

Financial Statements of

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

for the year ended March 31, 2010

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, 2010 and the statements of operations and comprehensive income (loss) 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, 2010 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.

Deloitte & Touche LLP

Chartered Accountants

June 10, 2010

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

Statement of Assets

as at March 31, 2010

(in thousands)

	<u>2010</u>	<u>2009</u>
ASSETS		
INVESTMENTS		
Cash (Note 4)	\$ 4,120	\$ -
Investments (Note 4)	62,479	48,652
	<u>66,599</u>	<u>48,652</u>
OTHER		
Accrued interest receivable (Note 4)	334	176
	<u>334</u>	<u>176</u>
TOTAL ASSETS	\$ 66,933	\$ 48,828

**NEW BRUNSWICK POWER NUCLEAR CORPORATION -
NUCLEAR FUEL WASTE TRUST**
Statement of Operations and Comprehensive Income (Loss)
for the year ended March 31, 2010
(in thousands)

	<u>2010</u>	<u>2009</u>
Investment income	\$ 2,534	\$ 2,157
INCOME FROM OPERATIONS	\$ 2,534	\$ 2,157
Other comprehensive income (loss)		
Change in unrealized gains and losses on available-for-sale investments:		
Unrealized gains (losses) arising during the year	1,531	(2,254)
COMPREHENSIVE INCOME (LOSS)	\$ 4,065	\$ (97)

**NEW BRUNSWICK POWER NUCLEAR CORPORATION -
NUCLEAR FUEL WASTE TRUST**
Statement of Changes in Assets
for the year ended March 31, 2010
(in thousands)

	<u>2010</u>	<u>2009</u>
ASSETS, BEGINNING OF YEAR	\$ 48,828	\$ 44,925
Contributions	14,040	4,000
Increase in assets from operations	2,534	2,157
Increase (decrease) in assets from other comprehensive income	1,531	(2,254)
ASSETS, END OF YEAR	\$ 66,933	\$ 48,828

NEW BRUNSWICK POWER NUCLEAR CORPORATION – NUCLEAR FUEL WASTE TRUST

Notes to the Financial Statements

for the year ended March 31, 2010

(in thousands)

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 is based on the accepted proposal and was approved on April 7, 2009. Based on this approved funding requirement an additional funding contribution was made for 2008/09 in April 2009 of \$3 million. The funding requirement for 2009/10 was \$10.5 million which the Corporation contributed in April 2009.

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 Segregated Fund and the Point Lepreau Decommissioning Segregated Fund collectively have been accepted by the Canadian Nuclear Safety Commission as satisfaction of New Brunswick Power Nuclear Corporation's (Nuclearco's) financial guarantee requirement in the operating license. The financial statements present the assets of the Trust as at March 31, 2010 and the statements of operations and comprehensive income (loss) and changes in assets for the year then ended.

2. 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.

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

**Notes to the Financial Statements
for the year ended March 31, 2010
(in thousands)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets are initially recognized at fair value (determined using quoted prices in active markets) 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 receivable	Loans and receivables
Investments	Available-for-sale

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 investment 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 investment 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.

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

for the year ended March 31, 2010

(in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. CHANGES IN ACCOUNTING POLICIES

Policies that have changed in 2009/10

In 2009/10 the following recommendations of the Canadian Institute of Chartered Accountants Handbook was adopted:

Section	Description and requirement	Effect on 2010 results
<p>Section 3862, <i>Financial Instruments</i> - <i>Disclosures</i></p>	<p>This Section was amended in June 2009 to improve disclosure concerning fair value and liquidity risk. Disclosures must now be included whereby the Trust must classify and disclose fair value measurements using a hierarchy that reflects the significance of the inputs used in determining fair value. The hierarchy reflects the following levels:</p> <p>Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;</p> <p>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 (ie as prices) or indirectly (ie derived from prices);</p> <p>Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).</p>	<p>There was no material impact on the Trust's financial statements.</p>

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

**Notes to the Financial Statements
for the year ended March 31, 2010
(in thousands)**

3. CHANGES IN ACCOUNTING POLICIES (continued)

Future accounting changes

International Financial Reporting Standards (IFRS)

The Trust's statements will be prepared under IFRS, beginning April 1, 2011 with one year's comparatives. Changes are expected to be minimal.

4. INVESTMENTS

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

	<u>2010</u>	<u>2009</u>
Cash	\$ 4,120	\$ -
Accrued interest receivable	334	176
Investments	<u>62,479</u>	<u>48,652</u>
	<u>\$ 66,933</u>	<u>\$ 48,828</u>

Investments include a mark-to-market unrealized gain of \$796 at March 31, 2010 as compared to a mark-to-market unrealized loss of \$735 at March 31, 2009. These are included in accumulated other comprehensive income (loss).

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Trust, through its financial assets, has exposure to the following risks from its use of financial instruments: credit risk and interest rate risk.

Credit risk

The Trust's principal financial assets are cash, investments and accrued interest receivable, which are subject to credit risk. The carrying amounts of financial assets on the statement of assets represents the Trust's maximum credit exposure at the statement of assets date.

The credit risk on cash, investments and accrued interest receivable is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies. Additionally the credit risk on investments is limited because the bonds are issued by federal and provincial governments.