NALCOR ENERGY - BULL ARM FABRICATION INC.
FINANCIAL STATEMENTS
December 31, 2018

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Independent Auditor's Report

To the Shareholder of Nalcor Energy – Bull Arm Fabrication Inc.

Opinion

We have audited the financial statements of Bull Arm Fabrication Inc. (the "Company"), which comprise of financial position as at December 31, 2018, and the statements of loss and comprehensive loss, changes in deficiency and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s 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 auditor’s 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Company’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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s 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 auditor’s report. However, future events or conditions may cause the Company 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.

We 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.

Deloitte LLP

Chartered Professional Accountants
March 15, 2019

NALCOR ENERGY - BULL ARM FABRICATION INC.
STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of Canadian dollars)	Notes	**2018**	2017
ASSETS			
Current assets			
Cash		**12**	1,036
Trade and other receivables		**103**	10
Prepayments		**166**	28
Total current assets		**281**	1,074
Non-current assets			
Investment property	5	**908**	987
Total assets		**1,189**	2,061
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	6	**1,559**	275
Current portion of deferred revenue		**12**	-
Total current liabilities		**1,571**	275
Non-current liabilities			
Deferred revenue		**20**	-
Employee future benefits	7	**130**	141
Total liabilities		**1,721**	416
Shareholder's (deficiency) equity			
Share capital	8	**-**	-
Reserves		**60**	43
(Deficit) retained earnings		**(592)**	1,602
Total (deficiency) equity		**(532)**	1,645
Total liabilities and (deficiency) equity		**1,189**	2,061

Commitments and contingencies (Note 14)

See accompanying notes

On behalf of the Board:

DIRECTOR

DIRECTOR

NALCOR ENERGY - BULL ARM FABRICATION INC.
STATEMENT OF (LOSS) PROFIT AND COMPREHENSIVE (LOSS) INCOME

For the year ended December 31 (thousands of Canadian dollars)	Notes	**2018**	2017
Revenue		**31**	48,531
Operating costs	9	**2,151**	1,331
Depreciation	5	**55**	54
Net finance expense (income)	10	**-**	(18)
Other expense	11	**19**	491
Expenses		**2,225**	1,858
(Loss) profit for the year		**(2,194)**	46,673
Other comprehensive income			
Total items that may or have been reclassified to profit or loss:			
Net fair value gains on cash flow hedges		**-**	719
Reclassification adjustments related to:			
Cash flow hedges recognized in profit or loss		**-**	(446)
Total items that will not be reclassified to profit or loss:			
Actuarial gain (loss) on employee future benefits		**17**	(11)
Other comprehensive income for the year		**17**	262
Total comprehensive (loss) income for the year		**(2,177)**	46,935

See accompanying notes

NALCOR ENERGY - BULL ARM FABRICATION INC.
STATEMENT OF CHANGES IN (DEFICIENCY) EQUITY

(thousands of Canadian dollars)	Notes	Fair Value Reserve	Employee Benefit Reserve	(Deficit) Retained Earnings	Total
Balance at January 1, 2018		**-**	**43**	**1,602**	**1,645**
Loss for the year		**-**	**-**	**(2,194)**	**(2,194)**
Actuarial gain on employee future benefits		**-**	**17**	**-**	**17**
Total comprehensive loss for the year		**-**	**17**	**(2,194)**	**(2,177)**
Balance at December 31, 2018		**-**	**60**	**(592)**	**(532)**
Balance at January 1, 2017		(273)	54	1,670	1,451
Profit for the year		-	-	46,673	46,673
Other comprehensive income					
Net change in the fair value of cash flow hedges		719	-	-	719
Net change in the fair value of financial instruments reclassified to profit or loss		(446)	-	-	(446)
Actuarial loss on employee future benefits		-	(11)	-	(11)
Total comprehensive income for the year		273	(11)	46,673	46,935
Dividends paid	8	-	-	(46,741)	(46,741)
Balance at December 31, 2017		-	43	1,602	1,645

