NALCOR ENERGY MARKETING
FINANCIAL STATEMENTS
December 31, 2014

DIRECTORS

KEN MARSHALL
President – Atlantic Region
Rogers Communications

ED MARTIN
President and Chief Executive Officer

TOM CLIFT
Professor
Faculty of Business Administration
Memorial University of Newfoundland and Labrador

GERALD SHORTALL
Chartered Accountant
Corporate Director

DENNIS CLARKE
Lawyer
McInnes Cooper

JOHN GREEN
Lawyer
McInnes Cooper

OFFICERS

KEN MARSHALL
Chairperson

ED MARTIN
President and Chief Executive Officer

DERRICK STURGE
Vice President, Finance and Chief Financial Officer

CHRIS KIELEY
Vice President, Strategic Planning
and Business Development

GREG JONES
General Manager

WAYNE CHAMBERLAIN
General Counsel and Corporate Secretary

PETER HICKMAN
Assistant Corporate Secretary

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Independent Auditor's Report

To the Directors of Nalcor Energy Marketing Corporation

We have audited the accompanying financial statements of Nalcor Energy Marketing Corporation, which comprise the statement of financial position as at December 31, 2014, and the statements of comprehensive loss, changes in deficiency and cash flows for the period from date of incorporation, March 24, 2014, to December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nalcor Energy Marketing Corporation as at December 31, 2014, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
March 18, 2015

NALCOR ENERGY MARKETING
STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of Canadian dollars)	Notes	**2014**
		(Note 1)
ASSETS		
Current assets		
Cash and cash equivalents		**25**
Trade and other receivables	5	**16**
Prepayments		**345**
Derivative assets		**68**
Total assets		**454**
LIABILITIES AND SHAREHOLDER'S DEFICIENCY		
Current liabilities		
Trade and other payables	6	**1,174**
Derivative liabilities	9	**980**
Total liabilities		**2,154**
Shareholder's deficiency		
Share capital	7	**1**
Deficit		**(1,701)**
Total shareholder's deficiency		**(1,700)**
Total liabilities and shareholder's deficiency		**454**

Subsequent Events (Note 12)

See accompanying notes

On behalf of the Board:

DIRECTOR

DIRECTOR

NALCOR ENERGY MARKETING
STATEMENT OF COMPREHENSIVE LOSS

For the period from March 24 to December 31 (thousands of Canadian dollars)	Notes	**2014**
		(Note 1)
Operating costs	8	**(694)**
Net finance income and expense		**(14)**
Other income and expense		**(993)**
Expenses		**(1,701)**
Loss, being total comprehensive loss for the period		**(1,701)**

See accompanying notes

NALCOR ENERGY MARKETING
STATEMENT OF CHANGES IN DEFICIENCY

For the period from March 24 to December 31 (thousands of Canadian dollars)	Notes	Issued Capital	Deficit	Total (Note 1)
Balance at March 24, 2014		-	-	-
Loss for the period		-	(1,701)	(1,701)
Total comprehensive loss for the period		-	(1,701)	(1,701)
Issuance of share capital	7	1	-	1
Balance at December 31, 2014		1	(1,701)	(1,700)

See accompanying notes

NALCOR ENERGY MARKETING
STATEMENT OF CASH FLOWS

For the period from March 24 to December 31 (thousands of Canadian dollars)	Notes	**2014**
		(Note 1)
Cash provided by (used in)		
Operating activities		
Loss for the period		**(1,701)**
Adjusted for items not involving a cash flow:		
Unrealized loss on derivatives		**912**
		(789)
Changes in non-cash working capital balances	10	**813**
Net cash from operating activities		**24**
Financing activity		
Issuance of share capital	7	**1**
Net cash from financing activity		**1**
Net increase in cash and cash equivalents		**25**
Cash and cash equivalents at beginning of period		**-**
Cash and cash equivalents at end of period		**25**

Supplementary cash flow information (Note 10)

See accompanying notes

1. DESCRIPTION OF BUSINESS

Nalcor Energy Marketing Corporation (Energy Marketing or the Corporation) was formed under the laws of the Province of Newfoundland and Labrador (the Province) and the federal laws of Canada on March 24, 2014. The purpose of Energy Marketing is to oversee the sale of energy from existing and future resource developments. Energy Marketing is a 100% owned subsidiary of Nalcor Energy (Nalcor).

Energy Marketing's head office is located in St. John's, Newfoundland and Labrador.

As 2014 is the first year of operations for Energy Marketing, no comparative information has been presented.

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). Energy Marketing has adopted accounting policies which are based on the IFRS applicable as at December 31, 2014 which includes individual IFRS, International Accounting Standards (IAS), and interpretations made by the IFRS Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC).

