LABRADOR - ISLAND LINK LIMITED PARTNERSHIP
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

Deloitte.

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Independent Auditor's Report

To the Partners of Labrador-Island Link Limited Partnership

We have audited the accompanying consolidated financial statements of Labrador-Island Link Limited Partnership which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Labrador-Island Link Limited Partnership as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
March 7, 2017

LABRADOR - ISLAND LINK LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of Canadian dollars)	Notes	**2016**	2015
			(Note 21)
ASSETS			
Current assets			
Cash and cash equivalents		**4**	20
Restricted cash		**756,167**	768,187
Current portion of long-term investments	8	**28,951**	659,491
Trade and other receivables	5	**35,229**	21,958
Current portion of advances	9	**14,404**	12,830
Prepayments		**2,184**	2,184
Total current assets		**836,939**	1,464,670
Non-current assets			
Property, plant and equipment	6	**2,756,725**	1,593,941
Intangible assets	7	**30,182**	14,799
Long-term investments	8	**-**	28,951
Advances	9	**-**	3,219
Long-term prepayments		**1,248**	3,432
Total assets		**3,625,094**	3,109,012
LIABILITIES AND DEFICIENCY			
Current liabilities			
Trade and other payables	10	**576,120**	326,157
Non-current liabilities			
Long-term debt	11	**2,400,569**	2,400,593
Deferred revenue	12	**16,100**	9,500
Class A limited partnership units	13	**237,092**	168,950
Class B limited partnership units	13	**399,086**	207,396
Contributions		**10**	10
Total liabilities		**3,628,977**	3,112,606
Partners' deficit			
Deficit		**(3,883)**	(3,594)
Total deficiency		**(3,883)**	(3,594)
Total liabilities and deficiency		**3,625,094**	3,109,012

Commitments and contingencies (Note 18)

See accompanying notes

On behalf of the Board:

DIRECTOR

DIRECTOR

LABRADOR - ISLAND LINK LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the year ended December 31 (thousands of Canadian dollars)	Notes	**2016**	2015
Revenue			
Other revenue		**-**	1
Expenses			
Operating costs		**827**	532
Other (income) expense	15	**(538)**	2,143
Total comprehensive loss for the year		**(289)**	(2,674)

See accompanying notes

LABRADOR - ISLAND LINK LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT

(thousands of Canadian dollars)	Allocation to Class A Limited Partner	Allocation to Class B Limited Partner	Total Deficit
Balance at January 1, 2016	**(1,791)**	**(1,803)**	**(3,594)**
Total comprehensive loss for the year	**(108)**	**(181)**	**(289)**
Balance at December 31, 2016	**(1,899)**	**(1,984)**	**(3,883)**
Balance at January 1, 2015	(591)	(329)	(920)
Total comprehensive loss for the year	(1,200)	(1,474)	(2,674)
Balance at December 31, 2015	(1,791)	(1,803)	(3,594)

LABRADOR - ISLAND LINK LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31 (thousands of Canadian dollars)	Notes	**2016**	2015
			(Note 21)
Cash provided by (used in)			
Operating activities			
Loss for the year		**(289)**	(2,674)
Adjusted for items not involving a cash flow:			
Amortization of long-term prepayments		**2,184**	2,184
Accretion of long-term debt		**(24)**	(25)
Changes in non-cash working capital balances	20	**(23)**	53
Net cash provided from (used in) operating activities		**1,848**	(462)
Investing activities			
Additions to property, plant and equipment	6	**(1,123,601)**	(861,236)
Additions to intangible assets	7	**(15,706)**	(10,371)
Decrease (increase) in advances	9	**1,645**	(7,097)
Decrease in investments	8	**659,491**	934,319
Changes in non-cash working capital balances	20	**236,715**	154,419
Net cash (used in) provided from investing activities		**(241,456)**	210,034
Financing activities			
(Decrease) increase in restricted cash		**12,020**	(342,730)
Increase in Class A limited partnership units	13	**52,840**	11,331
Increase in Class B limited partnership units	13	**168,132**	118,443
Increase in deferred revenue	12	**6,600**	1,500
Net cash provided from (used in) financing activities		**239,592**	(211,456)
Net decrease in cash and cash equivalents		**(16)**	(1,884)
Cash and cash equivalents, beginning of year		**20**	1,904
Cash and cash equivalents, end of year		**4**	20
Interest received		**11,952**	23,229
Interest paid		**91,814**	91,809

