and effectiveness of the board, and to consider succession planning. The subsequent report, which included feedback from the current Board Chairs of both BCFS and the Authority, contained several recommendations that specifically addressed the optimal mix of skills and expertise required to meet the public interest mandate, the size of the Board, initial appointment terms, representation from First Nations communities and organized labor, and the development of a provincial public policy vision for future multi-modal coastal transportation.

The Authority has reviewed and accepted the recommendations detailed in the report. The implementation of the recommendations will extend into the coming fiscal years as the terms of existing BCFS Board members expire and new directors are recruited to fill these vacancies.

B. BC Ferry Services Executive Compensation

As reported last year, the BC Government implemented a freeze on executive compensation for provincial public sector organizations in 2020, but the freeze did not apply to the independently managed BCFS. The *Coastal Ferry Act* does however, set limits and guidelines for the Company's executive compensation. The Authority established a Special Committee to examine the BCFS Executive Compensation Plan and its compliance with the governing legislation. The Committee retained a consultant and considered the executive compensation guidelines prescribed by the Public Sector Employers' Council that govern executive remuneration limits for crown corporations, health authorities, school districts and other agencies operating within the broader public sector. In February 2022, the Authority considered the recommendations of the Special Committee and approved revised maximum annual total remuneration limits for BCFS executives, effective immediately, and directed the Special Committee to oversee the development of a BC Ferries executive compensation plan that included the new upper limits. The BCFA Board Chair informed the BCFS Board Chair detailing the new upper limits.

C. Strategic Planning

A Special Committee of the Authority, established in 2021, was invited to review the draft BCFS 2021/2022 Strategic Plan. The Committee provided to BCFS staff the BCFA's six guiding principles to ensure that the public interest is reflected in the delivery of core services. Additionally, the committee sought information and data that corresponded to the guiding principles and themes contained in the BCFS draft plan. These were:

1. Service Delivery and Performance
2. Financial Information
3. Public Safety
4. Labour Relations and Innovation
5. Community Impacts

When reviewing the final draft of the Plan, the Special Committee noted that the following issues, which were highlighted during its review, were not included or referenced:

1. Greater emphasis that BC Ferries has a key role to play in supporting the economy and recovery from the economic impacts of the COVID-19 pandemic.
2. Increased responsiveness to the public regarding core services under the terms of the current Coastal Ferry Services Contract.
3. More attention on labour relations and innovation.
4. Actions to measure performance and success of the strategic plan.

The Committee proposed ways in which the respective boards of the Authority and BCFS could collaborate and share data on matters of mutual interest and in promoting the public interest and looks forward to expanded collaboration efforts in the coming year.

Section 2

Annual Report of B.C. Ferry Authority Activities

Introduction

Section 18(5) of the *Coastal Ferry Act* (or the “Act”) requires the Authority to report on its activities each year. This requires reporting on the appointment of directors of BC Ferry Services Inc., the BC Ferry Services’ executive compensation plan, the appointment of Authority directors, amendments to the Authority’s bylaws, Authority Board meetings, director remuneration, and the independent auditor’s report and audited financial statements.

Purpose

The purpose of this report is to meet the statutory reporting requirements of Section 18(5) of the Act.

Timelines

The timeline for this report is April 1, 2021 to March 31, 2022.

Reporting of Activities

A. Appointment of BC Ferry Services Directors

In accordance with the Act, the Authority makes its determinations on the composition of the BC Ferry Services board of directors in consideration of the skills and experience that each director holds. The Authority selects individuals for appointment or renewal of a term in such a way to ensure that, as a group, the directors of the Company are qualified candidates who hold the skills and experience necessary to oversee the operation of ferry services in an efficient and cost-effective manner.

The Authority continues to hold the view that a diverse board makes for good corporate governance and will continue to refine its director recruitment and appointment processes to ensure that engaged and experienced individuals are chosen to oversee BCFS operations.

The directors of BC Ferry Services Inc. in fiscal 2022 (as at March 31, 2022) are listed in Table 1.

