

Bull Arm Site Corporation
Activity Report
For the Period of April 1, 2007 to March 31, 2008



August 25, 2008

Honourable Kathy Dunderdale, M.H.A.
Minister
Department of Natural Resources
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister Dunderdale:

In accordance with government's commitment to accountability, I am pleased to submit the activity report, together with the financial statements, of the Bull Arm Site Corporation for the period from April 1, 2007 to March 31, 2008.

The report was prepared under the direction of the Board of Directors of the Bull Arm Site Corporation and the entire Board is accountable for the preparation of this report and for the results reported on the Corporation's activities during the year.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gary Gorman". The signature is fluid and cursive, with a prominent initial "G".

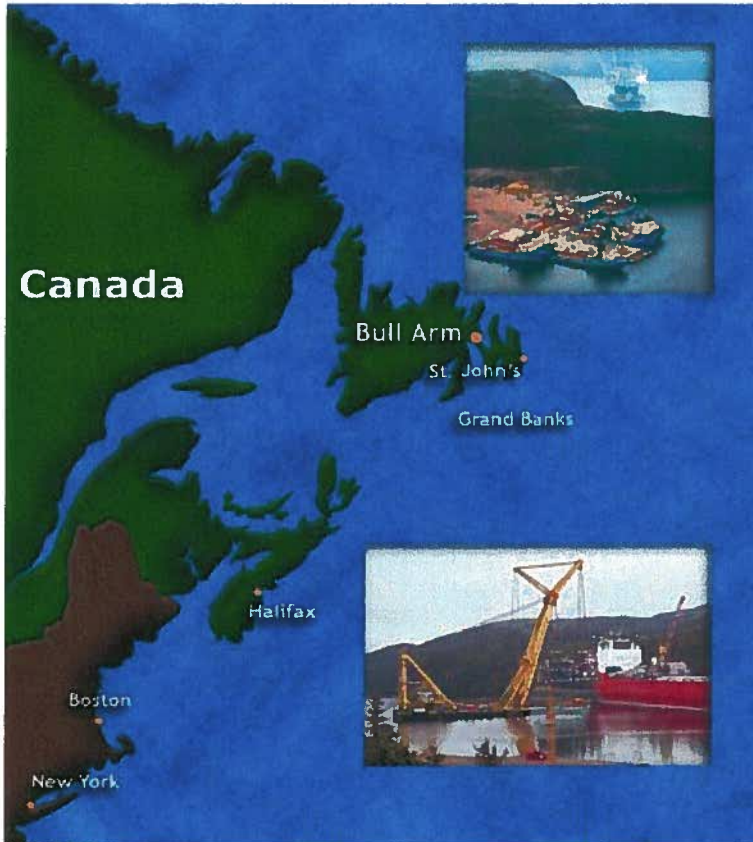
Gary Gorman, Ph.D.
Interim Chairperson

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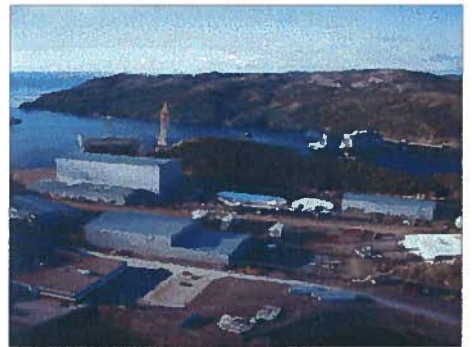
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1. Overview

The Bull Arm Site is a world-class fabrication facility on the west coast of Trinity Bay. The Site was developed in 1990 to meet the rigorous demands of the offshore petroleum industry. The Site is strategically located to take advantage of the North American Free Trade Agreement, and is closer to Europe than any other part of North America.



Drydock Construction and Fabrication Site



Topsides Fabrication and Assembly Area

The Bull Arm Site contains three major areas: the Drydock Construction and Fabrication Site; the Topsides Fabrication and Assembly Area; and the Back Cove Industrial Area and Deepwater Site. The Site represents a competitive and strategic advantage to companies involved in heavy industrial activities.