These annual audited financial statements were prepared on a historical cost basis. The annual audited financial statements are presented in Canadian dollars and all values rounded to the nearest thousands, except when otherwise noted. The annual audited financial statements have been approved by the Board of Directors of Energy Marketing (the Board) on March 12, 2015.

2.2 Cash and Cash Equivalents

Cash consists of amounts on deposit with a Schedule 1 Canadian Chartered Bank.

2.3 Trade and Other Receivables

Trade and other receivables are classified as 'loans and receivables' and are measured at amortized cost using the effective interest method.

2.4 Net Finance Income and Expense

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale (AFS), 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.

2.5 Foreign Currencies

Transactions in currencies other than Energy Marketing's functional currency (foreign currencies), are recognized using 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 comprehensive income (loss) as finance income and expense.

2.6 Income Taxes

Energy Marketing is exempt from paying income taxes under Section 149(1)(d) of the Income Tax Act.

2.7 Financial Instruments

Financial assets and financial liabilities are recognized in the Statement of Financial Position when Energy Marketing becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Subsequent measurement is based on classification. Financial instruments are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held-to-maturity investments, AFS financial assets, loans and receivables, financial assets at FVTPL, financial instruments used for hedging and other financial liabilities. The classification depends on the nature and purpose of the financial instruments and is determined at the time of initial recognition.

Classification of Financial Instruments

The Corporation has classified each of its financial instruments into the following categories: loans and receivables, financial assets at FVTPL and other financial liabilities.

Cash and cash equivalents	Loans and receivables
Trade and other receivables	Loans and receivables
Derivative assets	Financial assets at FVTPL
Trade and other payables	Other financial liabilities
Derivative liabilities	Other financial liabilities

(i) Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial Assets

(ii) Financial Assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that Energy Marketing manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with Energy Marketing's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

  Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss.

(iii) Loans and Receivables

Trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that Energy Marketing has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized on an effective yield basis.

(v) AFS Financial Assets

AFS financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the previous categories. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

<u>Financial Liabilities and Equity Instruments</u>

(vi) Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

(vii) Financial Liabilities at FVTPL

A financial liability may be classified as at FVTPL if the contracted liability contains one or more embedded derivatives, and if the embedded derivative significantly modified the cash flows or if the embedded derivative is not closely related to the host liability. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising from re-measurement recognized in profit or loss.

(viii) Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(ix) Derivative Instruments and Financial Instruments Used for Hedging

Derivative instruments are utilized by Energy Marketing to manage market risk. Energy Marketing'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.

2.8 Derecognition of Financial Instruments

Energy Marketing 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 Energy Marketing 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 Energy Marketing 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. Energy Marketing derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or they expire.

2.9 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income (loss) are reclassified to profit or loss in the period.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these 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 liabilities and expenses including, but not limited to, allocations of costs among entities. Actual results may materially differ 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 in the revision and future periods if the revision affects both current and future periods.

3.1 Use of Assumptions

Due to the market conditions in which Energy Marketing operates, Management is unable to predict scenarios regarding the unobservable inputs, including price and transmission congestion of derivative assets. The fair values of these financial instruments are therefore indeterminable, and assumed to approximate carrying value.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

Energy Marketing has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4.1 IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

a) impairment requirements for financial assets, and
b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key Requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributes to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- 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 an entity 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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as 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 an entity's risk management activities have also been introduced.

Management anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of Energy Marketing's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until Management undertakes a detailed review.

4.2 IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued and 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 when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Management anticipates that the application of IFRS 15 in the future may have a significant impact on the amounts reported and disclosures made in Energy Marketing's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until Management performs a detailed review.

5. TRADE AND OTHER RECEIVABLES

The composition of trade and other receivables as at December 31, 2014 is as follows:

(thousands of Canadian dollars)	**2014**
Trade receivables	**1**
Receivables due from related parties	**15**
	16

6. TRADE AND OTHER PAYABLES

The composition of trade and other payables as at December 31, 2014 is as follows:

(thousands of Canadian dollars)	**2014**
Trade payables	**105**
Payables due to related parties	**1,069**
	1,174

7. SHAREHOLDER'S CAPITAL

The share capital of Energy Marketing as at December 31, 2014 is as follows:

(thousands of Canadian dollars)	**2014**
Share capital	
Authorized – unlimited	
Issued and outstanding – 100	**1**

8. OPERATING COSTS

(thousands of Canadian dollars)	**2014**
Salaries and benefits	**624**
Maintenance and materials	**69**
Professional services	**1**
	694

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

9.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2014 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 below are not necessarily indicative of the amounts that Energy Marketing might receive or incur in actual market transactions.

As a significant number of Energy Marketing' assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Energy Marketing as a whole.