Table 1

British Columbia Ferry Services Inc. Board of Directors

Director	Term Ending
Brenda J. Eaton	2022
Jan K. Grude	2022
Judith F. Sayers	2022
Bruce A. Chan	2022
Gordon M. Kukec	2022
David R. Podmore, O.B.C.	2023
Sarah A. Morgan-Silvester, O.B.C.	2024
Janine M. North	2024
Eric A. Denhoff	2024
Shona A. Moore	2024
Michael W. Pucci	2024

In fiscal 2022, the Authority reappointed directors Jan K. Grude and Judith F. Sayers to the BCFS Board of Directors for a one-year term to expire on the date of the Annual General Meeting in 2022.

The BC Ferry Services Board elected Brenda J. Eaton as its chair effective April 1, 2021.

B. Compensation Plans

As required by the Act, the Authority has both an executive and director compensation plan for BC Ferry Services. The current plans are available for public view on the Authority's website: www.bcferryauthority.com

Directors' Compensation Plan

The compensation plan for BCFS Directors has remained unchanged since 2011. The current rates were established with the assistance of an independent third-party compensation expert and with reference to the Act, which requires that the remuneration under a directors' compensation plan be consistent with the remuneration that organizations in Canada that are of a similar size and scope to BC Ferry Services provide to their directors, and not be greater than the remuneration that provincial public sector organizations in British Columbia provide to their directors.

In accordance with the directors' compensation plan approved by the Authority, BC Ferry Services provides the following remuneration to its directors:

Annual Retainers	
Board Chair Retainer	\$100,000
Board Member Retainers:	
Base Retainer (all directors excluding Board Chair)	\$25,000
Vice Chair Retainer	\$8,000
A&F Committee Chair Retainer	\$8,000
Other Committee Chair Retainer	\$5,000
Committee Member Retainer (excluding Committee Chair)	\$3,000
Per Diem Fees	
Board Member Fees (all directors excluding Board Chair)	Up to \$1,200 per day
Ferry Travel Pass	
Ferry Pass for directors and eligible members of their respective immediate families, for complimentary vehicle and personal travel on BC Ferries' vessels	

Executive Compensation Plan

An executive compensation plan applies to the executives of the Company, as that term is defined in the Act, who in fiscal 2022 were the individuals holding the positions of or acting in a similar capacity or performing similar functions to, the Chief Executive Officer ("CEO"), Executive Vice President ("EVP"), or Vice President of BC Ferry Services. In Fiscal year 2022, the Authority reviewed BCFS executive compensation levels and discovered that the amounts paid to senior leaders appeared to be offside with the provisions of the *Coastal Ferry Act*.

As noted in Section 1 of this Report, the Authority appointed a consultant to review the BCFS executive compensation. As a result of this review, new maximum annual total remuneration limits were set in February 2022. Further revisions to the BCFS executive compensation plan arising from the review are anticipated in fiscal year 2022/2023.

C. Appointment of B.C. Ferry Authority Directors

The composition of the board of the Authority is set out in the Act and, in fiscal 2022, the board was comprised of four directors appointed by the Provincial Government, four directors who are nominated from the coastal regional districts, and one director from the nominees of the BC Ferry & Marine Workers' Union, the trade union representing the employees of BC Ferry Services.

There were no changes to the composition of the Authority Board in fiscal year 2021/2022 however Lecia Stewart, David Levi and Jessica Bowering were reappointed by the Province in March 2022 for terms ending in 2025. Lecia Stewart's appointment as BCFA Chair was renewed effective March 29, 2022.

The directors of the Authority in fiscal 2022 are listed in Table 2. In selecting individuals to serve as directors of the Authority, two primary objectives continue to guide the board. The first objective is to ensure that the composition of the board continues to meet the requirements of the Act, and the second is to ensure that, collectively, the board includes qualified individuals with the skills and experience necessary to ensure the sound performance of the Authority in meeting its statutory mandate. The skills and experience profile for the Authority board is included as Schedule "A" to the general bylaws of the Authority which are posted on the Authority's website.

