Interim Condensed Consolidated Financial Statements of

BRITISH COLUMBIA FERRY SERVICES INC.

Six months ended September 30, 2016 and 2015

(unaudited)
BRITISH COLUMBIA FERRY SERVICES INC.
Interim Condensed Consolidated Statements of Financial Position (unaudited)
(Expressed in thousands of Canadian dollars)

As at
September 30, 2016  March 31, 2016

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>131,920</td>
<td>79,113</td>
</tr>
<tr>
<td>Restricted short-term investments (note 3(b))</td>
<td>31,736</td>
<td>31,986</td>
</tr>
<tr>
<td>Other short-term investments</td>
<td>109,514</td>
<td>61,464</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>16,750</td>
<td>16,249</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>12,164</td>
<td>8,550</td>
</tr>
<tr>
<td>Inventories</td>
<td>26,354</td>
<td>23,988</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>328,438</td>
<td>221,350</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan receivable</td>
<td>24,515</td>
<td>24,515</td>
</tr>
<tr>
<td>Land lease</td>
<td>30,459</td>
<td>30,688</td>
</tr>
<tr>
<td>Property, plant and equipment (note 6)</td>
<td>1,523,634</td>
<td>1,539,957</td>
</tr>
<tr>
<td>Intangible assets (note 7)</td>
<td>95,897</td>
<td>82,741</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>1,674,505</td>
<td>1,677,901</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>47,577</td>
<td>53,575</td>
</tr>
<tr>
<td>Interest payable on long-term debt</td>
<td>18,274</td>
<td>18,262</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>16,993</td>
<td>18,883</td>
</tr>
<tr>
<td>Derivative liabilities (note 8)</td>
<td>2,187</td>
<td>17,879</td>
</tr>
<tr>
<td>Current portion of long-term debt (note 3)</td>
<td>24,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Current portion of accrued employee future benefits</td>
<td>1,900</td>
<td>1,900</td>
</tr>
<tr>
<td>Current portion of obligations under finance lease</td>
<td>1,548</td>
<td>1,514</td>
</tr>
<tr>
<td>Provisions</td>
<td>54,993</td>
<td>53,321</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>167,472</td>
<td>189,334</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued employee future benefits</td>
<td>20,761</td>
<td>19,361</td>
</tr>
<tr>
<td>Long-term debt (note 3)</td>
<td>1,206,303</td>
<td>1,218,106</td>
</tr>
<tr>
<td>Obligations under finance lease</td>
<td>41,221</td>
<td>42,003</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>1,269,785</td>
<td>1,280,970</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>75,478</td>
<td>75,478</td>
</tr>
<tr>
<td>Contributed surplus</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>474,876</td>
<td>352,692</td>
</tr>
<tr>
<td><strong>Total equity before reserves</strong></td>
<td>575,354</td>
<td>453,170</td>
</tr>
<tr>
<td>Reserves (note 10(a))</td>
<td>(9,668)</td>
<td>(24,223)</td>
</tr>
<tr>
<td><strong>Total equity including reserves</strong></td>
<td>565,686</td>
<td>428,947</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total liabilities and equity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>2,002,943</td>
<td>1,899,251</td>
</tr>
</tbody>
</table>

Commitments (note 6(b))

See accompanying notes to the interim consolidated financial statements.
## Interim Condensed Consolidated Statements of Comprehensive Income (unaudited)
(Expressed in thousands of Canadian dollars)