See accompanying notes

1. DESCRIPTION OF BUSINESS

Labrador-Island Link Limited Partnership (the Partnership or LIL LP) was formed on July 31, 2012 under the laws of the Province of Newfoundland and Labrador. The Partnership's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0C9, Canada.

The Partnership has two limited partners, Labrador-Island Link Holding Corporation (LIL Holdco), a wholly-owned subsidiary of Nalcor Energy (Nalcor), and Emera Newfoundland and Labrador Island Link Inc. (Emera NL). LIL Holdco holds 75 partnership units (Limited A units) and one Class C unit (Limited C unit) while Emera NL holds 25 partnership units (Limited B units). The Partnership is expected to terminate on December 31, 2081, unless terminated earlier or extended in accordance with the Labrador-Island Link Limited Partnership Agreement (the Partnership Agreement or LIL LPA).

The general partner of the Partnership is Labrador-Island Link General Partner Corporation (the General Partner or LIL GP), a wholly-owned subsidiary of Nalcor. Although the General Partner holds legal title to the assets, the Partnership is the beneficial owner and assumes all risks and rewards of the assets.

The Partnership was formed to carry on the business of designing, engineering, constructing, commissioning, owning, financing, operating and maintaining the assets and property constituting the Labrador-Island Link (LIL). LIL LP has entered into the LIL Lease Agreement and the Transmission Funding Agreement (TFA) with Labrador-Island Link Operating Corporation (LIL Opco) and Newfoundland and Labrador Hydro (Hydro), both of which are wholly-owned subsidiaries of Nalcor. These agreements effectively provide for a lease of the LIL assets to Hydro. LIL Opco will maintain and operate the LIL on behalf of the Partnership.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These annual audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). LIL LP has adopted accounting policies which are based on the IFRS applicable as at December 31, 2016, and includes individual IFRS, International Accounting Standards (IAS), and interpretations made by the IFRS Interpretations Committee and the Standing Interpretations Committee.

These annual audited consolidated financial statements have been prepared on a historical cost basis. The annual audited consolidated financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest thousand, except when otherwise noted. The annual audited consolidated financial statements reflect the financial position and financial performance of LIL LP and do not include other assets, liabilities, revenue, and expenses of the partners. The annual audited consolidated financial statements were approved by the General Partner on February 24, 2017.

2.2 Basis of Consolidation

These annual audited consolidated financial statements include the financial statements of the Partnership and the LIL Construction Project Trust (Project Trust or the IT). Intercompany transactions and balances have been eliminated upon consolidation.

The IT was formed for the purpose of borrowing funds from the Labrador-Island Link Funding Trust (LIL Funding Trust) in accordance with the IT Project Finance Agreement (IT PFA), and to on-lend the proceeds to LIL LP in accordance with the LIL Project Finance Agreement (LIL PFA). The proceeds of the debt facility are to be used exclusively for the construction of the LIL as part of Phase 1 of the Lower Churchill Project.

The Partnership includes the financial statements of investees (including structured entities) only when it has control as defined in IFRS 10 – Consolidated Financial Statements. In accordance with IFRS 10, control is achieved when the Partnership:

- has power over the relevant activities of the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect those variable returns.

Based on the criteria outlined in IFRS 10, the Partnership has determined that it controls the IT for financial reporting purposes. The Partnership uses judgment in assessing many factors to determine control of the IT, including its exposure to variability in the IT's investments, its role in the formation of the IT and its related party relationship with the general partner. The Partnership has determined that it does not control the LIL Funding Trust and as such has not included the accounts of the LIL Funding Trust in these annual audited consolidated financial statements.

