

Financial Statements of

THE ONTARIO NFWA TRUST

*For the period from November 15, 2002 (date of inception) to
December 31, 2002*

Auditors' Report

To the Trustee of The Ontario NFWA Trust:

We have audited the statement of net assets of The Ontario NFWA Trust (the "Trust") as at December 31, 2002 and the statements of operations and changes in net assets for the period from November 15, 2002 (date of inception) to December 31, 2002. These financial statements are the responsibility of the Trustee of the Trust. 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 December 31, 2002 and the results of its operations and the changes in its net assets for the period from November 15, 2002 (date of inception) to December 31, 2002 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Toronto, Ontario
March 14, 2003

THE ONTARIO NFWA TRUST

Statement of Net Assets

As at December 31, 2002
(thousands of dollars)

ASSETS

INVESTMENTS (Note 3)

Cash	\$ 929
Cash equivalents	464,184
Bond	35,806
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	\$ 500,919

OTHER

Investment income receivable (Note 4)	1,080
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	\$ 501,999

LIABILITIES

Accrued administration fees	20
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NET ASSETS **\$ 501,979**

THE ONTARIO NFWA TRUST

Statement of Operations

For the period from November 15, 2002 (Date of inception) to December 31, 2002
(thousands of dollars)

INVESTMENT INCOME	
Interest (Note 4)	\$ 1,429
EXPENSES	
Administration fees	20
NET INVESTMENT INCOME	\$ 1,409
INCREASE IN UNREALIZED GAIN ON INVESTMENT	570
TOTAL RESULTS OF FINANCIAL OPERATIONS	\$ 1,979

See accompanying notes to the financial statements

THE ONTARIO NFWA TRUST
Statement of Changes in Net Assets

For the period from November 15, 2002 (Date of inception) to December 31, 2002
(thousands of dollars)

NET ASSETS, BEGINNING OF PERIOD	\$ -
OPERATING	
Net investment income	1,409
Unrealized gain on investment	570
	<hr/>
	\$ 1,979
CONTRIBUTIONS	
Securities	445,181
Cash	54,819
	<hr/>
	\$ 500,000
NET ASSETS, END OF PERIOD	\$ 501,979

See accompanying notes to the financial statements

THE ONTARIO NFWA TRUST

Notes to the Financial Statements

December 31, 2002

(in thousands of dollars)

1. THE ONTARIO NFWA TRUST

Bill C-27, the *Nuclear Fuel Waste Act* ("NFWA"), received royal assent on June 13, 2002. Bill C-27 is a key component of the Government of Canada's 1996 Policy Framework for Radioactive Waste. Under this policy, the federal government, through effective oversight, will ensure that the long-term management of radioactive waste is carried out in a comprehensive, integrated and economically sound manner.

As required under the NFWA, owners of nuclear fuel waste established, by incorporation, the Nuclear Waste Management Organization ("NWMO"). The NWMO will report regularly to the Federal Government and make recommendations on long-term management of nuclear fuel waste. The NWMO must submit to the Minister of Natural Resources its recommendations for a long-term used fuel management strategy within three years of the NFWA coming into effect.

The NFWA also requires the owners of nuclear fuel waste to establish trust funds and to make annual payments into those trust funds to finance the long-term management of nuclear fuel waste. Accordingly, Ontario Power Generation Inc. ("OPG"), established the Ontario NFWA Trust (the "Trust"), and made an initial deposit of \$500 million into this trust fund on November 25, 2002. Under the NFWA, from 2003 onwards, OPG will deposit an additional \$100 million annually into this trust fund until an approach for long-term used fuel management is approved by the Federal Government. The funds in the Trust will be used for the purposes of managing used fuel and radioactive waste. These financial statements do not portray the funding requirements of the long-term management of nuclear fuel waste obligations.

The Trustee of the Trust is CIBC Mellon Trust Company. The Province of Ontario and OPG are the beneficiaries of the Trust.

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. The preparation of financial statements in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

The financial statements present the net assets of the Trust as at December 31, 2002 and the statements of operations and changes in net assets for the period from November 15, 2002 (date of inception) to December 31, 2002. The Trust was established in 2002 and therefore there are no comparative amounts for the prior period.

THE ONTARIO NFWA TRUST
Notes to the Financial Statements
December 31, 2002
(in thousands of dollars)

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and liquid money market securities with an original term to maturity that is less than 90 days on the date of purchase. All other liquid money market securities with an original term to maturity on the date of purchase greater than 90 days and less than one year are recorded as short-term investments. Interest earned on cash and cash equivalents and short-term investments is recognized as interest income.

Investment valuation

Bonds are presented in the financial statements at fair value at the balance sheet date, with the changes between fair value and average cost recorded as unrealized gain / (loss) on the value of the investments.

The carrying value of the cash equivalents approximates their fair value due to their immediate or short-term maturity.

The market values of foreign investments are translated into Canadian dollars at the exchange rates prevailing at the close of each business day. Purchases and sales of foreign securities and income and expenses are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Listed securities for which no sale was recorded on that date are valued at the average of the last reported bid and ask prices. Security transactions are recorded on the trade date. Dividends are accrued as of the ex-dividend date. Stock dividends are recorded in income based on the market value of the security. The realized gain/ (loss) on the sale of securities is calculated with reference to the average cost of the securities and included in investment income or investment loss. The Trust follows the accrual method of recording investment income.

For certain other investments that do not have an established fair value, the fair value is estimated based on comparable securities of issuers with similar credit ratings or net realizable value using available information.

Taxation

Based on the indications received from the Senior Assistant Deputy Minister, Department of Finance Canada, of the Department's overall intent to ensure that the legislative obligations under the NFWA do not cause the Trust to be subject to income taxes, the Trust has made no provision for income taxes in these financial statements. The Senior Assistant Deputy Minister is expected to recommend, to the Minister of Finance, a measure that would ensure that the income of a trust established and maintained solely to meet the obligations of the NFWA would be exempt from taxation under the Federal Income Tax Act.

THE ONTARIO NFWA TRUST
Notes to the Financial Statements
December 31, 2002
(in thousands of dollars)

3. INVESTMENTS

Cash and cash equivalents

Cash equivalents are comprised of high quality short-term investments. The weighted average yield for cash equivalents for the period from November 15, 2002 (date of inception) to December 31, 2002 was 2.82 per cent.

Bond

The Province of Ontario bond has a fair value of \$35,806 and a cost of \$35,236 as at December 31, 2002. The bond was purchased at a yield of 5.29% and will mature in 2012. This investment exceeds 5% of the total investment fair market value of the investment portfolio as at December 31, 2002.

Statement of Investment Portfolio

	As at December 31, 2002	
	Fair Value	Cost
Province of Ontario bond	\$ 35,806	\$ 35,236
Cash		
Cash	929	929
Cash equivalents	464,184	464,184
	\$ 465,113	\$ 465,113
	\$ 500,919	\$ 500,349

4. INVESTMENT INCOME

Investment income of \$1,429 for the period from November 15, 2002 (date of inception) to December 31, 2002, includes \$98 of bond interest and \$1,331 of interest on cash and cash equivalents. As at December 31, 2002 there was \$155 of bond interest receivable and \$925 of interest receivable on cash and cash equivalents.