Back Cove Industrial Area and Deepwater Site

Board of Directors

The Board of Directors of the Bull Arm Site Corporation consists of a Chairperson, a Chief Operating Officer and four other members representing various experiences and industry/business backgrounds. Current Board representation is as follows:

Dr. Gary Gorman Interim Chairperson St. John's Appointed for a 2 year term October, 2006 to October, 2008	Mr. Michael Mulrooney Director Come by Chance Appointed for a 2 year term October, 2006 to October, 2008
Mr. Pierre Tobin Director and Chief Operating Officer St. John's	Mr. Fred Drover Director St. John's Appointed for a 2 year term October, 2006 to October, 2008
Mr. Jim Keating Director St. John's Appointed for a 2 year term October, 2006 to October, 2008	Mr. Bill Fanning Director St. John's Appointed for a 2 year term October, 2006 to October, 2008

The Board is supported by the following three employees, two located in the Avalon region and one located at the Bull Arm Fabrication Site:

Ms. Marilyn Bursey Administrative Assistant St. John's	Mr. Kevin Greene Site Manager Bull Arm Site
Ms. Pamela Benson Development Officer St. John's	

Budget

The Bull Arm Site Corporation's budget for the fiscal year ending March 31, 2009 is \$3,885,000. This budget is included under the Royalties and Benefits Division of the Department of Natural Resources (source: Estimates 2008-2009). This represents a significant increase over the previous fiscal year's budget of \$1,135,000. This increase is reflective of the fact that there are a number of major projects on the horizon in the province that will potentially utilize the Bull Arm Site for major fabrication activities. These include the proposed second refinery, Hebron, the Voisey's Bay processing plant for Long Harbour, White Rose expansion projects and the Lower Churchill. These projects will commence as soon as mid 2008 and extend for several years beyond that. Thus, in addition to the regular annual operating grant of \$1,135,000, for the 2008-09 fiscal year, Government invested an extra \$750,000 for site maintenance and \$2,000,000 to provide a new management structure in order to assess the optimal use for the Site as well as manage the Site in the province's best interests during major project execution.

How to Reach Us

For additional information about the Bull Arm Site Corporation, please contact:

Bull Arm Site Corporation P.O. Box 8700, 6 th Floor Natural Resources Building 50 Elizabeth Avenue St. John's, NL A1B 4J6	Tel: (709) 729-0114 Fax: (709) 729-1699 Email: bullarm@gov.nl.ca
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Appendix A, the Bull Arm Site Corporation's audited financial statements, highlights the financial details of the Bull Arm Site Corporation for the fiscal year ending March 31, 2008.

2. Mandate

The Bull Arm Site Corporation Board (BASC Board) is responsible for the general operations and policy development for the Bull Arm Site Site. The BASC Board acts as a liaison between corporate administration, external proponents and the Department of Natural Resources executive.

The mandate of the BASC Board is:

To *optimize* the effective utilization rate of the Bull Arm Site for the *maximum economic benefit* of the province of Newfoundland and Labrador.

Powers and Duties of Board:

The BASC Board may, under the control and direction of the Minister, or concurrently with the Minister;

- i. purchase, lease or otherwise acquire in the name of the Crown, and sell, lease or otherwise dispose of on behalf of the Crown property, real or personal of every nature and kind, or interest in property, which is considered necessary, convenient or advisable for or incidental to the exercise of the powers, functions and duties,
- ii. enter into an agreement with the governments, departments, agencies, Boards, councils or bodies,
- iii. undertake, promote or recommend measures for the development, control and direction of the utilization of the Site,
- iv. prepare and publish statistics, reports, records, bulletins, pamphlets, circulars and other information as appropriate in relation to the operations of the Site.

3. Lines of Business

The Bull Arm Site Corporation Board (BASC Board) reports directly to the Minister of Natural Resources.

1. Operation and maintenance of the Bull Arm Site

The BASC Board oversees operation of the Bull Arm Site regarding maintenance, safety and readiness for clients wishing to utilize the Site.

2. Promotion of the Bull Arm Site

The BASC Board guides the overall marketing and promotion of the Site including requests for expressions of interest, advertising, meetings with potential proponents and attendance at trade shows and conferences by executive and staff.

4. Vision

The vision of Bull Arm Site Corporation Board (BASC Board) is of a fully utilized, internationally competitive facility that operates to the highest standards of safety and service quality, for the maximum benefit (of our clients and) of the people of Newfoundland and Labrador.

In order to support the attainment of this vision the BASC Board maintains the following policies.