2.3 Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit with a Schedule 1 Canadian Chartered Bank. Cash and cash equivalents are measured at cost which approximates fair value.

2.4 Restricted Cash

Restricted cash consists of cash held on deposit with Schedule 1 Canadian Chartered Banks and administered by the Collateral Agent for the sole purpose of funding construction costs related to the LIL. The Partnership draws funds from these accounts in accordance with procedures set out in the LIL PFA. Restricted cash also includes accounts administered by the Trustee of the IT which are associated with the establishment of the IT. Restricted cash is measured at cost which approximates fair value.

2.5 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.

2.6 Property, Plant and Equipment

Items of property, plant and equipment are recognized using the cost model and thus are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes materials, labour, contracted services, professional fees and, for qualifying assets, borrowing costs capitalized in accordance with LIL LP's accounting policy outlined in Note 2.8. Costs capitalized with the related asset include all costs directly attributable to bringing the asset into operation.

2.7 Intangible Assets

Intangible assets that are expected to generate future economic benefit and are measurable, including computer software costs and assets under development are capitalized as intangible assets in accordance with IAS 38.

Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. As use of the intangible assets is directly attributable to the construction of the LIL, related amortization costs are capitalized as incurred. The estimated useful life and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

2.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the Consolidated Statement of Loss and Comprehensive Loss in the period in which they are incurred.

2.9 Impairment of Non-Financial Assets

At the end of each reporting period, LIL LP 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, LIL LP 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 Consolidated Statement of Loss and Comprehensive Loss.

2.10 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if the Partnership 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 the current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each Consolidated Statement of Financial Position date using the current discount rate.

2.11 Revenue Recognition

Revenue is recognized on an accrual basis as earned, when recovery is probable and the amount of revenue can be reliably measured.

2.12 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.

<u>Lessor accounting</u>

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Partnership'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 the Partnership'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.

<u>Lessee accounting</u>

Assets held under finance leases are initially recognized as assets of the Partnership 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 Consolidated 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 in accordance with the Partnership's general policy on borrowing costs (Note 2.8). 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.

2.13 Net Finance (Income) 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.

2.14 Foreign Currencies

Transactions in currencies other than the Partnership'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 Consolidated Statement of Loss and Comprehensive Loss as other (income) expense.

2.15 Income Taxes

Provision has not been made in the accompanying annual audited consolidated financial statements for Canadian federal, provincial, or local taxes since any such liabilities are the responsibility of the individual partners.

2.16 Financial Instruments

Financial assets and financial liabilities are recognized in the Consolidated Statement of Financial Position when the Partnership 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), AFS financial assets, loans and receivables, held-to-maturity investments, financial liabilities 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 Partnership has classified each of its financial instruments into the following categories: loans and receivables, held-to-maturity investments and other financial liabilities.

Financial instrument	Category
Cash and cash equivalents	Loans and receivables
Restricted cash	Loans and receivables
Trade and other receivables	Loans and receivables
Investments	Held-to-maturity investments
Advances	Loans and receivables
Trade and other payables	Other financial liabilities
Long-term debt	Other financial liabilities
Partnership unit 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 or expenses 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) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial Assets

(ii) 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.

(iii) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Partnership 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.

Financial Liabilities and Equity Instruments

(iv) 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.

2.17 Derecognition of Financial Instruments

The Partnership 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 the Partnership 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 the Partnership 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. The Partnership derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or they expire.

2.18 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
- the borrower, more probable than not, entering into 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 Partnership'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 to 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 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 the annual audited consolidated 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 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 future periods.

3.1 Use of Judgment

(i) Functional currency
Functional currency was determined by evaluating the primary economic environment in which the Partnership operates. As the Partnership 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 CAD.

(ii) Consolidation
Management applies its judgment when determining whether to consolidate structured entities in accordance with the criteria outlined in IFRS 10. Management has determined that the Partnership should consolidate the Project Trust but should not consolidate the LIL Funding Trust.

