

*Financial Statements of*

**THE ONTARIO NFWA TRUST**

*December 31, 2003*

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## 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, 2003 and the statements of operations and changes in net assets for the year then ended. 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, 2003 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte &amp; Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants

Toronto, Ontario  
January 15, 2004

# THE ONTARIO NFWA TRUST

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# THE ONTARIO NFWA TRUST

## Statement of Net Assets

As at December 31, 2003

(in thousands of dollars)

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
INVESTMENTS (Note 3)		
Cash and cash equivalents	\$ 3,463	\$ 465,113
Short term investments	19,391	-
Fixed income investments	617,672	35,806
	<u>640,526</u>	<u>500,919</u>
OTHER		
Interest receivable (Note 4)	3,809	1,080
Receivable for investments sold (Note 7)	7,022	-
	<u>10,831</u>	<u>1,080</u>
	<u>651,357</u>	<u>501,999</u>
<b>LIABILITIES</b>		
Accounts payable and accruals (Note 5)	354	20
	<u>354</u>	<u>20</u>
<b>NET ASSETS</b>	<b>\$ 651,003</b>	<b>\$ 501,979</b>

See accompanying notes

# THE ONTARIO NFWA TRUST

## Statement of Operations

For the year ended December 31, 2003 and for the period from November 15, 2002

(date of inception) to December 31, 2002

(in thousands of dollars)

	<u>2003</u>	<u>2002</u>
INVESTMENT INCOME (Note 4)		
Interest	\$ 25,473	\$ 1,429
Net realized gains	21,365	-
	<u>46,838</u>	<u>1,429</u>
EXPENSES		
Administration fees (Note 8)	417	20
NET INVESTMENT INCOME	46,421	1,409
NET UNREALIZED GAIN (Note 4)	2,603	570
TOTAL RESULTS OF OPERATIONS	<u>\$ 49,024</u>	<u>\$ 1,979</u>

See accompanying notes

# THE ONTARIO NFWA TRUST

## Statement of Changes in Net Assets

For the year ended December 31, 2003 and for the period from November 15, 2002

(date of inception) to December 31, 2002

(in thousands of dollars)

	<u>2003</u>	<u>2002</u>
NET ASSETS, BEGINNING OF PERIOD	\$ 501,979	\$ -
INCREASE IN NET ASSETS		
OPERATING AND CHANGE IN FAIR VALUE		
Net investment income	46,421	1,409
Unrealized gain on investment (Note 4)	2,603	570
	<u>49,024</u>	<u>1,979</u>
CONTRIBUTIONS (Note 6)	100,000	500,000
NET ASSETS, END OF PERIOD	<u>\$ 651,003</u>	<u>\$ 501,979</u>

See accompanying notes

# THE ONTARIO NFWA TRUST

## Notes to the Financial Statements

December 31, 2003  
(in thousands of dollars, unless otherwise stated)

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### 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, OPG is required to deposit an additional \$100 million annually into the Trust 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. The Trust is part of the Used Fund Segregated Fund set up by the OPG pursuant to the Ontario Nuclear Funds Agreement.

### 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, 2003 and the statements of operations and changes in net assets for the year ended December 31, 2003. The comparative figures reflect the period since the Trust was established on November 15, 2002.

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

*Cash and cash equivalents*

Cash and cash equivalents include cash on deposit and liquid money market securities with a term to maturity that is less than 90 days from the financial statement date, with costs approximating fair value. All other liquid money market securities with a term to maturity that is 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*

Fixed income investments 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. Pool Funds are valued based on the unit value of the pool fund as reported by the investment manager. 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.



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**3. INVESTMENTS**

The fair value of each of the investments is based on market value determined at December 31, 2003. The fair values and historical costs of the investments are as follows:

	<u>2003</u>		<u>2002</u>	
	<u>Fair Value</u>	<u>Historical Cost</u>	<u>Fair Value</u>	<u>Historical Cost</u>
Fixed income investments	\$ 617,672	\$ 615,090	\$ 35,806	\$ 36,236
Short term investments	19,391	19,370		
Cash and cash equivalents				
Cash	163	163	929	929
Cash equivalents	3,300	3,300	464,184	464,184
	3,463	3,463	465,113	465,113
	\$ 640,526	\$ 637,923	\$ 500,919	\$ 501,349

Terms to maturity of interest bearing investments at December 31 are as follows:

	<u>2003</u>	<u>2002</u>
Fixed income investments		
1 to 5 years	\$ 204,252	\$ -
5 to 10 years	259,298	35,806
Over 10 years	154,122	-
Total	\$ 617,672	\$ 35,806
Average yield	4.34%	5.29%

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**4. INVESTMENT INCOME**

Investment income consists of the following:

	<u>2003</u>	<u>2002</u>
Interest		
Bonds and debentures	\$ 21,803	\$ 98
Short term investments	475	-
Cash and cash equivalents	3,195	1,331
	<u>25,473</u>	<u>1,429</u>
Net realized gains	21,365	-
Net unrealized gains	2,603	570
	<u>23,968</u>	<u>570</u>
	<u>\$ 49,441</u>	<u>\$ 1,999</u>

As at December 31, 2003, there was approximately \$3,809 (2002 - \$1,080) of interest receivable from fixed income investments, short term investments, and cash and cash equivalents.

**5. ACCOUNTS PAYABLE AND ACCRUALS**

Accounts payable consists of the following:

	<u>2003</u>	<u>2002</u>
Audit fees	\$ 18	\$ 20
Trustee fees	15	-
Investment management fees	321	-
	<u>\$ 354</u>	<u>\$ 20</u>

**6. CONTRIBUTIONS**

	<u>2003</u>	<u>2002</u>
Securities	\$ -	\$445,181
Cash	100,000	54,819
	<u>\$ 100,000</u>	<u>\$500,000</u>

**7. RECEIVABLE FOR INVESTMENTS SOLD**

For the period ended December 31, 2003, there was a receivable of approximately \$7,022 for investments that have been sold, but have not settled at the end of the period.

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**8. ADMINISTRATION FEES**

Administration fees for the period ended December 31, 2003 were as follows:

	<u>2003</u>	<u>2002</u>
Audit fees	\$ 18	\$ 20
Trustee fees	27	-
Investment management fees	372	-
	<u>\$ 417</u>	<u>\$ 20</u>

**9. PAYMENTS/WITHDRAWALS**

There were no payments or withdrawals made from the Trust relating to the long-term management of nuclear fuel waste as permitted under the NFWA.