Potential Uses	The priority of the BASC Board will be to pursue options for industrial fabrication, in keeping with the site's original design intent. Other uses for the Site will be considered only where they would not conflict with potential usage for industrial fabrication, and where the BASC Board feels such usage may be appropriate.
Tangible Work	The BASC Board will only negotiate leases for access to the Site with parties having confirmed work commitments. The BASC Board will consult with potential tenants engaging in bidding, budgeting or other activities, but leases will not be negotiated without confirmed work commitments.

5. Mission Statement

The mission statement identifies the priority focus area of the Minister over the next two planning cycles. It represents the key longer-term results that the Minister and the BASC Board will report on concerning work towards achieving the strategic directions of government. The statement also identifies the measures and indicators that will assist the BASC Board and the public in monitoring and evaluating success.

By 2011 the BASC Board will have attracted local, national and international clients to the facility in an attempt to ensure the maximum long-term utilization and benefit of the Bull Arm Fabrication Site.

Measure: Attract more local, national and international clients.

Indicators:

- Tenants and activity at the Site in the form of fabrication of steel and construction of component parts.
- Measured employment levels in total number of positions and total person hours worked.

The preceding mission statement is consistent with the strategic direction of the Minister of Natural Resources to work towards benefit maximization.

The BASC Board has amended its mission statement. The revised mission statement is contained in its Activity Plan for April 1, 2008 to March 31, 2011. Copies can be obtained by contacting the Bull Arm Site Corporation. (See page 3 above for details.)

6. Highlights and Accomplishments

In addition to the work completed to fulfill its objectives for the fiscal year as outlined in the Outcomes of Objectives section, the BASC Board also achieved noteworthy accomplishments in a number of areas.

Hydro/Energy Corporation Synergies

The BASC Board participated in a joint initiative undertaken by representatives of Newfoundland and Labrador Hydro, Energy Corporation of Newfoundland and Labrador and the Department of Natural Resources to focus on the province's ability to accommodate the upcoming resource projects from a capacity and schedule perspective. This accomplishment is directly related to the benefits maximization component of the Department of Natural Resources Strategic Plan 2006-08 which emphasizes effective and efficient management of our natural resources to ensure that they are utilized in a sustainable manner such that the resources and the economic benefits from these resources are optimized.

Dynamic Air Shelters Incorporated

Dynamic Air Shelters Incorporated is a western Canadian company that specializes in the fabrication of inflatable industrial structures. In 2006 Dynamic set up a manufacturing operation based in Grand Bank, Newfoundland and Labrador. The BASC Board and Dynamic entered into a lease agreement in February 2008 to provide the use of a building on a temporary basis to fulfill a short term need for a large weather proof facility to complete inspections and testing. While not a significant contributing factor to the strategic directions as outlined by the Minister of Natural Resources, this lease extension is considered to be noteworthy by the BASC Board as a contributing factor to the lease revenues and operations of the corporation.

Lease of Visitor Information Centre

Following negotiations, the BASC Board extended the lease of the Visitor Information Centre to the Newfoundland & Labrador Refining Corporation. The lease is currently due to expire in November 2008. While not a significant contribution to the strategic directions as outlined by the Minister of Natural Resources, this lease extension is considered to be noteworthy by the BASC Board as a contributing factor to the lease revenues and operations of the corporation.

7. Outcomes of Objectives

The Bull Arm Site Corporation Board (BASC Board) is now presenting a one year report covering the transition period ending on March 31, 2008.

Issue 1: Marketing and Promotion

In order to attract tenants and activity to the Site, the BASC Board will place advertisements in trade magazines and other relevant publications. Staff and executive will attend trade shows and conferences, as well as meet personally with potential clients to discuss opportunities for utilization. This will increase the awareness of the Site as a viable alternative to competing facilities.

Objective: By March 31, 2008, the BASC Board will assess its marketing and promotions activities, and adjust the levels of these activities, as appropriate.

Measure: Appropriate levels of marketing and promotion.

Indicators:

Update of multi media presentation (DVD, brochures):

- The BASC Board developed a new advertisement to promote the Site's capabilities. In 2007-08, the BASC Board showcased the Site in an Atlantic Business Magazine feature editorial as part of Special Newfoundland/Western Canada /North Sea Edition and placed advertisements in the Oil and Gas Magazine.