3.2 Use of Estimates

(i) Property, Plant and Equipment
Amounts recorded for depreciation are based on the useful lives of the Partnership's assets. The useful lives of property, plant and equipment are determined by independent specialists and reviewed annually by the Partnership. 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.

(ii) Intangible Assets

Amounts recorded for amortization are based on the useful lives of the Partnership'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 amortization recorded.

(iii) Partnership Unit Liabilities

The Partnership determines the fair value of the Class A and Class B limited partnership units at each financial reporting date. These units represent the limited partners' ownership interests in the Partnership. Due to the nature of the liabilities and lack of comparable market data, the fair value of these units is determined using the present value of 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.

The process of valuing financial liabilities for which no published market price exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the liability. These differences could be material to the fair value of the financial liability.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

Amendments to IAS 1 – Disclosure Initiatives and IAS 16 and 38 – Clarification of Acceptable Methods of Depreciation and Amortization that became effective for annual periods beginning on or after January 1, 2016 did not have a material impact on LIL LP's annual audited consolidated financial statements.

LIL LP has not applied the following new and revised IFRS that have been issued but are not yet effective:

Amendments to IAS 7 - Disclosure Initiative[1]
IFRS 9 - Financial Instruments[2]
IFRS 15 - Revenue from Contracts with Customers[2]
IFRS 16 - Leases[3]

[1]Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
[2]Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
[3]Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

4.1 Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the Statement of Financial Position for liabilities arising from financing activities.

The amendments apply prospectively. Entities are not required to present comparative information for earlier periods.

Management does not anticipate that the application of these amendments to IAS 7 will have a material impact on LIL LP's annual audited consolidated financial statement disclosures.

4.2 IFRS 9 Financial Instruments

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities
With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognized financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortized cost or fair value under IFRS 9.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Phase 2: Impairment of financial assets
The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting
The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions 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 no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

Transitional provisions
IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Management has elected to adopt the standard as of the effective date, and although the classifications of existing financial instruments and related disclosures will change, Management does not anticipate material adjustments to LIL LP's annual audited consolidated financial statements upon transition.

4.3 IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programs;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 31 Revenue-Barter Transactions Involving Advertising Services.

As suggested by the title of the new revenue standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity'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 IAS 39 (or IFRS 9 if it is early adopted).

As mentioned above, the new standard has a single model to deal with revenue from contracts with customers. Its core principle 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.

Extensive disclosures are also required by the new standard.

Management does not anticipate that the application of IFRS 15 in the future will have a material impact on the amounts reported and disclosures made in LIL LP's annual audited consolidated 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 Evaluation of 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.

A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach. If the latter approach is selected, an entity is not required to restate the comparative information and the cumulative effect of initially applying IFRS 16 must be presented as an adjustment to opening retained earnings. Management anticipates that the application of IFRS 16 in the future may have a material impact on the amounts reported and disclosures made in LIL LP's annual audited consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until Management performs a detailed review.

5. TRADE AND OTHER RECEIVABLES

As at December 31 (thousands of Canadian dollars)	**2016**	2015
Other receivables	**35,229**	21,958

Other receivables are comprised of input tax credits and accrued interest.

6. PROPERTY, PLANT AND EQUIPMENT

(thousands of Canadian dollars)	Construction in Progress (Note 21)
Cost	
Balance at January 1, 2015	709,976
Additions	883,965
Balance at December 31, 2015	1,593,941
Additions	**1,162,784**
Balance at December 31, 2016	**2,756,725**
Carrying value	
Balance at January 1, 2015	709,976
Balance at December 31, 2015	1,593,941
Balance at December 31, 2016	**2,756,725**

Capitalized Borrowing Costs

The construction of the LIL was sanctioned in December 2012. The construction is being financed, in part, through the issuance of long-term debt. For the year ended December 31, 2016, $79.8 million (2015 - $68.4 million) of borrowing costs were capitalized. The effective interest rate of the debt is 3.83%. The Partnership also capitalized borrowing costs associated with the Limited A units and the Limited B units of $38.9 million (2015 - $22.5 million) as non-cash additions to property, plant and equipment.