The Authority believes that a diverse board strengthens decision-making and enhances overall board governance. Within the overarching objective of ensuring that the board is composed of members that collectively possess the appropriate skills and experience to enable the Authority to perform its stewardship role effectively, the board, in selecting candidates for appointment, also seeks to maintain and/or enhance the diversity of background among its members.

Table 2
B.C. Ferry Authority Board of Directors
as at March 31, 2022

Director		Term Ending March 31
Lecia Stewart, Chair	Province of British Columbia	2025
G. Wynne Powell, Vice-Chair	Province of British Columbia	2023
Jessica Bowering	Province of British Columbia	2025
Marlene Kowalski	Southern Vancouver Island Appointment Area	2023
David Levi	Province of British Columbia	2025
Andrew Ross	Organized Labour	2025
J. Wayne Rowe	Southern Mainland Appointment Area	2023
Marc Tremblay	Central Vancouver Island and Northern Georgia Strait Appointment Area	2024
Gary Coons	Northern Coastal and North Vancouver Island Appointment Area	2024

D. B.C. Ferry Authority General Bylaws

The general bylaws of the Authority are available for public view on the Authority's website.

E. B.C. Ferry Authority Board Meetings

In the fiscal year 2021/2022, the board met on 10 occasions, including the annual general meeting of the Authority held in accordance with the Act on August 19, 2021. Meetings were conducted largely through videoconference technology in keeping with social distancing, travel restrictions and public health advisories prompted by COVID-19. A summary of the outcomes of the meetings of the board is provided in Table 3.

Table 3
Summary of Meeting Outcomes
Year ended March 31, 2022

Date	Type	Outcomes ¹
April 30, 2021	Board of Directors	<ul style="list-style-type: none"> Update on the Province's Emergency Program Act and corresponding impacts on BC Ferries operations. <i>No resolutions passed.</i>
May 27, 2021	Board of Directors	<ul style="list-style-type: none"> Directors Coons and Tremblay welcomed to the Board. Report on BCFA Fiscal 2020/21 expenditures was approved. Chair's Report on the COVID-19 Task Force was approved. Reports from the Special Committees on Executive Compensation and Strategic Planning were received and approved. Previews of the BCFA website were shared.
June 18, 2021	Board of Directors	<ul style="list-style-type: none"> Jan K. Grude and Judith F. Sayers reappointed as directors on the BCFS Board for a one-year term.

July 13, 2021	Board of Directors	<ul style="list-style-type: none"> Fiscal 2021 audited financial statements of the Authority approved. Fiscal 2021 draft annual report of the Authority approved subject to final edits and Board Chair approval. Fiscal 2021 draft report on the Authority's compliance with the <i>Coastal Ferry Act</i> approved for submission to the British Columbia Ferries Commissioner subject to final edits to ensure consistency with the Annual Report. Corporate Secretary authorized to execute the shareholder's unanimous consent resolutions pertaining to matters respecting the business required to be transacted at the 2021 annual general meeting of BC Ferry Services Inc. Special Committee on Executive Compensation findings were discussed and it was resolved that the findings be sent to the BCFS Chair, that future executive compensation increases be frozen pending the outcome of the review and that the Committee commence work on a revised executive compensation plan. Report from the Special Committee on Strategic Planning was received for information. A Report reviewing the BCFS Board was discussed and it was resolved that an action plan for adopting the recommendations be developed by a special committee of the Board.
August 19, 2021	Annual General Meeting	<i>Annual General Meeting open to the public held in Victoria, British Columbia.</i>
September 28, 2021	Board of Directors	<ul style="list-style-type: none"> Recommendations from the BCFA Special Committee on the BCFS Board were discussed and it was resolved that the size of the BCFS Board be reduced, that new members have desired skill sets and that the timing of new appointments be determined at a future BCFA Board meeting.
October 20, 2021	Board of Directors	<ul style="list-style-type: none"> BCFA strategic priorities were identified, discussed and approved. Fiscal 2022/23 operating budget of the Authority was approved. Report from the Special Committee on Strategic Planning was received for information. Report from the Special Committee on Executive Compensation was received for information.
February 16, 2022	Board of Directors	<ul style="list-style-type: none"> A Report from the Special Committee on Executive Compensation was received, and it was resolved that recommendations in the report be adopted which included imposing new maximum annual total remuneration limits on BC Ferries executive compensation levels effective as at February, 2022 and that the Committee oversee the preparation of revised BCFS executive compensation plan for consideration of the Board. A Select Committee was established to recruit new BCFS Board members to replace directors who are not eligible for reappointment. Andrew Ross, the current nominee of the BC Ferry and Marine Workers' Union, was reappointed to the Board for a term ending March 31, 2025.
March 8, 2022	Board of Directors	<i>No resolutions passed.</i>
March 29, 2022	Board of Directors	<ul style="list-style-type: none"> August 18, 2022 was approved as the date for the BCFA AGM which will be held in Victoria in conjunction with the BCFS Annual Public Meeting. The Board received a presentation on the responsibilities of Directors. Lecia Stewart was reappointed as Chair of the BCFA Board of Directors. An overview of the Chair's discussions with the BCFS Chair regarding Performance Term 6 was provided. The KPMG BCFA Audit Engagement letter and Audit Plan and the BCFS Audit Planning report were received and approved.