Review and development of a revised advertising plan:

- The advertising plan for 2007-08 was developed and formally approved by the BASC Board. The BASC Board realizes that this plan will continually evolve and have mechanisms in place to regularly revise as appropriate.

Participation in trade shows:

- Promotional materials were distributed at oil and gas trade shows such the Offshore Technology Conference in Houston, Go-Expo in Calgary, NOIA's Newfoundland Petroleum Show in St. John's, and Offshore Europe in Aberdeen. As well members of the BASC Board represented the Bull Arm Site Corporation during the OTC and OE events.

Development and distribution of an annual report of its activities:

- The BASC Board realizes that the activity report may vary significantly from the annual plan depending on the outcome of competitive bidding processes involving the Site. The BASC Board is committed to delivering an annual report in a timely fashion.

Update of the Corporation's website:

- Completed in 2007 with current information. The BASC Board realizes that this activity is ongoing and plans to put in place mechanisms to review and update the website on a regular basis.

Issue 2: Maintenance and Repair of Buildings

Large industrial facilities require ongoing maintenance and upkeep to maintain and facilitate its state of operational readiness and safety. The BASC Board will ensure the primary structures and infrastructure at the Site are maintained and functional for future occupancy.

Objective: By March 31, 2008, the BASC Board will ensure that the Site infrastructure is maintained to the highest safety standards.

Measure: Maintain the highest safety and environmental standards

Indicators:

Complete a safety review and report:

- Completed. The BASC engaged the Department of Government Services to complete an Occupational Health and Safety review of the Site. The inspections focused on static hazards such as potential collapse of racks, shelving, free standing stock piles, exposed electrical hazards and broken glass, etc. No issues or concerns were raised. The BASC Board intends to consider continuing a similar inspection and review process.

Maintain the Site's communication system:

- An assessment has been completed of the Site's communication system. There are several options presented which the BASC Board plans to take under consideration.

Maintain the Site's water and sewer system:

- Ongoing activity as part of regular site maintenance program.

Maintain a level of fitness and safety of buildings and roadways:

- A service agreement between the BASC Board and the site manager is in place until 15 June 2009. The mandate of the site manager is to provide services related to the overall maintenance and management of the Site on behalf of the BASC Board. A 24/7 security contract is in place until 13 November 2009. Through the public tender process, a five-month

contract for snow clearing was executed between the BASC Board and a local company, Hickey's Contracting (1989) Ltd.

Issue 3: Site Remediation

The BASC Board will oversee the dismantling and disposal of materials and buildings that are hazardous or a deterrent to normal operations.

Objective: By March 31, 2008, the BASC Board will have identified and developed a disposal plan for a number of items deemed to be no longer fit for their purpose or appropriate for storage at the Site, and to ensure the Site is maintained in a safe and secure manner.

Measure: Disposal plan for the appropriate removal of items from the Bull Arm Site

Indicators:

Identify and develop a disposal plan for the removal of unwanted equipment and infrastructure:

- Not Completed. The BASC Board agreed to defer this activity due to limited funding and capacity resources until 08-09 when the additional funding and management structure will be in place. The BASC Board's rationale to defer this activity is to incorporate a large scale disposal plan as a component of a detailed maintenance plan which is anticipated for 08-09.

Consult with Government Purchasing Agency (GPA) and advertise disposal opportunities:

- Not Completed. GPA was consulted for advise on disposing of smaller unwanted temporary structures and the BASC Board was informed that facilities disposal is outside of the scope of GPA. The BASC Board is considering other options which would likely be more practical and economical once the Site is being utilized. In the meantime, the unwanted buildings/equipment have been secured and designated inaccessible to ensure that they pose no risk to health and safety.

Prepare site maintenance and safety report:

- Completed. A summary of required maintenance was completed and priority items were addressed. The BASC Board is examining options to obtain the resources necessary to address the items outlined and to develop a more thorough and detailed site maintenance and safety assessment plan in 08-09. The BASC Board has received additional funding for the 08-09 fiscal year in order to conduct the necessary maintenance to ensure that the Site is available in a safe, usable manner.

Review and monitor removal of mooring chain:

- Completed. All mooring chain has been removed from Site and the area of rest was completely cleaned of debris.