See accompanying notes

NALCOR ENERGY - BULL ARM FABRICATION INC.
STATEMENT OF CASH FLOWS

For the year ended December 31 (thousands of Canadian dollars)	Notes	**2018**	2017
Operating activities			
(Loss) profit for the year		**(2,194)**	46,673
Adjustments to reconcile loss (profit) to cash (used in) provided from operating activities:			
Depreciation	5	**55**	54
Employee benefits	7	**6**	62
Finance income	10	**(2)**	(22)
Finance expense	10	**2**	4
Loss (gain) on disposal of investment property		**19**	(283)
Other		**1**	-
Changes in non-cash working capital balances	16	**1,089**	(2,051)
		(1,024)	44,437
Interest received		**2**	28
Interest paid		**(3)**	(4)
Net cash (used in) provided from operating activities		**(1,025)**	44,461
Investing activities			
Additions to investment property	5	**-**	(41)
Decrease in short-term investments		**-**	901
Proceeds on disposal of investment property		**5**	283
Changes in non-cash working capital balances	16	**(4)**	4
Net cash provided from investing activities		**1**	1,147
Financing activity			
Dividends paid to Nalcor Energy	8	**-**	(46,741)
Net cash used in financing activity		**-**	(46,741)
Net decrease in cash		**(1,024)**	(1,133)
Cash, beginning of year		**1,036**	2,169
Cash, end of year		**12**	1,036

Supplementary cash flow information (Note 16)

See accompanying notes

1. DESCRIPTION OF BUSINESS

Nalcor Energy - Bull Arm Fabrication Inc. (Bull Arm Fabrication) was incorporated under the Corporations Act of Newfoundland and Labrador (the Province). Bull Arm Fabrication is a 100% owned subsidiary of Nalcor Energy (Nalcor). Bull Arm Fabrication operates on a site leased from the Province for a term of 30 years for a nominal amount of $1 per annum, which expires March 2022. Bull Arm Fabrication is Atlantic Canada's largest industrial fabrication site and has a fully integrated infrastructure to support large scale fabrication and assembly. Its facilities include onshore fabrication halls and shops, a dry dock and a deep water site. Bull Arm Fabrication's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0C9, Canada.

Revenue and profit of Bull Arm Fabrication are generated primarily through lease arrangements for the use of Bull Arm Fabrication's assets and facilities. Through its request for proposal (RFP) for future site use two proposals are currently under evaluation with a goal of securing one or both of these tenant(s) in 2019. While the RFP is ongoing Bull Arm Fabrication continues to entertain immediate short-term opportunities which has resulted in both property and equipment lease agreements, including a lease with DF Barnes Services for the warm stacking of the West Aquarius drill rig.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These annual audited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Bull Arm Fabrication has adopted accounting policies which are based on the IFRS applicable as at December 31, 2018, and includes individual IFRS, International Accounting Standards (IAS), and interpretations made by the IFRS Interpretations Committee and the Standing Interpretations Committee.

These annual audited financial statements have been prepared on a historical cost basis. The annual audited financial statements are presented in Canadian dollars and all values rounded to the nearest thousand, except when otherwise noted. These annual audited financial statements were approved by Bull Arm Fabrication's Board of Directors on February 27, 2019.

2.2 Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of amounts on deposit with a Schedule 1 Canadian Chartered bank, as well as highly liquid investments with maturities of three months or less. Investments with maturities greater than three months and less than twelve months are classified as short-term investments.

2.3 Investment Property

Investment property is property held for the purpose of generating rental income or capital appreciation, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. As at December 31, 2018, investment property included the Bull Arm Fabrication site and facilities.