<table>
<thead>
<tr>
<th></th>
<th>Three months ended September 30</th>
<th>Six months ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle and passenger fares</td>
<td>217,013</td>
<td>199,816</td>
</tr>
<tr>
<td></td>
<td>375,377</td>
<td>347,231</td>
</tr>
<tr>
<td>Ferry service fees</td>
<td>57,887</td>
<td>54,526</td>
</tr>
<tr>
<td></td>
<td>100,043</td>
<td>95,785</td>
</tr>
<tr>
<td>Net retail (note 11)</td>
<td>20,006</td>
<td>18,318</td>
</tr>
<tr>
<td></td>
<td>33,717</td>
<td>30,993</td>
</tr>
<tr>
<td>Federal-Provincial Subsidy Agreement</td>
<td>7,290</td>
<td>7,183</td>
</tr>
<tr>
<td></td>
<td>14,579</td>
<td>14,365</td>
</tr>
<tr>
<td>Fuel rebates (note 15)</td>
<td>(6,278)</td>
<td>(2,126)</td>
</tr>
<tr>
<td></td>
<td>(10,977)</td>
<td>(3,752)</td>
</tr>
<tr>
<td>Other income</td>
<td>2,995</td>
<td>2,857</td>
</tr>
<tr>
<td></td>
<td>5,373</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>298,913</td>
<td>280,574</td>
</tr>
<tr>
<td></td>
<td>518,112</td>
<td>489,622</td>
</tr>
<tr>
<td><strong>Expenses</strong> (note 12)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>131,061</td>
<td>124,441</td>
</tr>
<tr>
<td></td>
<td>243,773</td>
<td>236,671</td>
</tr>
<tr>
<td>Maintenance</td>
<td>14,170</td>
<td>13,570</td>
</tr>
<tr>
<td></td>
<td>35,243</td>
<td>34,162</td>
</tr>
<tr>
<td>Administration</td>
<td>8,757</td>
<td>8,236</td>
</tr>
<tr>
<td></td>
<td>16,784</td>
<td>16,220</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>36,373</td>
<td>35,816</td>
</tr>
<tr>
<td></td>
<td>73,213</td>
<td>70,927</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>190,362</td>
<td>182,063</td>
</tr>
<tr>
<td></td>
<td>369,013</td>
<td>357,980</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>108,552</td>
<td>98,511</td>
</tr>
<tr>
<td></td>
<td>149,099</td>
<td>131,642</td>
</tr>
<tr>
<td><strong>Net finance and other expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net finance expense (note 13)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>1,148</td>
<td>1,456</td>
</tr>
<tr>
<td></td>
<td>2,183</td>
<td>2,353</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>(14,533)</td>
<td>(15,248)</td>
</tr>
<tr>
<td></td>
<td>(28,945)</td>
<td>(30,490)</td>
</tr>
<tr>
<td><strong>Net finance expense</strong></td>
<td>(13,385)</td>
<td>(13,792)</td>
</tr>
<tr>
<td><strong>Gain (loss) on disposal and revaluation of property, plant and equipment, intangible assets and inventory</strong></td>
<td>32</td>
<td>(212)</td>
</tr>
<tr>
<td><strong>Net finance and other expenses</strong></td>
<td>(13,353)</td>
<td>(14,004)</td>
</tr>
<tr>
<td><strong>Net earnings</strong></td>
<td>95,199</td>
<td>84,507</td>
</tr>
<tr>
<td></td>
<td>122,184</td>
<td>103,304</td>
</tr>
<tr>
<td><strong>Other comprehensive (loss) income</strong> (note 10(b))</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items not to be reclassified to net earnings</td>
<td>(1,240)</td>
<td>(1,240)</td>
</tr>
<tr>
<td>Items to be reclassified to net earnings</td>
<td>208</td>
<td>(3,543)</td>
</tr>
<tr>
<td><strong>Total other reclassified to net earnings</strong></td>
<td>(1,032)</td>
<td>(3,543)</td>
</tr>
<tr>
<td><strong>Total other comprehensive (loss) income</strong></td>
<td>94,167</td>
<td>80,964</td>
</tr>
</tbody>
</table>

See accompanying notes to the interim consolidated financial statements.
BRITISH COLUMBIA FERRY SERVICES INC.
Interim Condensed Consolidated Statements of Cash Flows (unaudited)
(Expressed in thousands of Canadian dollars)

See accompanying notes to the interim consolidated financial statements. 4
BRITISH COLUMBIA FERRY SERVICES INC.
Interim Condensed Consolidated Statements of Cash Flows (unaudited)
(Expressed in thousands of Canadian dollars)

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of long-term debt</td>
<td>(12,000)</td>
<td>(12,000)</td>
</tr>
<tr>
<td>Repayment of finance lease obligations</td>
<td>(748)</td>
<td>(577)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(12,748)</td>
<td>(12,577)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>101</td>
<td>146</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment and intangible assets</td>
<td>(67,241)</td>
<td>(81,743)</td>
</tr>
<tr>
<td>Changes in debt service reserve</td>
<td>250</td>
<td>260</td>
</tr>
<tr>
<td>Net purchase of short-term investments</td>
<td>(48,050)</td>
<td>(23,907)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(114,940)</td>
<td>(105,244)</td>
</tr>
</tbody>
</table>

Net increase in cash and cash equivalents                  | 52,807 | 41,717 |

Cash and cash equivalents, beginning of period              | 79,113 | 65,574 |

Cash and cash equivalents, end of period                     | 131,920 | 107,291 |

See accompanying notes to the interim consolidated financial statements. 5
## BRITISH COLUMBIA FERRY SERVICES INC.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)
(Expressed in thousands of Canadian dollars)

See accompanying notes to the interim consolidated financial statements. 6
British Columbia Ferry Services Inc. (the “Company”) was incorporated under the Company Act (British Columbia) by way of conversion on April 2, 2003, and now validly exists under the Business Corporations Act (British Columbia). The Company’s primary business activity is the provision of coastal ferry services in British Columbia.

The Company is subject to the Coastal Ferry Act (the “Act”) as amended, which came into force on April 1, 2003. Its common share is held by the B.C. Ferry Authority (the “Authority”), a corporation without share capital, and it is regulated by the British Columbia Ferries Commissioner (the “Commissioner”) to ensure that rates are fair and reasonable and to monitor service levels.

The Company’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 for travel during the summer months. The Company 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.

1. Accounting policies:

These interim condensed consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements and the related notes for the year ended March 31, 2016, as they follow the same accounting policies, unless otherwise indicated.

(a) Basis of preparation:

British Columbia Ferry Services Inc. is a company domiciled in Canada. The address of the Company’s registered office is Suite 500, 1321 Blanshard Street, Victoria, BC Canada, V8W 0B7. These interim condensed consolidated financial statements as at and for the six months ended September 30, 2016 and 2015 comprise the Company and its subsidiaries (together referred to as the “Group”).

(b) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations and comply with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

These interim condensed consolidated financial statements were approved by the Board of Directors on November 25, 2016.