Issue 4: Board Processes

To ensure compliance and succession of operation, the BASC Board will undertake an analysis of requirements.

Objective: By March 31, 2008, the BASC Board will have enhanced their business processes.

Measure: Enhanced Board processes

Indicators:

Recommend appointment of a long term Chairperson of the BASC Board:

- The BASC Board has made the suggestion to the executive of the Department of Natural Resources that the appointment of a long term Chairperson would be very beneficial to the overall management and promotion of the Site.

Review of President's role and assess the requirement for a long term appointment:

- The BASC Board continues to assess and discuss the requirement for a President. In the absence of a President, Mr. Pierre Tobin, Associate Deputy Minister of Energy Resources, Department of Natural Resources was appointed as Chief Operating Officer (COO) of the Bull Arm Site Corporation in 2007. Mr. Tobin's role as a COO is to oversee the day to day operations and act as a liaison with the executive of the Department of Natural Resources.

Review of BASC Board size:

- The BASC Board completed a review of its size and passed a resolution to amend the Articles of Incorporation from a firm number of nine (9) Directors to a range (min.5, max.10).

Consider development of rules of Governance for incorporation and operation of the BASC Board:

- The BASC Board formally met ten times during 2007-08 and continues to closely oversee the day to day operations and management of the Site.
- In anticipation of the new management structure announced as part of next year's funding allocation, the consideration of the development of rules of Governance has been deferred to the 08-09 fiscal year.

8. Opportunities and Challenges Ahead

With the number of major projects on the horizon, including the proposed second refinery, Hebron, the Voisey's Bay processing plant for Long Harbour, White Rose expansion projects and the Lower Churchill, there is significant opportunity for the Bull Arm Site to continue to contribute to the province's fabrication capacity. Ensuring that the Site is positioned to accommodate the future schedules and capacity needs of these projects may be a challenge as indications show that a number of these projects may experience delays in starting up, and experience overlaps during development, resulting in possible resource and capacity challenges.

Throughout 2007-08 and beyond, a major challenge facing the Bull Arm Site, along with the entire service and supply sector, is the cyclical nature of the oil and gas industry. As several major offshore development projects and significant resource development projects line up to proceed, the BASC will use this down time period to better position itself to capture fabrication and construction opportunities related to these as well as international projects.

The BASC Board will continue to assess its strategic plan, its marketing and promotion activities and adjust the levels of these activities as appropriate. By advertising in industry periodicals and attending trade shows and conferences, the BASC Board can maximize its opportunities to market its facilities and impress upon all potential users that the Bull Arm Site is a world-class facility, suitable to meet their fabrication needs in a cost competitive and effective manner.

A continuous challenge facing the BASC Board has been the annual \$1.5 million cost to maintain and secure the Site. A funding request in 2008-09 will see significant resources being allocated to address site maintenance and upgrades as well as the establishment of a new management structure for the Bull Arm Site Corporation.

APPENDIX A
Financial Statements

BULL ARM SITE CORPORATION

FINANCIAL STATEMENTS

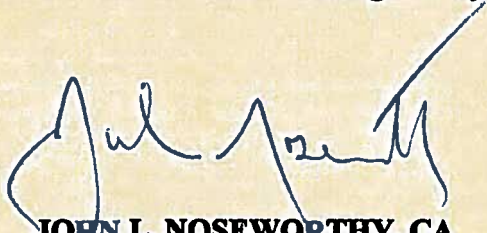
31 MARCH 2008

To the Board of Directors
Bull Arm Site Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Bull Arm Site Corporation as at 31 March 2008 and the statements of revenues and expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
3 June 2008

BULL ARM SITE CORPORATION
BALANCE SHEET

31 March

2008

2007

ASSETS

Current

Cash	\$ 202,722	\$ 28,913
Investments, at cost (Note 2)	123,834	204,417
Accounts receivable (Note 3)	62,421	9,315
Prepaid expense (Note 4)	87,068	161,091

476,045 403,736

Investment property (Note 5)	1	1
Capital assets (Note 6)	630,397	775,433

\$ 1,106,443 \$ 1,179,170

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	\$ 97,024	\$ 106,735
Performance bonds payable	-	9,135

97,024 115,870

Distribution payable to the Province of Newfoundland and Labrador (Note 7)	1,009,415	1,063,296
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1,106,439 1,179,166