Investment property is recognized using the cost model and thus is recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes materials, labour, contracted services, and professional fees. Costs capitalized with the related asset include all those costs directly attributable to bringing the asset into operation. When significant parts of investment property are required to be replaced at intervals, Bull Arm Fabrication recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the investment property as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Statement of Profit and Comprehensive Income as incurred. Investment property is not revalued for financial reporting purposes. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment, vehicles and office equipment	5 years
Buildings	18 years
Topsides module hall door	26 years
Visitor center	42 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. The carrying value of investment property is reviewed for impairment whenever events indicate that the carrying amounts of those assets may not be recoverable.

2.4 Impairment of Non-Financial Assets

At the end of each reporting period, Bull Arm Fabrication reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, Bull Arm Fabrication estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from non-financial assets.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit and Comprehensive Income.

2.5 Employee Future Benefits

(i) Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. Contributions by Bull Arm Fabrication to this plan are recognized as an expense when employees have rendered service entitling them to the contributions. Assets and liabilities associated with this Plan are held with the Province.

(ii) Other Benefits

Bull Arm Fabrication provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement.

The cost of providing these benefits is determined using the projected unit credit method, with actuarial valuations being completed on an annual basis, based on service and Management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains and losses of Bull Arm Fabrication's defined benefit obligation are recognized in reserves in the period in which they occur. Past service costs are recognized in operating costs as incurred.

The retirement benefit obligation recognized in the Statement of Financial Position represents the present value of the defined benefit obligation.

2.6 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if Bull Arm Fabrication has a present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each Statement of Financial Position date using the current discount rate.

2.7 Revenue Recognition

Lease revenue

Lease revenue is recognized when services have been rendered, recovery of the consideration is probable, and the amount of revenue can be reliably measured.

2.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor accounting

Amounts due from lessees under finance leases are recognized as receivables at the amount of Bull Arm Fabrication's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on Bull Arm Fabrication's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Lessee accounting

Assets held under finance leases are initially recognized as assets of Bull Arm Fabrication at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. Contingent rental costs are recognized as operating costs in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.9 Net Finance (Income) Expense

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

2.10 Foreign Currencies

Transactions in currencies other than Bull Arm Fabrication's functional currency (foreign currencies) are recognized using the exchange rate in effect at the date of transaction, approximated by the prior month end close rate. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates of exchange in effect at the period end date. Foreign exchange gains and losses are included in the Statement of Profit and Comprehensive Income as other (income) expense.

2.11 Income Taxes

Bull Arm Fabrication is exempt from paying income taxes under Section 149(1) (d.2) of the Income Tax Act.

2.12 Financial Instruments

Financial assets and financial liabilities are recognized in the Statement of Financial Position when Bull Arm Fabrication becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. All recognized financial assets and financial liabilities are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets and financial liabilities.

Classification of Financial Instruments

Bull Arm Fabrication has classified each of its financial instruments into the following categories: financial assets at amortized cost, and financial liabilities at amortized cost and derivatives designated as hedging instruments.

Financial instrument	Category
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost

(i) Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses for debt financial assets, through the expected life of the debt instrument, or, where appropriate, a shorter period to the gross carrying amount on initial recognition.

Income or expense is recognized on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at FVTPL.

Financial Assets

(ii) Financial Assets at Amortized Cost

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss and is included in Net Finance (Income) Expense.

Financial Liabilities

(iii) Financial Liabilities at Amortized Cost
Financial liabilities that do not meet the criteria of FVTPL or are not designated as such, are subsequently measured at amortized cost using the effective interest method.

(iv) Derivative Instruments and Financial Instruments used for Hedging
Derivative instruments are utilized by Bull Arm Fabrication to manage risk. Bull Arm Fabrication's policy is not to utilize derivative instruments for speculative purposes. Derivatives are initially measured at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging relationship.