(c) Basis of measurement:

These interim condensed consolidated financial statements have been prepared using the historical cost method, except for land, land under finance lease, derivatives, and cash and cash equivalents, which are measured at fair value.
1. Accounting policies (continued):

   (d) Functional and presentation currency:

   These interim condensed consolidated financial statements are presented in Canadian dollars
   ("CAD") which is the Group's functional currency. All tabular financial data is presented in
   thousands of Canadian dollars.

   (e) Revenues:

   Revenue from fuel surcharges, passenger fares and vehicles fares, which include reservation fees,
   is recognized when transportation is provided. Payments for fares sold in advance of providing
   transportation are included in the statement of financial position as deferred revenue. These
   advance payments include prepaid vehicle and passenger fares, assured loading tickets and
   reservation fees.

   Ferry service fees and federal-provincial subsidies are recognized as revenue as services specified
   in the related agreements with the Province of British Columbia (the "Province") are performed.

   Net retail revenue consists primarily of food services and gift shop sales less the cost of goods
   sold. Parking revenues are received from both owned and subcontracted parking facilities and are
   recognized when service is provided. Revenue is generated from various advertising contracts and
   recognized according to the individual agreement.

   (f) Comparative figures:

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

2. Adoption of new and amended standards and interpretations:

   (a) Changes in accounting policies:

   The International Accounting Standards Board ("IASB") and International Financial Reporting
   Interpretations Committee have issued the following standards, amendments or interpretations to
   existing standards that were applied by the Group during the six months ended September 30,
   2016:

   Amendments to IAS 1 Presentation of Financial Statements:

   The IASB has published amendments to IAS 1 Presentation of Financial Statements, to improve
   the effectiveness of presentation and disclosure in financial reports, with the objective of reducing
   immaterial note disclosures. The amendments are effective for annual periods beginning on or after
   January 1, 2016. The application of these amendments did not have any impact on the Group's
   interim condensed consolidated financial statements. Any immaterial disclosures are expected to
   be removed from the Group's annual consolidated financial statements.
2. Adoption of new and amended standards and interpretations (continued):

(a) Changes in accounting policies (continued):

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets:

The IASB has issued *Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments clarify that a revenue-based depreciation method is not considered to be an appropriate manifestation of consumption because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments apply prospectively and are effective for annual periods beginning on or after January 1, 2016. The application of these amendments did not have any impact on the Group’s interim condensed consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows:

On January 29, 2016, the IASB published amendments to IAS 7 *Statement of Cash Flows*. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity’s financing activities. These amendments require a disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The mandatory effective date of amendments to IAS 7 is for annual periods beginning on or after January 1, 2017. The Group early adopted effective April 1, 2016. The application of IAS 7 did not have any impact on the Group’s interim condensed consolidated financial statements, other than additional disclosure as presented in note 4.

(b) Future changes in accounting policies:

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 *Revenue from Contracts with Customers* will replace IAS 11 *Construction Contracts* and IAS 18 *Revenue*. It provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 also requires additional disclosures. The mandatory effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the application of IFRS 15 on its consolidated financial statements.

IFRS 9 Financial Instruments (2014):

On July 24, 2014, the IASB issued the completed version of IFRS 9 *Financial Instruments*. IFRS 9 (2014) introduces a new expected credit loss model for calculating impairment, and incorporates the guidance on the classification and measurement of financial assets and the final general hedge accounting requirements originally published in IFRS 9 (2013). The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Group is in the process of assessing the impact of the application of IFRS 9 (2014) on its consolidated financial statements.
2. Adoption of new and amended standards and interpretations (continued):

(b) Future changes in accounting policies (continued):

IFRS 16 Leases:

On January 13, 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 Revenue from Contracts with Customers, has also been applied. The Group is in the process of assessing the impact of the application of IFRS 16 on its consolidated financial statements.

3. Loans:

<table>
<thead>
<tr>
<th>Long-term debt:</th>
<th>As at September 30, 2016</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.25% Senior Secured Bonds, Series 04-4, due October 2034 (effective interest rate of 6.41%)</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>5.02% Senior Secured Bonds, Series 07-1, due March 2037 (effective interest rate of 5.06%)</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>5.58% Senior Secured Bonds, Series 08-1, due January 2038 (effective interest rate of 5.62%)</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>4.70% Senior Secured Bonds, Series 13-1, due October 2043 (effective interest rate of 4.75%)</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>4.29% Senior Secured Bonds, Series 14-1, due April 2044 (effective interest rate of 4.45%)</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>12 Year Loan, maturing March 2020 Tranche A (effective interest rate of 5.17%)</td>
<td>26,250</td>
<td>30,000</td>
</tr>
<tr>
<td>12 Year Loan, maturing March 2020 Tranche B (floating interest rate of 1.20% at September 16, 2016)</td>
<td>22,500</td>
<td>22,500</td>
</tr>
<tr>
<td>12 Year Loan, maturing June 2020 Tranche A (effective interest rate of 5.18%)</td>
<td>28,125</td>
<td>31,875</td>
</tr>
<tr>
<td>12 Year Loan, maturing June 2020 Tranche B (floating interest rate of 1.20% at September 23, 2016)</td>
<td>22,500</td>
<td>22,500</td>
</tr>
<tr>
<td>2.95% Loan, maturing January 2021 (effective interest rate of 3.08%)</td>
<td>40,500</td>
<td>45,000</td>
</tr>
<tr>
<td></td>
<td>1,239,875</td>
<td>1,251,875</td>
</tr>
<tr>
<td>Less: Unamortized deferred financing costs and bond discounts</td>
<td>(9,572)</td>
<td>(9,769)</td>
</tr>
<tr>
<td>Current portion</td>
<td>(24,000)</td>
<td>(24,000)</td>
</tr>
<tr>
<td>Total</td>
<td>1,206,303</td>
<td>1,218,106</td>
</tr>
</tbody>
</table>
3. Loans (continued):