Shareholders' equity

Share capital

Authorized

100 common shares of no par value

Issued

3 common shares 3 3

Equity in investment property	1	1
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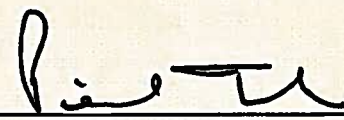
\$ 1,106,443 \$ 1,179,170

Contingent liability (Note 8)

See accompanying notes

Signed on behalf of the Board:


 Chairperson


 Chief Operating Officer

BULL ARM SITE CORPORATION
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31-March

2008

2007

REVENUES

Province of Newfoundland and Labrador		
- Operating grant	\$ 1,135,000	\$ 1,135,000
Lease and rental revenue	42,162	523,141
Interest	12,426	15,837
	1,189,588	1,673,978

EXPENSES

Advertising	12,928	28,571
Amortization	145,036	172,022
Bad debt	2,875	-
Conferences	-	2,748
Grants	35,000	35,000
Insurance	140,206	168,372
Maintenance	123,106	187,599
Membership fees	8,867	7,429
Miscellaneous	1,940	1,962
Professional fees	16,353	22,731
Salaries and employee benefits	189,388	300,724
Security	333,211	299,072
Supplies	2,469	4,730
Telephone	12,547	11,410
Travel and entertainment	1,300	9,563
Utilities	181,438	199,513
Vehicle	4,443	11,448
	1,211,107	1,462,894

Excess of revenues over expenses		
(expenses over revenues) (Note 7)	\$ (21,519)	\$ 211,084

See accompanying notes

BULL ARM SITE CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

2008

2007

Cash flows from operating activities

Excess of revenues over expenses (expenses over revenues)	\$ (21,519)	\$ 211,084
Adjustment for non-cash items		
Amortization	145,036	172,022
Bad debt	2,875	-
	126,392	383,106
Changes in non-cash working capital		
Accounts receivable	(55,981)	185,671
Prepaid expense	74,023	(34,715)
Accounts payable and accrued liabilities	(9,711)	39,015
Performance bonds payable	(9,135)	(1,474)
	125,588	571,603

Cash flows from investing activities

Purchase of capital assets	-	(130,027)
	-	(130,027)

Cash flows from financing activities

Amounts paid to Province of Newfoundland and Labrador (Note 7)	(32,362)	(518,581)
Net increase (decrease) in cash and cash equivalents	93,226	(77,005)
Cash and cash equivalents, beginning of year	233,330	310,335
Cash and cash equivalents, end of year	\$ 326,556	\$ 233,330

Cash and cash equivalents include:

Cash	\$ 202,722	\$ 28,913
Investments	123,834	204,417
	\$ 326,556	\$ 233,330

See accompanying notes

BULL ARM SITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

Authority

The Bull Arm Site Corporation was incorporated by the Province of Newfoundland and Labrador on 15 September 1995 under the *Corporations Act*. All shares of the Corporation are held by Ministers of the Crown on behalf of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

An agreement between the Province and the parties involved in the Hibernia project provided for the transfer of assets, known as investment property, at the Bull Arm Site to the Province. Investment property is defined in the agreement to include buildings, fixed equipment, living and recreational facilities, drydock, wharves, vehicles and other assets. In addition, the Corporation may accept investment property from other lessors of the Site upon termination of the lease agreements. The purpose of the Corporation is to receive and administer these assets at the Site. Investment property that is surplus to the future needs of the Corporation is either transferred for nil proceeds to the Province for its use or, if not required by the Province, disposed of to third parties.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Investment property

Management of the Corporation has concluded that it is not practical to determine the value of the investment property with sufficient reliability and thus investment property is recorded at a nominal value of \$1. Any costs associated with obtaining the investment property are expensed as incurred.

(b) Capital assets

Capital assets are capitalized at cost at the time of acquisition. Contributions toward the acquisition of capital assets are deducted from the related capital asset cost with any amortization calculated on the net amount. Amortization is calculated using the methods described below based on the expected future life of the asset as follows:

Topsides module hall door	20% declining balance
Security building	4% declining balance
Computer equipment	30% declining balance
Office equipment	20% declining balance
Vehicle	30% declining balance

BULL ARM SITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

1. Significant accounting policies (cont.)

(c) **Distribution payable to the Province of Newfoundland and Labrador**

Each year, the surplus or deficit from operations is credited or charged to the Distribution payable to the Province of Newfoundland and Labrador account (see Note 7). This account contains the accumulated results of operations of the Corporation since its inception, less any distributions paid to the Province.