7. INTANGIBLE ASSETS

(thousands of Canadian dollars)	Computer Software	Assets Under Development (Note 21)	Total
Cost			
Balance at January 1, 2015	1,095	4,569	5,664
Additions	282	10,089	10,371
Balance at December 31, 2015	1,377	14,658	16,035
Additions	**403**	**15,303**	**15,706**
Balance at December 31, 2016	**1,780**	**29,961**	**31,741**
Amortization			
Balance at January 1, 2015	962	-	962
Amortization	274	-	274
Balance at December 31, 2015	1,236	-	1,236
Amortization	**323**	**-**	**323**
Balance at December 31, 2016	**1,559**	**-**	**1,559**
Carrying value			
Balance at January 1, 2015	133	4,569	4,702
Balance at December 31, 2015	141	14,658	14,799
Balance at December 31, 2016	**221**	**29,961**	**30,182**

Intangible assets consist of computer software costs and assets under development which represent LIL LP's right to collect the costs incurred related to these assets through the LIL Lease Agreement and TFA with LIL Opco and Hydro.

Computer software is amortized on a straight-line basis over their finite useful lives of one year. Amortization of assets under development will commence once LIL LP begins recovering its costs for these assets over the term of the TFA.

8. INVESTMENTS

In December 2013, the IT purchased three structured deposit notes using the proceeds of the advance under the LIL Construction Facility. The investments are restricted in nature and are subject to the provisions contained within the LIL PFA.

As at December 31 (thousands of Canadian dollars)	Year of Maturity	**2016**	2015
$75.0 million Floating Rate Deposit Note, with interest paid at the one-month Canadian Dealer Offer Rate (CDOR) plus 0.38%.	2017	**28,951**	75,000
$883.5 million Amortizing Floating Rate Deposit Note, with interest paid at the one-month CDOR plus 0.38%.	2016	**-**	245,377
$1,325.3 million Amortizing Fixed Rate Deposit Note, with interest paid at a rate of 1.6182% per annum	2016	**-**	368,065
Long-term investments, end of year		**28,951**	688,442
Less: redemptions to be received within one year		**28,951**	659,491
		-	28,951

9. ADVANCES

Amounts recorded as advances consist of advances paid to a contractor on a long-term construction contract in relation to the LIL. Advances are secured by a vendor performance bond. The bond is underwritten by three sureties with Standard and Poor's ratings of A or better.

As at December 31 (thousands of Canadian dollars)	**2016**	2015
Total advances	**14,404**	16,049
Less: current portion	**14,404**	12,830
Total long-term advances	**-**	3,219

10. TRADE AND OTHER PAYABLES

As at December 31 (thousands of Canadian dollars)	**2016**	2015
Trade payables	**557,978**	302,119
Payables due to related parties	**6,890**	15,126
Accrued interest	**7,651**	7,651
Other payables	**3,601**	1,261
	576,120	326,157

11. LONG-TERM DEBT

The following table represents the value of long-term debt measured at amortized cost as at December 31:

(thousands of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**2016**	2015
Tranche A	725,000	3.76	2013	2033	**725,257**	725,272
Tranche B	600,000	3.86	2013	2045	**600,103**	600,107
Tranche C	1,075,000	3.85	2013	2053	**1,075,209**	1,075,214
Total debentures	2,400,000				**2,400,569**	2,400,593

On November 29, 2013, the IT entered into the IT PFA with the LIL Funding Trust. Under the terms and conditions of the IT PFA, the LIL Funding Trust agreed to provide a non-revolving credit facility in the amount of $2.4 billion available in three tranches (Tranches A, B and C) to the IT, which itself proceeded to on-lend this amount to the Partnership under the terms of the LIL PFA. The purpose of the LIL Funding Trust is to issue long-term debentures to the public, which debt is guaranteed by the Government of Canada and to on-lend the proceeds to the IT, which in turn on-lends funds to the Partnership. The proceeds of the facility are to be used exclusively for the construction of the LIL.