(a) Credit facility:

The Group has a credit facility with a syndicate of Canadian banks, secured by pledged bonds. This revolving facility, in the amount of $155.0 million, has a maturity date of April 20, 2021. There were no draws on this credit facility as at September 30, 2016 and as at March 31, 2016. There was no interest expensed during the six months ended September 30, 2016 and September 30, 2015. Letters of credit outstanding against this facility as at September 30, 2016 totalled $0.1 million (March 31, 2016: $0.3 million).

(b) Debt service reserves:

Long-term debt agreements require the Group to maintain debt service reserves equal to a minimum of six months of interest payments, to be increased under certain conditions. As at September 30, 2016, debt service reserves of $31.7 million were held in short-term investments and have been classified as restricted short-term investments on the statements of financial position (March 31, 2016: $32.0 million).

(c) Debt service coverage:

Debt service coverage (earnings before interest, taxes, depreciation, amortization, and rent) is required to be at least 1.25 times the debt service cost under the credit facility agreement. As at September 30, 2016, the debt service coverage ratio was 3.35.

In addition, there are other covenants contained in the Master Trust Indenture (“MTI”) (May 2004) available at www.SEDAR.com. The Group was in compliance with all of its covenants at September 30, 2016 and at March 31, 2016.

(d) 2.09% Loan:

The Group has a loan agreement with KfW, a German export credit bank. This loan agreement is secured under the MTI and allows for three loans of up to $45.3 million each. These amortizing loans will be repaid over a 12-year term and bear an interest rate of 2.09% per annum. Receipt of proceeds from the loans will coincide with the conditional acceptance of each of the three new Salish Class vessels from the shipyard and the net proceeds will be used to partially finance the Group’s purchase of these vessels. As at September 30, 2016, no amounts were drawn under the loan agreement.
4. Liabilities arising from financing activities:

Continuity of liabilities arising from financing activities:

<table>
<thead>
<tr>
<th></th>
<th>Long-term debt</th>
<th>Obligations under finance lease</th>
<th>Interest payable on long-term debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>24,000</td>
<td>1,514</td>
<td>18,262</td>
</tr>
<tr>
<td>Non-current</td>
<td>1,218,106</td>
<td>42,003</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,242,106</td>
<td>43,517</td>
<td>18,262</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>31,109</td>
</tr>
<tr>
<td>Payments</td>
<td>(12,000)</td>
<td>(748)</td>
<td>(31,097)</td>
</tr>
<tr>
<td>Amortization of debt issue costs</td>
<td>197</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at September 30, 2016</td>
<td>1,230,303</td>
<td>42,769</td>
<td>18,274</td>
</tr>
<tr>
<td>Current</td>
<td>24,000</td>
<td>1,548</td>
<td>18,274</td>
</tr>
<tr>
<td>Non-current</td>
<td>1,206,303</td>
<td>41,221</td>
<td>-</td>
</tr>
<tr>
<td>Balance at September 30, 2016</td>
<td>1,230,303</td>
<td>42,769</td>
<td>18,274</td>
</tr>
</tbody>
</table>

5. Financial instruments:

The carrying values of the Group’s financial instruments approximate fair value as at September 30, 2016 and March 31, 2016 for all financial instruments except for long-term debt.

<table>
<thead>
<tr>
<th></th>
<th>As at September 30, 2016</th>
<th>As at March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying Value</td>
<td>Approx Fair Value</td>
<td>Carrying Value</td>
</tr>
<tr>
<td>Long-term debt, including current portion ¹</td>
<td>1,230,303</td>
<td>1,608,729</td>
</tr>
</tbody>
</table>

¹ Classified in level 2 as the significant measurement inputs used in the valuation models are indirectly observable in active markets (derived from prices).

Carrying value is measured at amortized cost using the effective interest rate method. Fair value is calculated by discounting the future cash flows of each debt issue at the estimated yield to maturity for the same or similar issues at the date of the statements of financial position, or by using available quoted market prices.
5. Financial instruments (continued):

The following items shown in the consolidated statements of financial position as at September 30, 2016 and March 31, 2016 are carried at fair value on a recurring basis using level 1 or 2 inputs. There were no financial assets and liabilities at September 30, 2016 or at March 31, 2016, valued using level 3 inputs.