Meeting attendance for board members is an important issue and one that the Authority monitors on a regular basis. In fiscal 2022, meeting attendance by board members was 96 percent.

F. Remuneration of B.C. Ferry Authority Directors

An outline of the current remuneration framework for directors of the Authority is provided in Table 4. The framework, which was set by the board effective October 1, 2010, is regularly reviewed and has remained unchanged since that date. The amount each director received for remuneration and expenses in fiscal 2021/2022 is set out in Table 5.

Table 4

B.C. Ferry Authority Director Remuneration Framework as at March 31, 2022

Annual Retainers	
Board Chair Retainer	\$25,000
Board Member Retainers:	
Base Retainer (all directors excluding board Chair)	\$6,250
Committee Chair Retainer ¹	\$2,000
Committee Member Retainer ¹	\$750
Per Diem Fees²	
Board Member Fees (all directors excluding Board Chair)	Up to \$1,200 per day
Ferry Travel Pass	
Ferry Pass for directors and eligible members of their respective immediate families, for complimentary vehicle and personal travel on BC Ferry Services' vessels.	

1. There currently are no standing committees of the board.
2. Directors are also eligible for reimbursement of reasonable expenses incurred on board-related business.

Table 5

B.C. Ferry Authority Director Remuneration and Expenses Year ended March 31, 2022

Director	Remuneration ¹ (\$)	Expenses Reimbursed (\$)
Lecia Stewart, Chair	\$25,036	Nil
G. Wynne Powell	\$22,450	Nil
Jessica Bowering	\$18,488	\$548
Marlene Kowalski	\$17,366	Nil
David Levi	\$20,294	Nil
Andrew Ross	\$20,726	\$184
J. Wayne Rowe	\$15,156	\$474
Marc Tremblay	\$19,657	\$246
Gary Coons	\$18,250	Nil

1. Remuneration includes retainers, per diem fees and taxable income from the ferry travel pass program.

G. Remuneration of BC Ferry Services Board Directors

The amount each B.C. Ferry Services Board director received for remuneration and expenses in fiscal 2022 is set out in Table 6.

Table 6

B.C. Ferry Services Board Director Remuneration and Expenses Year ended March 31, 2021

Director	Remuneration ¹ (\$)	Expenses Reimbursed (\$)
Brenda J. Eaton	\$100,207	\$12,819
Jan K. Grude	\$55,200	\$857
Judith F. Sayers	\$53,301	\$961
Bruce A. Chan	\$47,200	\$461
Gordon M. Kukec	\$46,000	\$721
David R. Podmore, O.B.C.	\$51,560	\$2,119
Sarah A. Morgan-Silvester, O.B.C.	\$53,760	Nil
Janine M. North	\$60,915	\$12,590
Eric A. Denhoff	\$47,334	\$1,576
Shona A. Moore	\$49,798	Nil
Michael W. Pucci	\$53,510	Nil

1. Remuneration includes retainers, per diem fees and taxable income from the ferry travel pass program.

Auditors' Report

To the Board of Directors, B.C. Ferry Authority

Opinion

We have audited the financial statements of B.C. Ferry Authority ("the Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The logo for KPMG LLP, featuring the letters 'KPMG' in a large, bold, sans-serif font, with 'LLP' in a smaller font to the right. A horizontal line is drawn underneath the text.