Bull Arm Fabrication may choose to designate derivative instruments as hedges and apply hedge accounting if there is an economic relationship between the hedged item and the hedging instrument; the effect of credit risk does not dominate the value changes that result from that economic relationship; and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Bull Arm Fabrication actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. Bull Arm Fabrication formally documents all hedges and the related risk management objectives at the inception of the hedge. Derivative instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges. Bull Arm Fabrication does not hold any fair value hedges.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Cash Flow Hedges
The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while any ineffective portion is recognized immediately in the Statement of (Loss) Profit and Comprehensive (Loss) Income for the period in Other (Income) Expense.

Amounts recognized in other comprehensive income are transferred to the Statement of (Loss) Profit and Comprehensive (Loss) Income for the period when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

2.13 Derecognition of Financial Instruments
Bull Arm Fabrication derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Bull Arm Fabrication neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, its retained interest in the asset and any associated liability for amounts it may have to pay is recognized. If Bull Arm Fabrication retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes the collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which Bull Arm Fabrication has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Bull Arm Fabrication derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

2.14 Impairment of Financial Assets

Bull Arm Fabrication recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, Bull Arm Fabrication measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12-months after the reporting date.

Significant Increase in Credit Risk

Bull Arm Fabrication assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. Bull Arm Fabrication considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

Bull Arm Fabrication regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of Default

Bull Arm Fabrication considers that an event default has occurred when there is a breach of financial covenants by a counterparty or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Bull Arm Fabrication, in full. Irrespective of the outcome of the above assessment, Bull Arm Fabrication considers that default has occurred when a financial asset is more than 90 days past due unless Bull Arm Fabrication has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-Impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

Write-off Policy

Bull Arm Fabrication writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under Bull Arm Fabrication's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the annual audited financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that period or future periods.

3.1 Use of Judgment

(i) Investment Property

Bull Arm Fabrication's accounting policy relating to investment property is described in Note 2.3. In applying this policy, judgment is used in determining whether certain costs are additions to the carrying amount of investment property as opposed to repairs and maintenance. If an asset has been developed, judgment is required to identify the point at which the asset is capable of being used as intended and to identify the directly attributable borrowing costs to be included in the carrying value of the development asset. Judgment is also used in determining the appropriate componentization structure for Bull Arm Fabrication's investment property.

(ii) Functional Currency

Functional currency was determined by evaluating the primary economic environment in which Bull Arm Fabrication operates. As Bull Arm Fabrication enters into transactions in multiple currencies, judgment is used in determining the functional currency. Management considered factors regarding currency of sales, costs incurred and operating and financing activities, and determined the functional currency to be Canadian Dollars.

3.2 Use of Estimates

(i) Investment Property

Amounts recorded for depreciation are based on the useful lives of Bull Arm Fabrication's assets. These useful lives are Management's best estimate of the service lives of these assets. Changes to these lives could materially affect the amount of depreciation recorded.

Due to the nature of the property and lack of comparable market data, the fair value of Bull Arm Fabrication's investment property is determined using the present value of the future cash flows. Significant assumptions used in the determination of fair value include estimates of the amount and timing of future cash flows and the discount rate.

(ii) Employee Benefits

Bull Arm Fabrication provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. The expected cost of providing these other employee benefits is accounted for on an accrual basis, and has been actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation, retirement ages of employees, and expected health care costs.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a list of standards/interpretations that have been issued and are effective for accounting periods commencing January 1, 2018, January 1, 2019 or January 1, 2020, as specified.

- *IFRS 9 – Financial Instruments*[1]
- *IFRS 15 – Revenue from Contracts with Customers*[1]
- *IFRIC 22 – Foreign Currency Transactions and Advance Consideration*[1]
- *IFRS 16 – Leases*[2]
- *IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* [2]
- *IAS 1 – Presentation of Financial Statements*[3] *and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*[3] *(Amendments to IAS 1 and IAS 8)*

[1] Effective for annual periods beginning on or after January 1, 2018.
[2] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

4.1 IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments (as revised in July 2014) became effective for accounting periods commencing on January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and general hedge accounting. Details of these new requirements as well as their impact on Bull Arm Fabrication's financial statements are described below.