<table>
<thead>
<tr>
<th>Asset (liability):</th>
<th>As at September 30, 2016</th>
<th>As at March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Cash</td>
<td>100,886</td>
<td>-</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>793</td>
<td>-</td>
</tr>
<tr>
<td>Derivatives</td>
<td>-</td>
<td>(2,187)</td>
</tr>
<tr>
<td></td>
<td>101,679</td>
<td>(2,187)</td>
</tr>
</tbody>
</table>

1 Classified in level 1 as the measurement inputs are derived from observable, unadjusted quoted prices in active markets for identical assets.
2 Classified in level 2 as the significant measurement inputs used in the valuation models are indirectly observable in active markets (derived from prices).

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates cannot be determined with precision as they are subjective in nature and involve uncertainties and matters of judgment. Where market prices are not available, fair values are estimated using discounted cash flow analysis.

No amounts have been reclassified into or out of their initially designated fair value classifications in the six months ended September 30, 2016. Financial assets have been pledged as security for liabilities under the MTI.

During the six months ended September 30, 2016, no profits resulting from the use of valuation techniques used to measure level 2 or 3 instruments in the fair value hierarchy (i.e. those with no market price) have been recognized.

The Group may use derivative instruments to hedge its exposure to fluctuations in fuel prices, interest rates and foreign currency exchange rates. The fair value of commodity derivatives reflects only the value of the commodity derivatives and not the offsetting change in value of the underlying future purchase of fuel. These fair values reflect the estimated amounts that the Group would receive or pay should the derivative contracts be terminated at the period end dates.
6. Property, plant and equipment:

(a) Continuity of property, plant and equipment:

<table>
<thead>
<tr>
<th></th>
<th>Vessels</th>
<th>Berths, buildings &amp; equipment under finance lease</th>
<th>Berths, buildings &amp; equipment</th>
<th>Land under finance lease</th>
<th>Land</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at March 31, 2016</td>
<td>1,280,303</td>
<td>625,948</td>
<td>94,115</td>
<td>5,883</td>
<td>15,655</td>
<td>105,209</td>
<td>2,127,113</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>(9,035)</td>
<td>(265)</td>
<td>(56)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers from construction in progress</td>
<td>41,298</td>
<td>13,520</td>
<td>2,999</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(57,817)</td>
</tr>
<tr>
<td><strong>Balance at September 30, 2016</strong></td>
<td>1,312,566</td>
<td>639,203</td>
<td>97,058</td>
<td>5,883</td>
<td>15,655</td>
<td>101,537</td>
<td>2,171,902</td>
</tr>
<tr>
<td><strong>Accumulated depreciation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at March 31, 2016</td>
<td>422,867</td>
<td>122,483</td>
<td>41,806</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>587,156</td>
</tr>
<tr>
<td>Depreciation for the period</td>
<td>51,831</td>
<td>13,719</td>
<td>4,906</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70,456</td>
</tr>
<tr>
<td>Disposals</td>
<td>(9,035)</td>
<td>(265)</td>
<td>(44)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(9,344)</td>
</tr>
<tr>
<td><strong>Balance at September 30, 2016</strong></td>
<td>465,663</td>
<td>135,937</td>
<td>46,668</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>648,268</td>
</tr>
<tr>
<td><strong>Net carrying value:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at March 31, 2016</td>
<td>857,436</td>
<td>503,465</td>
<td>52,309</td>
<td>5,883</td>
<td>15,655</td>
<td>105,209</td>
<td>1,539,957</td>
</tr>
<tr>
<td>As at September 30, 2016</td>
<td>846,903</td>
<td>503,266</td>
<td>50,390</td>
<td>5,883</td>
<td>15,655</td>
<td>101,537</td>
<td>1,523,634</td>
</tr>
</tbody>
</table>
6. Property, plant and equipment (continued):

(b) Other disclosures - property, plant and equipment:

During the six months ended September 30, 2016, financing costs capitalized during construction amounted to $2.1 million (September 30, 2015: $1.5 million) with an average capitalization rate of 5.01% (September 30, 2015: 5.05%). In addition to the construction in progress referenced above, the contractual commitments as at September 30, 2016, for assets to be constructed totalled $275.2 million (March 31, 2016: $284.6 million). These contractual commitments include $131.9 million of the total contract value of $165 million for construction of the three new Salish class vessels and $109.8 million of the total contract value of $140 million for the mid-life upgrade and conversion to dual fuel of the two Spirit class vessels.

The Government of Canada, through the Shore Power Technology for Ports Program, agreed to provide funding of $2.0 million to help offset the costs of shore power upgrades at certain of the Group’s terminals. The Group received $0.6 million and $1.0 million during the years ended March 31, 2015 and 2016 respectively, and the remaining $0.4 million during the three months ended September 30, 2016.

During the three months ended September 30, 2016, the Group received $0.2 million (September 30, 2015: $0.2 million) of rental income earned from buildings held for leasing purposes and during the six months ended September 30, 2016, the Group received $0.5 million (September 30, 2015: $0.5 million). These buildings have a cost and accumulated depreciation of $11.9 million and $2.4 million, respectively, as at September 30, 2016.

