

*Financial Statements of*

**NEW BRUNSWICK POWER NUCLEAR  
CORPORATION - NUCLEAR  
FUEL WASTE TRUST**

*for the year ended March 31, 2008*



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## Auditors' Report

To the Trustee of New Brunswick Power Nuclear Corporation Nuclear Fuel Waste Trust:

We have audited the statement of assets of the New Brunswick Power Nuclear Corporation Nuclear Fuel Waste Trust (the "Trust") as at March 31, 2008 and the statements of operations and comprehensive income and changes in assets for the year then ended. These financial statements are the responsibility of the trustee. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 the trustee, as well as evaluating the overall financial statement presentation.

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

Chartered Accountants

June 16, 2008

**NEW BRUNSWICK POWER NUCLEAR CORPORATION  
NUCLEAR FUEL WASTE TRUST**

**Statement of Assets**

as at March 31, 2008  
(in thousands)

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
INVESTMENTS		
Investments (Note 4)	\$ 44,770	\$ 37,387
	<u>44,770</u>	<u>37,387</u>
OTHER		
Accrued interest receivable	155	133
<b>TOTAL ASSETS</b>	<b>\$ 44,925</b>	<b>\$ 37,520</b>

**NEW BRUNSWICK POWER NUCLEAR CORPORATION**  
**NUCLEAR FUEL WASTE TRUST**  
**Statement of Operations and Comprehensive Income**  
for the year ended March 31, 2008  
(in thousands)

	<u>2008</u>	<u>2007</u>
Investment income	\$ 2,014	\$ 1,744
Amortization of premium	(128)	(126)
<b>INCREASE IN ASSETS FROM OPERATIONS</b>	<b>\$ 1,886</b>	<b>\$ 1,618</b>
<b>Other comprehensive income (loss)</b>		
Change in unrealized gains and losses on available for sale investments:		
Unrealized gains and losses arising during the year	\$ 44	\$ -
<b>INCREASE IN ASSETS FROM COMPREHENSIVE INCOME</b>	<b>\$ 1,930</b>	<b>\$ 1,618</b>

**NEW BRUNSWICK POWER NUCLEAR CORPORATION**  
**NUCLEAR FUEL WASTE TRUST**  
**Statement of Changes in Assets**  
for the year ended March 31, 2008  
(in thousands)

	<u>2008</u>	<u>2007</u>
<b>ASSETS, BEGINNING OF YEAR</b>	<b>\$ 37,520</b>	<b>\$ 32,568</b>
Contributions	4,000	3,334
Increase in assets from operations	1,886	1,618
	<b>43,406</b>	<b>37,520</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Accumulated other comprehensive income at April 1, 2007 (Note 2)	1,475	-
Unrealized gains and losses	44	-
	<b>1,519</b>	<b>-</b>
<b>ASSETS, END OF YEAR</b>	<b>\$ 44,925</b>	<b>\$ 37,520</b>

# NEW BRUNSWICK POWER NUCLEAR CORPORATION – NUCLEAR FUEL WASTE TRUST

## Notes to the Financial Statements for the year ended March 31, 2008 (in thousands)

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### 1. DESCRIPTION OF THE FUNDS

As required under the Nuclear Fuel Waste Act (NFWA), owners of nuclear fuel waste established, by incorporation, the Nuclear Waste Management Organization (NWMO). The NWMO will report regularly to the Government of Canada and make recommendations on long-term management of nuclear fuel waste.

The *Nuclear Fuel Waste Act* requires major owners of used nuclear fuel in Canada to establish trust funds to finance the long-term management of used nuclear fuel. In June 2007, the Government of Canada announced its decision to accept the long term disposal plan proposed by the NWMO. The funding requirement will be based on the accepted proposal but has not been finalized at this time. Until then the Act requires the Corporation to contribute \$4 million annually in November.