2. Investments

Investments of \$123,834 (2007 - \$204,417) in guaranteed investment certificates are valued at cost which approximates market value. Maturity dates range from 18 April 2008 to 6 March 2009 with interest rates from 2.00% to 2.55%. Investments totalling \$0 (2007 - \$9,135) are encumbered as they relate to suppliers' performance bonds.

3. Accounts receivable

	<u>2008</u>	<u>2007</u>
Harmonized sales tax	\$ 53,802	\$ 1,466
Trade	7,929	7,389
Interest	690	460
	<u>\$ 62,421</u>	<u>\$ 9,315</u>

4. Prepaid expense

	<u>2008</u>	<u>2007</u>
Insurance	\$ 42,700	\$ 125,696
Grants	35,000	35,000
Maintenance	7,764	-
Salaries and employee benefits	1,196	-
Membership fees	408	395
	<u>\$ 87,068</u>	<u>\$ 161,091</u>

5. Investment property

In March 1998, the Corporation accepted all remaining investment property from the Hibernia Management Development Corporation. In November 2001, the Corporation accepted investment property relating to the Terra Nova Project which remained on site following the expiration of a site lease with PCL Industrial Contractors Inc.

BULL ARM SITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

6. Capital assets

	2008			2007	
	Cost	Capital Contributions	Accumulated Amortization	Net Book Value	Net Book Value
Topsides module hall door	\$ 1,623,180	\$ 500,000	\$ 605,619	\$ 517,561	\$ 646,952
Security building	89,027	-	5,271	83,756	87,246
Computer equipment	16,464	-	14,449	2,015	2,878
Office equipment	6,246	-	4,530	1,716	2,145
Vehicle	45,672	-	20,323	25,349	36,212
	\$ 1,780,589	\$ 500,000	\$ 650,192	\$ 630,397	\$ 775,433

7. Distribution payable to the Province of Newfoundland and Labrador

The Minister of Finance is authorized to invest any surplus from operations. Surpluses from operations are to be paid into the Consolidated Revenue Fund of the Province of Newfoundland and Labrador but there are no set terms of repayment. The change in the distribution payable to the Province of Newfoundland and Labrador for the year is as follows:

	2008	2007
Balance, beginning of year	\$ 1,063,296	\$ 1,370,793
Amounts paid to Province	(32,362)	(518,581)
Excess of revenues over expenses (expenses over revenues)	(21,519)	211,084
Balance, end of year	\$ 1,009,415	\$ 1,063,296

8. Contingent liability

The Corporation has agreed to store used tires at the Site on behalf of the Multi-Materials Stewardship Board until the recycling phase of the used tire recycling program begins. The Corporation does not receive any lease or rental income for providing this storage. Based upon legal advice obtained by the Corporation, it is the legal guardian of the tires and any possible liabilities arising in relation to the storage of the tires is the responsibility of the Corporation. The Corporation has directed legal counsel to seek an indemnification from any liabilities associated with the storage of used tires at the Site from the Multi-Materials Stewardship Board.

BULL ARM SITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

9. Related party transactions

The Province of Newfoundland and Labrador has provided office space, office equipment and furnishings, and legal services at no cost to the Corporation. These contributions are not reflected in these financial statements. Salaries and benefits for certain employees of the Corporation are paid directly by the Province of Newfoundland and Labrador and the Province is reimbursed by the Corporation.

10. Financial instruments

The Corporation's financial instruments recognized in the balance sheet consist of cash, investments, accounts receivable, and accounts payable and accrued liabilities, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

11. Acquisition of Corporation by Energy Corporation of Newfoundland and Labrador

In March 2008, the Province authorized the Energy Corporation of Newfoundland and Labrador to acquire the outstanding shares of the Corporation for \$1 and to maintain it as a subsidiary of the Energy Corporation of Newfoundland and Labrador. The acquisition process is presently ongoing.

12. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Federal or Provincial income taxes.

13. Comparative figures

Certain figures from the 2007 financial statements have been reclassified to conform with the basis of presentation used in 2008.