During the six months ended September 30, 2016, the MV Tenaka (decommissioned during the year ended March 31, 2016), was sold.
7. Intangible assets:

(a) Continuity of intangible assets:

<table>
<thead>
<tr>
<th>Cost:</th>
<th>Acquired software, licenses &amp; rights</th>
<th>Internally developed software &amp; website</th>
<th>Assets under development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2016</td>
<td>36,700</td>
<td>12,448</td>
<td>67,397</td>
<td>116,545</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>16,110</td>
<td>16,110</td>
</tr>
<tr>
<td>Disposals</td>
<td>(34)</td>
<td>-</td>
<td>(197)</td>
<td>(231)</td>
</tr>
<tr>
<td>Transfers from assets under development</td>
<td>60,177</td>
<td>793</td>
<td>(60,970)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at September 30, 2016</strong></td>
<td><strong>96,843</strong></td>
<td><strong>13,241</strong></td>
<td><strong>22,340</strong></td>
<td><strong>132,424</strong></td>
</tr>
</tbody>
</table>

Accumulated amortization:

<table>
<thead>
<tr>
<th>Cost:</th>
<th>Acquired software, licenses &amp; rights</th>
<th>Internally developed software &amp; website</th>
<th>Assets under development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2016</td>
<td>22,746</td>
<td>11,058</td>
<td>-</td>
<td>33,804</td>
</tr>
<tr>
<td>Amortization for the period</td>
<td>2,445</td>
<td>312</td>
<td>-</td>
<td>2,757</td>
</tr>
<tr>
<td>Disposals</td>
<td>(34)</td>
<td>-</td>
<td>-</td>
<td>(34)</td>
</tr>
<tr>
<td><strong>Balance at September 30, 2016</strong></td>
<td><strong>25,157</strong></td>
<td><strong>11,370</strong></td>
<td>-</td>
<td><strong>36,527</strong></td>
</tr>
</tbody>
</table>

Net carrying value:

<table>
<thead>
<tr>
<th>Cost:</th>
<th>Acquired software, licenses &amp; rights</th>
<th>Internally developed software &amp; website</th>
<th>Assets under development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at March 31, 2016</td>
<td>13,954</td>
<td>1,390</td>
<td>67,397</td>
<td>82,741</td>
</tr>
<tr>
<td>As at September 30, 2016</td>
<td>71,686</td>
<td>1,871</td>
<td>22,340</td>
<td>95,897</td>
</tr>
</tbody>
</table>

(b) Other disclosures - intangible assets:

There was no impairment of intangible assets during the six months ended September 30, 2016 or the year ended March 31, 2016.

Capitalized financing costs during development of intangible assets for the six months ended September 30, 2016 totalled $1.6 million (September 30, 2015: $1.1 million).

During the six months ended September 30, 2016, intangible assets totalling $13.3 million (September 30, 2015: $9.8 million) were acquired and $2.8 million (September 30, 2015: $0.2 million) were internally developed.
8. Financial risk management:

Fuel price risk:

The Group is exposed to risks associated with changes in the market price of marine diesel fuel. In order to reduce price volatility and add a fixed component to the inherent floating nature of fuel prices, the Group may manage its exposure by entering into hedging instruments with certain financial intermediaries. Fuel price hedging instruments are used to reduce fuel price risk and to minimize fuel surcharges, not for generating trading profits. Gains and losses resulting from fuel forward contracts are recognized as a component of fuel costs. Pursuant to the Group's Financial Risk Management Policy, the term of the contracts is not to extend beyond the greater of three years or the end of the fourth performance term ending March 31, 2020. This policy also limits hedging, to a maximum of 95% of anticipated monthly fuel consumption for the immediately following 12 month period; 90% of anticipated monthly fuel consumption for the 12 month period thereafter; 85% of anticipated monthly fuel consumption for the period thereafter to the end of the 36 month period; and to 70% of anticipated monthly fuel consumption for the period between 36 months and the end of the fourth performance term.

The Group is also allowed by regulatory order to use deferred fuel cost accounts to mitigate the impact of changes in fuel price on its earnings (note 15).

During the year ended March 31, 2016, the Group entered into Ultra-low Sulfur Diesel (ULSD) fuel swap contracts with a notional value of $78.4 million CAD, and during the six months ended September 30, 2016, the Group entered into ULSD fuel swap contracts with a notional value of $8.1 million CAD to reduce its exposure to changes in the ULSD and foreign exchange risk components associated with forecast diesel fuel purchases and applied hedge accounting to these contracts. The notional value of the fuel swap contracts outstanding as at September 30, 2016 was $60.0 million CAD.

During the six months ended September 30, 2016, the change of $10.5 million in the fair value of fuel swap contracts was recognized in OCI. The realized hedging loss of $5.1 million on fuel swap contracts was reclassified from equity (accumulated other comprehensive income) and included in the Group's fuel expense during the six months ended September 30, 2016. There was no hedge ineffectiveness for the six months ended September 30, 2016.
8. Financial risk management (continued):

<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2017</th>
<th>Fiscals 2018/2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow hedges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel price risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel contracts (litres in thousands)</td>
<td>31,900</td>
<td>73,100</td>
<td>105,000</td>
</tr>
<tr>
<td>Contract price range ($/litre)</td>
<td>$0.5797 - $0.6000</td>
<td>$0.4931 - $0.5975</td>
<td></td>
</tr>
</tbody>
</table>

(a) As at September 30, 2016, the Group’s derivative liabilities of $2.2 million included foreign exchange forward contracts and fuel swap contracts.