Chartered Professional Accountants

Victoria, Canada

June 24, 2022

Financial Statements

Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	As at	
	March 31, 2022	March 31, 2021
Assets		
Investment in British Columbia Ferry Services Inc.	696,837	606,848
Total assets	696,837	606,848
Equity		
Invested in common share of British Columbia Ferry Services Inc.	1	1
Contributed surplus of British Columbia Ferry Services Inc.	25,000	25,000
Accumulated undistributed earnings of British Columbia Ferry Services Inc.	671,836	581,847
Total equity	696,837	606,848

Statements of Comprehensive Income

(Expressed in thousands of Canadian dollars)

	Note	Years ended March 31	
		2022	2021
Earnings			
Share in earnings of British Columbia Ferry Services Inc.	3	89,989	56,225
Total earnings		89,989	56,225
Expenses			
Administration	4	491	176
Recovery from British Columbia Ferry Services Inc.		(491)	(176)
Total expenses		-	-
Total comprehensive income		89,989	56,225

The accompanying notes are an integral part of these Financial Statements.

Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

	Note	Years ended March 31	
		2022	2021
Cash flows from operating activities			
Net earnings		89,989	56,225
Items not affecting cash			
Share in earnings of British Columbia Ferry Services Inc.	3	(89,989)	(56,225)
Net change in cash		-	-

Statements of Changes in Equity

(Expressed in thousands of Canadian dollars)

	Invested in BCFS	Contributed surplus of BCFS	Accumulated undistributed earnings of BCFS	Total equity
Balance as at April 1, 2020	1	25,000	525,622	550,623
Total comprehensive income	-	-	56,225	56,225
Balance as at March 31, 2021	1	25,000	5281,847	606,848
Total comprehensive income	-	-	89,989	89,989
Balance as at March 31, 2022	1	25,000	671,836	696,837

The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements

Years ended March 31, 2022 and 2021

(Tabular amounts expressed in thousands of Canadian dollars)

B.C. Ferry Authority (the “Authority”) was established by the *Coastal Ferry Act* (British Columbia) (the “Act”) on April 1, 2003, as a corporation without share capital. The Act specifies that the Authority is governed by a board of nine directors. The directors of the Authority appoint replacements for outgoing directors for five of the positions as follows:

- four appointed from nominees of qualified individuals, as defined in the Act, provided to the board by each of the four appointment areas consisting of those coastal regional districts that the Lieutenant Governor in Council of British Columbia may prescribe, with one director appointed from each area;
- one appointed from nominees of qualified individuals provided by the trade union representing the employees of British Columbia Ferry Services Inc. (“BCFS”).

The Lieutenant Governor in Council of British Columbia appoints the other four directors from qualified Authority candidates.

The Authority’s primary purposes are set out in the Act and includes holding the single-issued common voting share of BCFS, a company incorporated under the *Company Act* (British Columbia) by way of conversion on April 2, 2003. The Authority’s validly exists under the *Business Corporations Act* (British Columbia): to appoint the directors of BCFS, to establish a compensation plan for the directors of BCFS, to approve an executive compensation plan for the executives of BCFS and to oversee the strategic direction of BCFS in support of the public interest. BCFS’ primary business is the provision of coastal ferry services in British Columbia. The Province of British Columbia (the “Province”) contributed the initial capital to the Authority to

fund the purchase of the BCFS common share. The Act provides that upon a sale of the common share of BCFS held by the Authority, the Authority shall repay the Province its initial contribution and be dissolved. The Act also provides that upon dissolution of the Authority, all remaining assets of the Authority, if any, vest with the Province. As part of their annual report to the Lieutenant Governor in Council, the British Columbia Ferries Commissioner is required by the Act to issue an opinion on the performance of the Authority in carrying out its legislated responsibilities.