On December 13, 2013, all three tranches of the construction facility were drawn down by way of a single advance to the IT of $2.4 billion. Under the terms of the IT PFA, the $2.4 billion advance is held in an account administered by the Collateral Agent with a portion of the funds invested in structured deposit notes. The Partnership draws funds from this account on a monthly basis in accordance with procedures set out in the LIL PFA. As at December 31, 2016 the IT has advanced $1,828.5 million (2015 - $1,049.9 million) to the Partnership under the LIL PFA.

The role of the Collateral Agent is to act on behalf of the lending parties, including the LIL Funding Trust and the Government of Canada. The Collateral Agent oversees the lending and security arrangements, the various project accounts and the compliance with covenants.

As security for these debt obligations, the Partnership has granted to the Collateral Agent first ranking liens on all present and future assets. On the date of the release of the final funding request from the Collateral Agent, sinking funds are required to be set up for each of the three tranches to be held in a sinking fund account administered by the Collateral Agent.

Sinking fund instalments due for the next five years are as follows:

(thousands of Canadian dollars)	2017	2018	2019	2020	2021
Sinking fund instalments	-	24,167	48,333	48,333	48,333

12. DEFERRED REVENUE

LIL Opco has the option to prepay rent in accordance with the LIL Lease Agreement. For the year ended December 31, 2016, LIL Opco had a prepayment balance of $16.1 million (2015 - $9.5 million) to the Partnership. The Partnership has recognized these prepayments as deferred revenue which will be amortized to income once the LIL is in-service.

13. LIMITED PARTNERSHIP UNITS

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

The Partnership has four classes of units; Class A, Class B, Class C and the General Partner unit. The Class A and B unit holders and the General Partner are each entitled to voting rights, mandatory distributions and allocations of profit and loss as provided by the terms of the Partnership Agreement. The Class C unit holder is not entitled to voting rights, distributions or allocations of profit and loss, but may share in the remaining assets of the Partnership in a liquidation after full recovery of the outstanding capital accounts of the Limited A and Limited B units.

13.1 Description of the Class A and Class B Limited Partnership Units

The Class A and Class B limited partnership units issued to the limited partners represent LIL Holdco's and Emera NL's interests in the Partnership, respectively. As described in the Partnership Agreement, these units have certain rights and obligations, including mandatory distributions, that indicate that the substance of the units represent a financial liability and are measured at amortized cost using the effective interest method. The return on the units is classified as a finance expense. All finance expenses associated with the units have been capitalized.

13.2 Class A Limited Partnership Units

As at December 31 (thousands of Canadian dollars)	**Units**	**2016**	Units	2015
Class A limited partnership units, beginning of year	**75**	**168,950**	75	144,714
Contributions	**-**	**52,840**	-	11,331
Accrued interest	**-**	**15,302**	-	12,905
Class A limited partnership units, end of year	**75**	**237,092**	75	168,950

13.3 Class B Limited Partnership Units

As at December 31 (thousands of Canadian dollars)	**Units**	**2016**	Units	2015
Class B limited partnership units, beginning of year	**25**	**207,396**	25	79,403
Contributions	**-**	**168,132**	-	118,443
Accrued interest	**-**	**23,558**	-	9,550
Class B limited partnership units, end of year	**25**	**399,086**	25	207,396

14. NET FINANCE (INCOME) EXPENSE

For the year ended December 31 (thousands of Canadian dollars)	**2016**	2015
Finance income		
Interest on investments	**5,005**	17,827
Other interest income	**6,987**	5,605
	11,992	23,432
Finance expense		
Interest on long-term debt	**91,812**	91,808
Interest on limited partnership units	**38,860**	22,455
Bank charges	**12**	11
	130,684	114,274
Interest capitalized during construction	**(118,692)**	(90,842)
	11,992	23,432
Net finance (income) expense	**-**	-

15. OTHER (INCOME) EXPENSE

For the year ended December 31 (thousands of Canadian dollars)	**2016**	2015
Realized foreign exchange (gain) loss	**(144)**	1,387
Unrealized foreign exchange (gain) loss	**(394)**	756
Other (income) expense	**(538)**	2,143

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2016 and 2015 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 LIL LP might receive or incur in actual market transactions.