Bull Arm Fabrication has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

4.1.1 Classification and measurement of financial assets

The date of initial application of IFRS 9 is January 1, 2018. Bull Arm Fabrication has applied the requirements of IFRS 9 to instruments that have not been derecognized as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. Comparative amounts in relation to instruments that have not been derecognized as at January 1, 2018 have been restated where appropriate.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Management reviewed and assessed Bull Arm Fabrication's existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date, and concluded that the initial application of IFRS 9 has had the following impact on Bull Arm Fabrication's financial assets as regards their classification and measurement:

- Financial assets classified as loans and receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;

- Short-term investments have been classified as financial assets at amortized cost under IFRS 9 as they are held within a business model whose objective is to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding.

Note 4.1.5 illustrates the change in classification of Bull Arm Fabrication's financial assets upon application of IFRS 9.

4.1.2 Impairment of Financial Assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires Bull Arm Fabrication to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

As at January 1, 2018, Management reviewed and assessed Bull Arm Fabrication's existing financial assets and amounts due from customers for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognized, and compared that to the credit risk as at January 1, 2017 and January 1, 2018. The comparison made as at January 1, 2017, January 1, 2018 and December 31, 2018 determines whether 12 month expected credit losses should be recognized or lifetime expected credit loss should be recognized where credit risk has increased significantly for the respective financial instruments at that date. The change resulting from the application of the impairment model under IFRS 9 has not resulted in a material adjustment from what was previously recorded under IAS 39.

4.1.3 Classification and Measurement of Financial Liabilities

The application of IFRS 9 has had no impact on the classification and measurement of Bull Arm Fabrication's financial liabilities.

4.1.4 General Hedge Accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about Bull Arm Fabrication's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, Bull Arm Fabrication has applied IFRS 9 hedge accounting requirements prospectively from the date of initial application on January 1, 2018.

The application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of Bull Arm Fabrication for the current and/or prior years. Refer to Note 12 for detailed disclosures regarding Bull Arm Fabrication's risk management activities.

4.1.5 Disclosures in relation to the initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at January 1, 2018.

Financial instrument	Category under IAS 39	Category under IFRS 9
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost

4.2 IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers (as amended in April 2016) became effective for accounting periods commencing on January 1, 2018. Bull Arm Fabrication has applied IFRS 15 in accordance with the fully retrospective transitional approach using practical expedients for completed contracts (IFRS 15.C5(a)), modified contracts (IFRS 15.C5(c)) and allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognize that amount as revenue for all reporting periods presented before the date of initial application (IFRS 15.C5(d)). Subsequent to adopting IFRS 15 there were no adjustments to the amounts reported in Bull Arm Fabrication's financial statements.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

IFRS 15 covers only revenue arising from contracts with customers. Under IFRS 15, a customer of Bull Arm Fabrication is a party that has contracted with Bull Arm Fabrication to obtain goods or services that are an output of Bull Arm Fabrication's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15; instead, they are within the scope of IFRS 9.

As mentioned above, IFRS 15 establishes a single model to deal with revenue from contracts with customers. Its core principle is that Bull Arm Fabrication should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Bull Arm Fabrication expects to be entitled, in exchange for those goods or services.

4.3 IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The application of these amendments to IFRIC 22 did not have an impact on Bull Arm Fabrication's annual audited financial statements.

4.4 IFRS 16 – Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease standard and interpretations upon its effective date:

- IAS 17 – Leases;
- IFRIC 4 – Determining Whether an Arrangement contains a Lease;
- SIC-15 – Operating Leases – Incentives; and
- SIC-27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

The standard introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognize a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease as either an operating lease or a finance lease.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019 with early application permitted (as long as IFRS 15 is also applied). Management has elected to adopt the standard as of the effective date.