Fuel swap contracts as at September 30, 2016:

<table>
<thead>
<tr>
<th></th>
<th>Fair value changes used for calculating hedge ineffectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notional amount of the hedging instrument</td>
<td>Carrying amount of the hedging instrument (liability)</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-------------------------------------------------------------</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td></td>
</tr>
<tr>
<td>Fuel price risk</td>
<td></td>
</tr>
<tr>
<td>60,023</td>
<td>(2,196)</td>
</tr>
<tr>
<td>(Derivative liabilities)</td>
<td></td>
</tr>
<tr>
<td>2,196</td>
<td>2,196</td>
</tr>
<tr>
<td></td>
<td>2,195</td>
</tr>
</tbody>
</table>

(b) Cash flow hedge reserve:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended September 30</th>
<th>Six months ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Hedging gains (losses) recognized in cash flow hedge reserve:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel swap contracts (note 10(a))</td>
<td>208</td>
<td>(436)</td>
</tr>
<tr>
<td></td>
<td>10,536</td>
<td>(3,263)</td>
</tr>
<tr>
<td>Hedging losses reclassified from cash flow hedge reserve:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate forward contract – amortization of hedge loss</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>124</td>
<td>124</td>
</tr>
<tr>
<td>Fuel swap contracts – loss recognized in net earnings (note 10(a))</td>
<td>2,816</td>
<td>2,547</td>
</tr>
<tr>
<td></td>
<td>5,135</td>
<td>3,178</td>
</tr>
<tr>
<td></td>
<td>2,878</td>
<td>2,609</td>
</tr>
<tr>
<td></td>
<td>5,259</td>
<td>3,302</td>
</tr>
<tr>
<td>Net change in cash flow hedge reserve</td>
<td>3,086</td>
<td>2,173</td>
</tr>
<tr>
<td></td>
<td>15,795</td>
<td>39</td>
</tr>
</tbody>
</table>
9. Accrued employee future benefits:

During the three months ended September 30, 2016, the Group recognized total defined benefit costs of $0.7 million (September 30, 2015: $0.4 million) and during the six months ended September 30, 2016, the Group recognized total defined benefit costs of $1.1 million (September 30, 2015: $0.8 million).

During the three months ended September 30, 2016, the Group recognized a net loss of $1.2 million in other comprehensive income reflecting actuarial valuations as at March 31, 2016, comprised of a loss of $1.5 million for the retirement and death benefit plans, and a gain of $0.3 million for the residual liability for Worker's Compensation Claims arising from the Worker's Compensation Board deposit coverage system.

10. Other comprehensive income:

(a) Continuity of reserves:

<table>
<thead>
<tr>
<th></th>
<th>Land revaluation reserves</th>
<th>Employee future benefit revaluation reserves</th>
<th>Fuel swaps reserves</th>
<th>Interest rate forward contracts reserves</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2016</td>
<td>3,389</td>
<td>(2,786)</td>
<td>(17,868)</td>
<td>(6,958)</td>
<td>(24,223)</td>
</tr>
<tr>
<td>Actuarial losses on defined benefit plans</td>
<td>-</td>
<td>(1,240)</td>
<td>-</td>
<td>-</td>
<td>(1,240)</td>
</tr>
<tr>
<td>Derivatives designated as cash flow hedges: (note 8(b))</td>
<td>-</td>
<td>-</td>
<td>10,536</td>
<td>-</td>
<td>10,536</td>
</tr>
<tr>
<td>Net change in fair value</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Realized losses</td>
<td>-</td>
<td>-</td>
<td>5,135</td>
<td>-</td>
<td>5,135</td>
</tr>
<tr>
<td>Amortization of losses (note 8(b))</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>124</td>
<td>124</td>
</tr>
<tr>
<td>Balance at September 30, 2016</td>
<td>3,389</td>
<td>(4,026)</td>
<td>(2,197)</td>
<td>(6,834)</td>
<td>(9,668)</td>
</tr>
</tbody>
</table>

(b) Other comprehensive (loss) income:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended September 30</th>
<th>Six months ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Items not to be reclassified to net earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial losses on defined benefit plans</td>
<td>(1,240)</td>
<td>-</td>
</tr>
<tr>
<td>Items to be reclassified to net earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedge gains (losses) on fuel swaps (note 8(b))</td>
<td>208</td>
<td>(3,543)</td>
</tr>
<tr>
<td>Total other comprehensive (loss) income</td>
<td>(1,032)</td>
<td>(3,543)</td>
</tr>
</tbody>
</table>
11. Net retail:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended September 30</th>
<th>Six months ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Retail revenue</td>
<td>32,256</td>
<td>30,229</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>(12,250)</td>
<td>(11,911)</td>
</tr>
<tr>
<td>Net retail</td>
<td>20,006</td>
<td>18,318</td>
</tr>
</tbody>
</table>