As a significant number of LIL LP's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of LIL LP 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. For assets and liabilities that are recognized at fair value on a recurring basis, the Partnership 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 years ended December 31, 2016 and 2015.

	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
As at December 31 (thousands of Canadian dollars)		**2016**		2015	
Financial assets					
Investments	**2**	**28,951**	**28,949**	688,442	689,718
Financial liabilities					
Long-term debt	**2**	**2,400,569**	**2,715,343**	2,400,593	2,858,272
Class A limited partnership units	**3**	**237,092**	**237,092**	168,950	168,950
Class B limited partnership units	**3**	**399,086**	**399,086**	207,396	207,396

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

The fair values of Level 2 financial instruments are determined using quoted prices in active markets, which in some cases are adjusted for factors specific to the asset or liability. Level 2 derivative instruments are valued based on observable commodity future curves, broker quotes or other publicly available data. Level 2 fair values of other risk management assets and liabilities and long-term debt are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

The Class A and Class B limited partnership units are carried at amortized cost, calculated using the effective interest method, which approximates fair value. The effective interest rate is defined in the Newfoundland and Labrador Development Agreement as Emera NL's rate of return on equity (RROE), and is equal to the rate approved by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) for privately-owned regulated electrical utilities. Due to the unobservable nature of the effective interest rate and resulting discounted cash flows associated with the units, the instruments have been classified as Level 3.

The table below sets forth a summary of changes in fair value of the Partnership's Level 3 financial liabilities given a percent change in the discount rate while holding other variables constant:

(thousands of Canadian dollars)	1% increase in discount rate	1% decrease in discount rate
Class A limited partnership units	(6,755)	6,573
Class B limited partnership units	(5,601)	5,510
Total	(12,356)	12,083

16.2 Risk Management

The Partnership 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 the Partnership's expected future cash flows.

Credit Risk

The Partnership's expected future cash flows are exposed to credit risk through financing activities, primarily due to the potential for non-performance by counterparties to its financial instruments. Credit risk on cash and cash equivalents, restricted cash and investments is minimal, as the Partnership's deposits are held by Canadian Schedule 1 Chartered Banks with ratings of A+ and AA- (Standard and Poor's). The degree of exposure to credit risk on trade and other receivables and advances is determined by the financial capacity and stability of the counterparties whereby the maximum risk is represented by their carrying value on the Consolidated Statement of Financial Position at the reporting date.

Liquidity Risk

The Partnership is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Liquidity risk management activities are directed at ensuring cash is available to meet those obligations as they become due. Short-term liquidity is provided through restricted cash, cash and cash equivalents on hand and partnership contributions. The Partnership can access the funds drawn down from the LIL Construction Facility and partnership contributions for the payment of construction costs as well as interest payments.

The following are the contractual maturities of the Partnership's financial liabilities, including principal, sinking fund and interest, as at December 31, 2016:

(thousands of Canadian dollars)	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Trade and other payables	576,120	-	-	-	576,120
Long-term debt (including interest and sinking fund)	91,808	256,115	280,282	4,416,979	5,045,184
Unit A partnership units	-	-	43,858	1,001,843	1,045,701
Unit B partnership units	-	-	73,933	1,688,831	1,762,764
	667,928	256,115	398,073	7,107,653	8,429,769

Market Risk

In the course of carrying out its operating, financing and investing activities, the Partnership is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities.

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 and Commodity Exposure

The Partnership does not hold any financial instruments whose value would vary due to changes in a commodity price or fluctuations in foreign currency exchange rates. Cash flow exposure to commodity price and foreign exchange risk arises primarily through investing activities, most notably US dollar denominated capital expenditures, and regular procurement activities. Exposure arising from capital expenditures is evaluated on a case by case basis. Where possible, contracts are denominated in CAD.