Historically, BCFS’ 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 for travel during the summer months.

The worldwide spread of the novel coronavirus (“COVID-19”) pandemic since the beginning of 2020 and corresponding preventative measures and imposed travel restrictions continued to have an impact on the BCFS’ passenger and vehicle traffic, earnings and cash from operations during the year ended March 31, 2022.

In December 2020, BCFS received \$308.0 million from the Province as part of the Provincial and Federal Governments’ Safe Restart Funding Program, which significantly increased BCFS’ cash position and mitigated the need for incremental borrowing. Refer to Note 7 for more information.

The Authority cannot predict with certainty the full impact of the COVID-19 pandemic or the future timing of when conditions might return to pre-pandemic levels.

1. Accounting policies

A. Basis of preparation:

The Authority is a corporation domiciled in Canada. The address of the Authority’s registered office is Suite 500, 1321 Blanshard Street, Victoria, BC Canada.

These financial statements represent the annual statements of the Authority as at and for the year ended March 31, 2022, prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). In accordance with IFRS, the Authority has provided comparative financial information and applied the same accounting policies throughout all periods presented unless otherwise indicated.

These financial statements are prepared in accordance with IAS 27, *Separate Financial Statements* and therefore do not consolidate the results of the Authority’s wholly-owned subsidiary, BCFS. The Authority

has elected to account for its investment in BCFS using the equity method. Under the equity method, the original cost of the investment is adjusted for the Authority’s share of post-acquisition earnings or losses, dividends and any other post-acquisition changes in the equity of BCFS.

These financial statements have been prepared using the historical cost method except that changes in the investment in BCFS may include fair value movements in owned land, head office land under lease and certain financial assets and liabilities, including derivatives.

These financial statements are presented in Canadian dollars (“CAD”) which is the Authority’s functional currency. All tabular financial data is presented in CAD and rounded to the nearest thousand, unless otherwise stated.

These financial statements were approved by the Board of Directors on June 24, 2022.

B. Estimates and judgements:

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting methods and the amounts recognized in the financial statements. These estimates and the underlying assumptions are established and reviewed continuously on the basis of past experience and other factors considered reasonable in the circumstances. They therefore serve as the basis for making

judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates.

C. Taxes:

The Authority is a “Tax Exempt Corporation” as described in the *Income Tax Act* (Canada) and as such is exempt from federal and provincial income taxes.

2. Adoption of new and amended standards

Future changes in accounting policies, which may impact BCFS:

IFRS 17, Insurance Contracts:

In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, and subsequent *Amendments* to IFRS 17 in June 2020. The objective of the amendments to IFRS 17 is to assist entities implementing the Standard, while not unduly disrupting implementation or diminishing the usefulness of the information provided by applying IFRS 17. IFRS 17 will replace IFRS 4, *Insurance Contracts*, and is effective for annual reporting periods beginning on or after January 2023. The Authority does not expect the application of IFRS 17 to have any impact on its financial statements.

Exposure Draft, Regulatory Assets and Regulatory Liabilities:

In January 2021, the IASB issued the exposure draft, *Regulatory Assets and Regulatory Liabilities*, which, if finalized as a new IFRS Standard, will replace IFRS 14, *Regulatory Deferral Accounts*. IFRS 14 addresses the accounting for regulatory deferral accounts; however, it does not allow the recognition of regulatory assets and regulatory liabilities that result from the regulated price cap setting process for entities, such as the Authority, that had already transitioned to IFRS. As a result, the Authority’s share of earnings from BCFS includes income or loss from fuel surcharges or rebates, and increases or decreases in fuel prices from those approved price caps of BCFS.