A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach. Management intends to apply the modified approach, as a result there is no requirement to restate comparative information, the cumulative effect of initially applying IFRS 16 will be presented as an adjustment to opening retained earnings. Management anticipates the application of IFRS 16 may have a material impact on the amounts reported and disclosures made in Bull Arm Fabrication's annual audited financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until Management concludes its detailed review.

4.5 IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of Bull Arm Fabrication.

4.6 IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to IAS 1 and IAS 8)

The International Accounting Standards Board issued amendments to IAS 1 and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition and to include the concept of 'obscuring information'.

The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments are effective for annual periods beginning on or after January 1, 2020 with earlier application permitted. The amendments are intended to improve the understanding of the existing requirements rather than to significantly impact Bull Arm Fabrication's materiality judgments.

5. INVESTMENT PROPERTY

(thousands of Canadian dollars)	Topside Module Hall Door	Visitor Center	Buildings	Other	Total
Cost					
Balance at January 1, 2017	1,123	659	89	175	2,046
Additions	-	-	-	41	41
Disposals	-	-	-	(32)	(32)
Balance at December 31, 2017	1,123	659	89	184	2,055
Disposals	**-**	**-**	**-**	**(62)**	**(62)**
Balance at December 31, 2018	**1,123**	**659**	**89**	**122**	**1,993**
Depreciation					
Balance at January 1, 2017	833	81	45	87	1,046
Depreciation	16	16	4	18	54
Disposals	-	-	-	(32)	(32)
Balance at December 31, 2017	849	97	49	73	1,068
Depreciation	**16**	**16**	**5**	**18**	**55**
Disposals	**-**	**-**	**-**	**(38)**	**(38)**
Balance at December 31, 2018	**865**	**113**	**54**	**53**	**1,085**
Carrying value					
Balance at January 1, 2017	290	578	44	88	1,000
Balance at December 31, 2017	274	562	40	111	987
Balance at December 31, 2018	**258**	**546**	**35**	**69**	**908**

As at December 31, 2018, the fair value measurement of the investment property is categorized as a Level 3 valuation. The fair value less cost to sell of the investment property at December 31, 2018 is estimated to be $9.9 million (December 31, 2017 - $2.1 million). The fair value of Bull Arm Fabrication's investment property at December 31, 2018 is determined using the fair value of assets.

6. TRADE AND OTHER PAYABLES

As at December 31 (thousands of Canadian dollars)	**December 31 2018**	December 31 2017
Trade payables	**271**	170
Due to related parties	**1,288**	105
	1,559	275

7. EMPLOYEE FUTURE BENEFITS

7.1 Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions for the year ended December 31, 2018, of $39,147 (2017 - $45,600) were expensed as incurred.

7.2 Other Benefits

Bull Arm Fabrication provides group life insurance and health care benefits on a cost-shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. There were no cash payments to beneficiaries for its unfunded other employee benefits in 2017 and 2018. An actuarial valuation was performed as at December 31, 2018.

As at December 31 (thousands of Canadian dollars)	**2018**	2017
Accrued benefit obligation, beginning of year	**141**	68
Current service cost	**17**	16
Interest cost	**6**	5
Actuarial (gain) loss	**(17)**	11
Transfers	**(17)**	41
Accrued benefit obligation, end of year	**130**	141

For the year ended December 31 (thousands of Canadian dollars)	**2018**	2017
Component of benefit cost		
Current service cost	**17**	16
Interest cost	**6**	5
Total benefit expense for the year	**23**	21

The significant actuarial assumptions used in measuring the accrued benefit obligations and benefit expenses are as follows:

	2018	2017
Discount rate - benefit cost	**3.55%**	3.90%
Discount rate - accrued benefit obligation	**3.90%**	3.55%
Rate of compensation increase	**3.50%**	3.50%

Assumed healthcare trend rates:

	2018	2017
Initial healthcare expense trend rate	**5.85%**	6.00%
Cost trend decline to	**4.50%**	4.50%
Year that rate reaches the rate it is assumed to remain at	**2028**	2028

A 1% change in assumed healthcare trend rates would have had the following effects:

Increase (thousands of Canadian dollars)	**2018**	2017
Current service and interest cost	**8**	8
Accrued benefit obligation	**39**	47

Decrease (thousands of Canadian dollars)	**2018**	2017
Current service and interest cost	**(31)**	(5)
Accrued benefit obligation	**(166)**	(30)

8. SHAREHOLDER'S EQUITY

8.1 Share Capital

As at December 31 (thousands of Canadian dollars)	**2018**	2017
Common shares without nominal or par value		
Authorized - 100		
Issued, fully paid and outstanding - 3	**-**	-

8.2 Dividends

For the year ended December 31 (thousands of Canadian dollars)	**2018**	2017
Declared and paid during the year	**-**	46,741

9. OPERATING COSTS

For the year ended December 31 (thousands of Canadian dollars)	**2018**	2017
Site management and materials	**580**	91
Salaries and benefits	**556**	836
Utilities	**530**	(71)
Insurance	**352**	45
Cost recoveries	**76**	113
Other operating costs	**29**	208
Professional services	**28**	109
	2,151	1,331

10. NET FINANCE EXPENSE (INCOME)

For the year ended December 31 (thousands of Canadian dollars)	**2018**	2017
Finance income		
Interest on short-term investments	**-**	(7)
Bank interest	**(2)**	(15)
	(2)	(22)
Finance expense		
Bank fees	**2**	4
Net finance expense (income)	**-**	(18)

11. OTHER EXPENSE

For the year ended December 31 (thousands of Canadian dollars)	**2018**	2017
Settlement of foreign exchange contracts	**-**	(446)
Loss (gain) on disposal of investment property	**19**	(283)
Realized foreign exchange loss	**-**	1,173
Unrealized foreign exchange loss	**-**	47
Other expense	**19**	491

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

12.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2018, and December 31, 2017, are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates disclosed are not necessarily indicative of the amounts that Bull Arm Fabrication might receive or incur in actual market transactions.

Establishing Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, Bull Arm Fabrication determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 fair value measurements during the year ended December 31, 2018 and the year ended December 31, 2017.

As at December 31, 2018, and December 31, 2017, Bull Arm Fabrication did not have any Level 3 instruments.

The fair value of cash, trade and other receivables and trade and other payables approximate their carrying value due to their short-term maturity.

12.2 Risk Management

Bull Arm Fabrication is exposed to certain credit, liquidity and market price risks through its operating, financing and investing activities. Financial risk is managed in accordance with a Board-approved policy, which outlines the objectives and strategies for the management of financial risk, including the use of derivative contracts. Permitted financial risk management strategies are aimed at minimizing the volatility of Bull Arm Fabrication's expected future cash flows.

Credit Risk

Bull Arm Fabrication is exposed to credit risk in the event of non-performance by counterparties to its financial instruments. Bull Arm Fabrication has no history of collection issues. As at December 31, 2018, there was no allowance for doubtful accounts included in trade and other receivables (2017 - $nil).

Bull Arm Fabrication manages its investment credit risk exposure by restricting its investments to securities from Canadian Schedule 1 Chartered Banks.

Liquidity Risk

Bull Arm Fabrication is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Short-term liquidity is provided through cash on hand and funds from operations and financial support from Bull Arm Fabrication’s parent Nalcor.

The following are contractual maturities of Bull Arm's financial liabilities, including principal and interest as at December 31, 2018:

(millions of Canadian dollars)	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Trade and other payables	1,559	-	-	-	1,559
	1,559	-	-	-	1,559

Market Risk
Market risk refers primarily to the risk of loss resulting from changes in interest rates, foreign exchange rates and commodity prices. Bull Arm Fabrication is not exposed to any significant commodity price risk.