17. RELATED PARTY TRANSACTIONS

LIL LP enters into various transactions with its partner 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 LIL LP transacts are as follows:

Related Party	Relationship
LIL Holdco	Limited Partner holding 75 Class A limited partnership units of LIL LP
Emera NL	Limited Partner holding 25 Class B limited partnership units of LIL LP
Nalcor	100% shareholder of LIL Holdco
Labrador Transmission Corporation (Labrador Transco)	Wholly-owned subsidiary of Nalcor
LIL GP	Wholly-owned subsidiary of Nalcor, general partner of LIL LP
LIL Opco	Wholly-owned subsidiary of Nalcor
Lower Churchill Management Corporation (LCMC)	Wholly-owned subsidiary of Nalcor
Muskrat Falls Corporation (Muskrat Falls)	Wholly-owned subsidiary of Nalcor
LIL Funding Trust	Party to the IT PFA

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

(a) As at December 31, 2016, LIL LP has related party payables totalling $6.9 million (2015 - $15.1 million) with LCMC, Muskrat Falls, Labrador Transco and Nalcor. These payables consist of various intercompany operating and construction costs.

(b) For the year ended December 31, 2016, LIL LP had incurred costs of $15.3 million (2015 - $10.1 million) related to assets under development which LIL LP controls the right to collect costs through the LIL Lease Agreement and TFA with LIL Opco and Hydro.

(c) For the year ended December 31, 2016, LIL Opco prepaid rent to the Partnership in the amount of $6.6 million (2015 - $1.5 million).

18. COMMITMENTS AND CONTINGENCIES

(a) The Partnership is required to make mandatory distributions in accordance with the Partnership Agreement. The amount of periodic distributions will be determined by the General Partner and will commence once construction of the LIL is complete.

(b) As part of the LIL PFA, the Partnership has pledged its current and future assets as security to the Collateral Agent. Under the terms and conditions of the IT PFA, the Partnership has also provided a guarantee of the IT's payment obligations to the Collateral Agent for the benefit of the LIL Funding Trust.

(c) LIL LP is subject to legal proceedings in the normal course of business. Although the outcome of such actions cannot be predicted with certainty, Management currently believes LIL LP'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 its financial position.

(d) Outstanding commitments for capital projects, total approximately $598.8 million as at December 31, 2016 (2015 - $1,276.2 million).

19. CAPITAL MANAGEMENT

The capital structure of the Partnership is comprised of partner capital (issued units, cash calls and deficit) and long-term debt. The capital structure is adjusted through the amount of distributions paid to the Partners as well as capital contributions.

The Partnership's objective when managing capital is to fund the construction of the LIL while providing its partners a required return. The Partnership's requirements for capital in the future are expected to increase, coincident with the development of the LIL. The focus of the capital management policy is to provide flexibility to ensure cash continues to be available to satisfy capital requirements. Managing cash calls from the limited partners is a key aspect of ensuring the availability of funding to develop the LIL. Nalcor, as well as the Province of Newfoundland and Labrador, have provided guarantees to ensure partner contributions in relation to the construction of the LIL. These partner contributions, together with the proceeds from long-term debt, will be sufficient to fund the development and construction of the LIL.

20. SUPPLEMENTARY CASH FLOW INFORMATION

For the year ended December 31 (thousands of Canadian dollars)	**2016**	2015
Trade and other receivables	**(13,271)**	(8,551)
Prepayments	**-**	1
Trade and other payables	**249,963**	163,022
Changes in non-cash working capital balances	**236,692**	154,472
Related to:		
Operating activities	**(23)**	53
Investing activities	**236,715**	154,419
	236,692	154,472

21. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified to conform to the basis of presentation adopted during the current reporting period. The changes have been summarized as follows:

(thousands of Canadian dollars)	Previously reported	Assets under development	**Reclassified balance at December 31, 2015**
Statement of financial position			
Property, plant and equipment	1,608,599	(14,658)	**1,593,941**
Intangible assets	141	14,658	**14,799**
Statement of cash flows			
Additions to property, plant and equipment	(871,325)	10,089	**(861,236)**
Additions to intangible assets	(282)	(10,089)	**(10,371)**