12. Operating expenses:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended September 30</th>
<th>Six months ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Salaries, Wages &amp; Benefits</td>
<td>91,338</td>
<td>85,136</td>
</tr>
<tr>
<td>Fuel</td>
<td>32,380</td>
<td>32,912</td>
</tr>
<tr>
<td>Materials, Supplies &amp; Contracted Services</td>
<td>15,060</td>
<td>14,002</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>15,210</td>
<td>14,197</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>36,373</td>
<td>35,816</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>190,361</td>
<td>182,063</td>
</tr>
</tbody>
</table>

13. Net finance expense:

|                                | Three months ended September 30 | Six months ended September 30 |
|                                | 2016   | 2015   | 2016   | 2015   |
| Finance expenses:              |        |        |        |        |
| Long-term debt                 | 15,665 | 15,882 | 31,228 | 31,664 |
| Short-term debt                | 63     | 77     | 148    | 159    |
| Finance leases                 | 469    | 485    | 943    | 974    |
| Amortization of deferred financing costs and bond discounts | 160 | 165 | 320 | 330 |
| Interest capitalized in the cost of qualifying assets | (1,824) | (1,361) | (3,694) | (2,637) |
| Total finance expenses         | 14,533 | 15,248 | 28,945 | 30,490 |
| Finance income                 | (1,148) | (1,456) | (2,183) | (2,353) |
| Net finance expense            | 13,385 | 13,792 | 26,762 | 28,137 |

14. Related party transactions:

In accordance with the Act, the Group is responsible for paying any expenses that are incurred by the Authority, without charge. During the six months ended September 30, 2016, the Group paid $62,606 (September 30, 2015: $69,504) of such expenses.

The Province owns the Group’s 75,477 non-voting preferred shares, but has no voting interest in either the Group or the Authority.
15. Economic effect of rate regulation:

The Group is regulated by the Commissioner to ensure, among other things, that tariffs are fair and reasonable. Under the terms of the Act, the tariffs the Group charges its customers are subject to price caps. The Commissioner may, under certain circumstances, allow increases in price caps over the set levels.

In January 2014, the IASB issued IFRS 14 *Regulatory Deferral Accounts*. IFRS 14 is an interim standard that 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 that have already transitioned to IFRS. The Group’s transition date to IFRS was April 1, 2011. As a result, the Group is not permitted to recognize its regulatory assets and regulatory liabilities in its consolidated statements of financial position.

Regulatory assets generally represent incurred costs that have been deferred for purposes of rate regulation because they are probable of future recovery in tariffs or fuel surcharges. Regulatory liabilities represent obligations to customers which will be settled through future tariff reductions or fuel rebates. Management continually assesses whether the Group’s regulatory assets are probable of future recovery by considering such factors as applicable regulatory changes. Management believes that the receivable represented by the regulatory assets at September 30, 2016, will be settled through future tariffs or fuel surcharges.

If the Group was permitted under IFRS to recognize the effects of rate regulation, the following regulatory assets and liabilities would be shown on the consolidated statements of financial position:

<table>
<thead>
<tr>
<th>Regulatory accounts</th>
<th>As at September 30, 2016</th>
<th>As at March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred fuel costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance – beginning of year</td>
<td>(6,132)</td>
<td>(448)</td>
</tr>
<tr>
<td>Fuel costs under set price</td>
<td>(3,997)</td>
<td>(10,971)</td>
</tr>
<tr>
<td>Rebates</td>
<td>10,977</td>
<td>6,356</td>
</tr>
<tr>
<td>Fuel price risk recoveries payable to the Province</td>
<td>98</td>
<td>157</td>
</tr>
<tr>
<td>Other payments from the Province</td>
<td>-</td>
<td>(1,226)</td>
</tr>
<tr>
<td>Balance – end of period</td>
<td>946</td>
<td>(6,132)</td>
</tr>
<tr>
<td>Total deferred fuel cost accounts</td>
<td><strong>946</strong></td>
<td><strong>(6,132)</strong></td>
</tr>
<tr>
<td>Total regulatory assets (liabilities)</td>
<td><strong>946</strong></td>
<td><strong>(6,132)</strong></td>
</tr>
<tr>
<td>Current regulatory assets (liabilities)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total long-term regulatory assets (liabilities)</td>
<td><strong>946</strong></td>
<td><strong>(6,132)</strong></td>
</tr>
</tbody>
</table>

The Act contains provisions which ensure that if tariffs charged by the Group exceed established price caps, the excess amounts collected will be returned to customers through future tariffs. At September 30, 2016, tariffs charged to customers were below established price caps.
15. Economic effect of rate regulation (continued):

If the Group was permitted under IFRS to recognize the effects of rate regulation and to record regulatory assets and regulatory liabilities, net earnings for the three months ended September 30, 2016 would have been $5.4 million higher (September 30, 2015: $1.7 million higher) and during the six months ended September 30, 2016, net earnings would have been $7.1 million higher (September 30, 2015: $0.2 million higher) as detailed below:

| Effect of rate regulation on net earnings | Three months ended September 30 | | Six months ended September 30 | | |
|------------------------------------------|-------------------------------|---|-------------------------------|---|
| Deferred fuel costs | 5,447 | (188) | 7,078 | (757) |
| Performance term submission costs | - | (21) | - | (41) |
| Tariffs in excess of price cap | - | 1,891 | - | 1,013 |
| Total increase in net earnings | 5,447 | 1,682 | 7,078 | 215 |