Interest Rates
Changes in prevailing interest rates will impact the fair value of financial assets and liabilities. Expected future cash flows from these assets and liabilities are also impacted in certain circumstances.

Foreign Currency
The fair value of future cash flows of a financial instrument will fluctuate due to changes in the foreign exchange rate between a foreign currency and the Canadian Dollar. Bull Arm Fabrication is not currently exposed to foreign exchange risk as the short term sublease is denominated in Canadian currency.

The components of change impacting the carrying value of derivative assets and liabilities for the year ended December 31, 2018 and 2017 are as follows:

(thousands of Canadian dollars)	**Level II**
Balance at January 1, 2017	**-**
Purchases	**-**
Transfers	**-**
	-
Changes to profit	
Changes in other comprehensive income	
Mark-to-market	**-**
Settlements realized in profit	**-**
Total	**-**
Balance at December 31, 2018	**-**
Balance at January 1, 2017	(273)
Purchases	-
Transfers	-
	(273)
Changes to profit	
Changes in other comprehensive income	
Mark-to-market	719
Settlements realized in profit	(446)
Total	273
Balance at December 31, 2017	-

13. RELATED PARTY TRANSACTIONS

Bull Arm Fabrication enters into various transactions with its parent and other affiliates. These transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Related parties with which Bull Arm Fabrication transacts are as follows:

Related Party	Relationship
Nalcor	100% shareholder of Bull Arm Fabrication
Newfoundland and Labrador Hydro (Hydro)	Wholly-owned subsidiary of Nalcor
Nalcor Energy – Oil and Gas Inc.	Wholly-owned subsidiary of Nalcor
The Province	100% shareholder of Nalcor

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Outstanding balances due to or from related parties are non-interest bearing, with no set terms of repayment, unless otherwise stated.

Significant related party transactions as at December 31, 2018, Bull Arm Fabrication had a net payable to Nalcor Energy – Oil and Gas Inc. of $1.2 million (2017 - $nil).

13.1 Key Management Personnel Compensation

Compensation for key management personnel, which Bull Arm Fabrication defines as its executives who have the primary authority and responsibility in planning, directing and controlling the activities of the entity, includes compensation for senior executives. Salaries and employee benefits include base salaries, performance contract payments, vehicle allowances and contributions to employee benefit plans. Post employment benefits include contributions to the Province's Public Service Pension Plan.

For the year ended December 31 (thousands of Canadian dollars)	**2018**	2017
Director fees	**2**	-
Salaries and employee benefits	**-**	1

14. COMMITMENTS AND CONTINGENCIES

Bull Arm Fabrication is subject to various legal proceedings and claims in the normal course of business. Although the outcome of such actions cannot be predicted with certainty, Management currently believes Bull Arm Fabrication's exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, is not expected to materially affect the financial position of Bull Arm Fabrication.

15. CAPITAL MANAGEMENT

Bull Arm Fabrication's objective when managing capital is to maintain its ability to continue as a going concern. The focus of the capital management policy is to provide flexibility to ensure cash continues to be available to satisfy capital requirements. Prior to January 2009, net earnings received were payable to the Province. From January 2009 to December 2012, earnings were retained by Bull Arm Fabrication. In 2013, Bull Arm Fabrication implemented its Board approved dividend policy of paying dividends to Nalcor when, together, cash and short-term investment balances exceed $1.0 million.

16. SUPPLEMENTARY CASH FLOW INFORMATION

For the year ended December 31 (thousands of Canadian dollars)	**2018**	2017
Trade and other receivables	**(93)**	(8)
Prepayments	**(138)**	(4)
Trade and other payables	**1,284**	(231)
Deferred revenue	**32**	(1,804)
Changes in non-cash working capital balances	**1,085**	(2,047)
Related to:		
Operating activities	**1,089**	(2,051)
Investing activities	**(4)**	4
	1,085	(2,047)