The exposure draft proposes a new accounting model under which an entity, subject to rate regulation that meets the scope criteria, would recognise regulatory assets and regulatory liabilities. This accounting model would align the total income recognized in a period under IFRS Standards with the total allowed compensation the entity is permitted to earn by the rate regulator. The key proposal in the exposure draft is that an entity that is subject to rate regulation would report in its financial statements the total allowed compensation it is permitted to earn by the rate regulator for goods and services supplied in the period.

The IASB expects that the application of the proposals would improve the information provided to users about the financial performance and financial position of entities subject to rate regulation.

The IASB closed the period to receive comments on the exposure draft at July 30, 2021. The IASB continues to discuss the feedback and will deliberate the proposals in upcoming meetings.

3. Share in earnings of BCFS

The distributable earnings of BCFS consist of the current period total comprehensive income, less amounts reclassified from equity and any dividends paid in the current period and less a reserve for undeclared preferred share dividends, if any.

	Years ended March 31	
	2022	2021
Net earnings of BCFS		
Other comprehensive income of BCFS:	34,135	20,972
Items that are or may be reclassified subsequently to net earnings:		
Hedge gains on fuel swaps	63,024	13,707
Items not be reclassified to net earnings:		
Gains on revaluation of land	10,069	15,849
Actuarial losses on post-employment benefit obligations	-	(1,807)
Total other comprehensive income of BCFS	73,093	27,749
Total comprehensive income of BCFS	107,228	48,721
Items reclassified from equity and dividends of BCFS:		
Realized hedge (gains) losses recognized on fuel swaps	(11,449)	13,294
Hedge losses on interest rate forward contracts reclassified to net earnings	248	248
Dividends paid on 8% cumulative preferred shares	(6,038)	(6,038)
Share in earnings of BCFS	89,989	56,225

4. Recovery from BCFS

In accordance with the Act, BCFS is responsible for paying any expenses that are incurred by the Authority.

5. Subsidiary supplemental information

The consolidated financial position and operating results for BCFS and its wholly-owned subsidiaries are summarized below:

	Note	As at	
		March 31, 2022	March 31, 2021
Assets:			
Current			
Cash and cash equivalents		204,446	285,389
Other current assets		298,430	223,222
Current assets		502,876	508,611
Non-current assets		1,973,999	1,954,977
Total assets		2,476,875	2,463,588
Liabilities:			
Current liabilities		228,495	277,235
Long-term debt and other non-current liabilities		1,476,066	1,504,028
Total liabilities		1,704,561	1,781,263
Equity:			
Share capital	5(a)	75,478	75,478
Contributed surplus		25,000	25,000
Retained earnings		590,776	562,679
Equity before reserves		691,254	663,157
Reserves	5(b)(i)	81,060	19,168
Total equity including reserves		772,314	682,325
Total equity		2,476,875	2,463,588

5. Subsidiary supplemental information (continued):

	Note	Years ended March 31	
		2022	2021
Total revenue		965,353	865,346
Expenses			
Other operating expenses		694,654	600,324
Depreciation and amortization		173,300	179,541
Total operating expenses		867,954	779,865
Operating profit		97,399	85,481
Net finance and other expenses			
Finance expenses		60,948	60,623
Finance income		(4,957)	(4,615)
Other expenses		7,273	8,501
Net finance and other expenses		63,264	64,509
NET EARNINGS		34,135	20,972
Total other comprehensive income	5(b)(ii)	73,093	27,749
Total comprehensive income		107,228	48,721

A. The share capital of BCFS consists of:

(i) – Authorized:

- 1,000,000 Class A voting common shares, without par value
- 1 Class B voting common share, without par value
- 80,000 Class C non-voting, 8% cumulative preferred shares, with a par value of \$1,000 per share, convertible to Class A shares upon the sale of the outstanding Class B share by the initial shareholder. Special rights attached to the Class C shares restrict the Group's ability to issue shares and to declare dividends.

(ii) – Issued and outstanding:

	2022		2021	
	Number of shares	Amount \$	Number of shares	Amount \$
Class B, common	1	1	1	1
Class C, preferred	75,477	75,477	75,477	75,477
		75,478		75,478

The outstanding Class B common share is held by the Authority, and the Class C preferred shares are held by the Province.