The Trustee of the Trust is CIBC Mellon Trust Company. The NWMO is the beneficiary of the Trust. The Trust, the Point Lepreau Used Fuel Management Fund and the Point Lepreau Decommissioning Fund collectively have been accepted by the Canadian Nuclear Safety Commission as satisfaction of New Brunswick Power Nuclear Corporation's financial guarantee requirement. The financial statements present the assets of the Trust as at March 31, 2008 and the statements of operations and changes in assets for the year then ended.

### 2. CHANGES IN ACCOUNTING POLICIES

#### Financial instruments

The Trust adopted the following recommendations of CICA Handbook:

- a) Section 3855, *Financial Instruments – Recognition and Measurement*. This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.
- b) Section 1530, *Comprehensive Income*. This Section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in Shareholders' equity, which results from transactions and other events and circumstances from non-shareholder sources. These transactions and events include unrealized gains and losses resulting from changes in fair value of investments classified as available-for-sale and changes in gains and losses on derivative instruments designated as cash flow hedges.

**NEW BRUNSWICK POWER NUCLEAR CORPORATION – NUCLEAR FUEL  
WASTE TRUST**

**Notes to the Financial Statements  
for the year ended March 31, 2008  
(in thousands)**

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**2. CHANGES IN ACCOUNTING POLICIES (continued)**

- c) Section 3861, *Financial instruments – Disclosure and Presentation*. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

The Trust has made the following classification:

- Cash is classified as financial assets held for trading and is measured at fair value.
- Accrued interest is classified as loans and receivables and is recorded at amortized cost using the effective interest method.
- Investments are classified as financial assets available-for-sale and are measured at fair value.

These new standards were applied retroactively as of April 1, 2007 without restatement of prior year's figures. The following table summarizes the adjustments made to the financial statements as of April 1, 2007, upon the adoption of the new standards:

Increase (decrease)

Investments	<u>\$1,475</u>
Accumulated other comprehensive income	<u>\$1,475</u>

The impacts of these changes in accounting policies on the financial statements for the year ended March 31, 2008 and as at that date are summarized in the following table:

Increase (decrease)

Investments	<u>\$44</u>
Other comprehensive income	<u>\$44</u>
Accumulated other comprehensive income	<u>\$44</u>

# NEW BRUNSWICK POWER NUCLEAR CORPORATION – NUCLEAR FUEL WASTE TRUST

Notes to the Financial Statements  
for the year ended March 31, 2008  
(in thousands)

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## 2. CHANGES IN ACCOUNTING POLICIES (continued)

### Future accounting changes

#### Financial instruments

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Trust will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

The Trust is currently evaluating the impact of the adoption of these new Sections on its financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of presentation*

The financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles.

### *Payments in lieu of future income taxes*

Payments in lieu of future income taxes are the liability of Nuclearco, the holder of the investments and have been recognized in the records of Nuclearco.

### *Financial instruments*

Financial assets are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Trust's designation of such instruments. Settlement date accounting is used.

### Classification

Cash	Held for trading
Accrued interest	Loans and receivables
Investments	Available-for-sale



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WASTE TRUST**

**Notes to the Financial Statements**

**for the year ended March 31, 2008**

**(in thousands)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to other income.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Effective interest method

The Trust uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

**NEW BRUNSWICK POWER NUCLEAR CORPORATION – NUCLEAR FUEL  
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**Notes to the Financial Statements**

for the year ended March 31, 2008

(in thousands)

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**4. INVESTMENTS**

Investments are comprised of cash and Federal and Provincial Bonds as follows:

	<u>2008</u>	<u>2007</u>
Accrued interest	\$ 155	\$ 133
Investments	44,770	33,954
Unamortized premiums	-	3,433
	<u>\$ 44,925</u>	<u>\$ 37,520</u>

As discussed in Note 2 investments are now recorded at fair value. In 2007 the investments were recorded at cost. The fair values of the securities as at March 31, 2007 were \$38,534.