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.

At December 31, 2014, derivative assets consist of transmission congestion contracts used to reduce the Corporation's commodity price risk in congested markets.

Derivative liabilities consist of foreign exchange forward contracts.

(thousands of Canadian dollars)	Level	**Carrying Value**	**Fair Value**
Financial assets			
Cash and cash equivalents	1	**25**	**25**
Trade and other receivables	1	**16**	**16**
Derivative assets	3	**68**	**68**
Financial liabilities			
Trade and other payables	1	**1,174**	**1,174**
Derivative liabilities	2	**980**	**980**

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

9.2 Risk Management

Credit Risk
Energy Marketing's credit exposure on trade receivables is minimal and the receivables are primarily due from related parties.

Credit risk on cash and cash equivalents is minimal, as Energy Marketing's cash deposits are held by a Canadian Schedule 1 Chartered Bank with a rating of A+ (Standard and Poor's).

Credit exposure on derivative assets is limited by the Corporation's Financial Risk Management Policy, an internal risk policy approved by the Board of Directors, which restricts available counterparties for hedge transactions to Canadian Schedule 1 Chartered Banks, and Federally Chartered US Banks.

Liquidity Risk
Energy Marketing is exposed to liquidity risk with respect to its contractual obligations and financial liabilities, including any derivative liabilities related to hedging activities. Liquidity risk management is aimed at ensuring cash is available to meet those obligations as they become due.

Short-term liquidity is mainly provided through cash and cash equivalents on hand, funds from operations and financial support from its parent, Nalcor. In October 2014, Nalcor's Board of Directors approved an unconditional and irrevocable guarantee of Energy Marketing's $20 million demand operating credit facility with its bank. This loan has not yet been made available. In the interim, the Nalcor Board agreed to provide up to $2.0 million in financial support to Energy Marketing. At December 31, 2014, the amount owing to Nalcor under this agreement was $1.1 million.

Market Risk

In the course of carrying out its operating, financing and investing activities, Energy Marketing will be exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities. Market price movements to which Energy Marketing is expected to have significant exposure include those relating to prevailing interest rates, foreign exchange rates (most notably the USD/CAD) and current commodity prices (most notably the spot prices for electricity). These exposures were addressed as part of the Financial Risk Management Policy.

Foreign Currency and Commodity Exposure

Energy Marketing's primary exposure to both foreign exchange and commodity price risk is expected to arise from USD denominated electricity sales. These exposures are addressed in accordance with the Board-approved Financial Risk Management Policy. Strategies include the use of forward rate agreements and fixed price commodity swaps.

In December of 2014, Energy Marketing entered into a series of twelve monthly foreign exchange forward contracts with a notional value of $41.8 million USD to hedge foreign exchange risk on a portion of planned USD electricity sales to the end of 2015. These contracts have an average exchange rate of $1.14 CAD per USD. At December 31, 2014, the change in fair value of $980,000 was recorded in other income and expense.

The related electricity price forward contracts for 2015 were entered into by Hydro, as Energy Marketing does not yet have the required International Swaps and Derivatives Association (ISDA) Master Agreements in place with its banks.

10. SUPPLEMENTARY CASH FLOW INFORMATION

For the period from March 24 to December 31 (thousands of Canadian dollars)	**2014**
Trade and other receivables	**(16)**
Prepayments	**(345)**
Trade and other payables	**1,174**
	813
Interest paid	**14**

11. RELATED PARTY TRANSACTIONS

Energy Marketing 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 Energy Marketing transacts are as follows:

Related Party	Relationship
Nalcor Energy (Nalcor)	100% shareholder of Energy Marketing
Newfoundland and Labrador Hydro (Hydro)	100% owned subsidiary of Nalcor

(a) During 2014, Energy Marketing borrowed $1,068,652 from Nalcor under the funding arrangement, until such time that Energy Marketing's demand operating facility becomes available. The facility is non-interest bearing. This amount was reflected in trade and other payables at year end.

(b) At December 31, 2014, an amount of $14,804 was receivable from Hydro related to intercompany operating costs.

12. SUBSEQUENT EVENTS

Nalcor, Hydro and Emera Incorporated (Emera), entered into a Memorandum of Understanding (MOU Agreement) dated March 4, 2013, as was amended by an Extension Agreement dated February 25, 2014 and further amended by an Extension Agreement No. 2 dated November 4, 2014 providing for, among other things, the transfer of the Service Agreement by Emera to Nalcor or an affiliate of Nalcor in accordance with the terms and conditions set out in the MOU Agreement. As of February 1, 2015, transfer of the Service Agreement was finalized and Energy Marketing acquired 2MW of long-term transmission service in New Brunswick.