(iii) – Dividends:

Dividends on the Class C cumulative preferred shares, if declared, are payable annually on March 31 of each year. All dividend entitlements to date have been paid.

B. Other comprehensive income:

(i) — Continuity of reserves:

	Land revaluation reserves	Employee future benefit revaluation reserves	Fuel swap reserves	Interest rate forward contract reserves	Total
Balance as at April 1, 2020	22,658	(6,095)	(32,720)	(5,966)	(22,123)
Land revaluation	15,849	-	-	-	15,849
Actuarial losses on post-employment benefit obligations	-	(1,807)	-	-	(1,807)
Derivatives designated as cash flow hedges:					
Net change in fair value	-	-	13,707	-	13,707
Realized losses	-	-	13,294	-	13,294
Amortization of losses	-	-	-	248	248
Balance as at March 31, 2021	38,507	(7,902)	(5,719)	(5,718)	19,168
Land revaluation	10,069	-	-	-	10,069
Derivatives designated as cash flow hedges:					
Net change in fair value	-	-	63,024	-	63,024
Realized gains	-	-	(11,449)	-	(11,449)
Amortization of losses	-	-	-	248	248
Balance as at March 31, 2022	48,576	(7,902)	48,856	(5,470)	81,060

(ii) — Other comprehensive income:

	Years ended March 31	
	2022	2021
Items that are or may be reclassified subsequently to net earnings:		
Hedge gains on fuel swaps	63,024	13,707
Items not to be reclassified to net earnings:		
Gains on revaluation of land	10,069	15,849
Actuarial losses on post-employment benefit obligations	-	(1,807)
Total other comprehensive income	73,093	27,749

6. Related party transactions

The compensation of the Authority's directors and executive officers during the year is as follows:

	Years ended March 31	
	2022	2021
Short-term benefits	1,615	1,383
Post-employment benefits	127	106
Total	1,742	1,489

7. Safe Restart Funding

In December 2020, BCFS received a contribution of \$308.0 million from the Province under the Safe Restart Funding Agreement.

The contribution consists of the following three components:

- Base Operating Relief - \$280.0 million in respect of the estimated operational fiscal impact or loss of earnings in fiscal years 2021 and 2022 due to COVID-19;
- Fare Increase Relief - \$24.0 million in respect of the estimated revenue losses during the term of the Safe Restart Funding Agreement from limiting fare increases to an average of 2.3% in each of fiscal years 2022, 2023 and 2024; and
- Discretionary Sailing Relief - \$4.0 million in respect of the estimated costs of discretionary sailings in fiscal years 2022, 2023 and 2024.

The revenue recognition of the contribution is consistent with its submission to the Province from August 2020 which was based on the estimated loss of earnings in relation to the above three components for fiscal years 2021 to 2024, and reflects the normal seasonal pattern of earnings.

BCFS recognized \$102.3 million of the contribution in the statement of profit or loss for the year ended March 31, 2022 (March 31, 2021: \$186.0 million).

If BCFS did not recognize \$102.3 million of the Safe Restart Funding, the Authority's share in the net loss of BCFS for the year ended March 31, 2022 would have been \$12.3 million (March 31, 2021: a net loss of \$129.8 million):

Effect of Safe restart funding on the Authority's Share in earnings of BCFS	Years ended March 31		
	2022	2021	Increase
The Authority's Share in the earnings of BCFS	89,989	56,225	33,764
Safe restart funding	(102,333)	(186,000)	83,667
The Authority's Share in the loss of BCFS excluding Safe restart funding	(12,344)	(129,775)	117,431

B.C. Ferry Authority

Board of Directors

(as at March 31, 2022)

Lecia Stewart, Chair

G. Wynne Powell, Vice Chair

Jessica Bowering

Marlene Kowalski

David Levi

Andrew Ross

J. Wayne Rowe

Marc Tremblay

Gary Coons

Officers

(as at March 31, 2022)

Toby Louie

Corporate Secretary

