

Financial Statements of

THE ONTARIO NFWA TRUST

December 31, 2004

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, 2004 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, 2004 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.



Chartered Accountants

Toronto, Ontario
March 4, 2005

THE ONTARIO NFWA TRUST

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THE ONTARIO NFWA TRUST

Statement of Net Assets

As at December 31, 2004

(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
ASSETS		
INVESTMENTS (Note 3)		
Cash and cash equivalents	\$ 76,790	\$ 3,463
Short term investments	49,973	19,391
Fixed income investments	673,856	617,672
	<u>800,619</u>	<u>640,526</u>
OTHER		
Interest receivable (Note 4)	2,724	3,809
Receivable for investment transactions (Note 7)	8,369	7,022
	<u>11,093</u>	<u>10,831</u>
	<u>811,712</u>	<u>651,357</u>
LIABILITIES		
Accounts payable and accruals (Note 5)	286	354
Payable for investment transactions (Note 7)	8,387	-
	<u>8,673</u>	<u>354</u>
NET ASSETS	<u>\$ 803,039</u>	<u>\$ 651,003</u>

See accompanying notes

THE ONTARIO NFWA TRUST

Statement of Operations

For the year ended December 31, 2004

(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
INVESTMENT INCOME (Note 4)		
Interest	\$ 33,893	\$ 25,473
Net realized gains	12,481	21,365
	<u>46,374</u>	<u>46,838</u>
EXPENSES		
Administration fees (Note 8)	1,042	417
NET INVESTMENT INCOME	45,332	46,421
NET UNREALIZED GAIN (Note 4)	6,704	2,603
TOTAL RESULTS OF OPERATIONS	\$ 52,036	\$ 49,024

See accompanying notes

THE ONTARIO NFWA TRUST
Statement of Changes in Net Assets
For the year ended December 31, 2004
(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
NET ASSETS, BEGINNING OF PERIOD	\$ 651,003	\$ 501,979
INCREASE IN NET ASSETS		
OPERATING AND CHANGE IN FAIR VALUE		
Net investment income	45,332	46,421
Unrealized gain on investment (Note 4)	6,704	2,603
	52,036	49,024
CONTRIBUTIONS (Note 6)	100,000	100,000
NET ASSETS, END OF PERIOD	\$ 803,039	\$ 651,003

See accompanying notes

THE ONTARIO NFWA TRUST

Notes to the Financial Statements

December 31, 2004
(in thousands of dollars, unless otherwise stated)

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 Fuel Segregated Fund set up by 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, 2004 and the statements of operations and changes in net assets for the year ended December 31, 2004 with comparative figures reflecting the year ended December 31, 2003.

THE ONTARIO NFWA TRUST
Notes to the Financial Statements
December 31, 2004
(in thousands of dollars, unless otherwise stated)

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 from the financial statement date 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. The gains and losses on foreign exchange are recorded in the statement of operations.

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.

THE ONTARIO NFWA TRUST
Notes to the Financial Statements
December 31, 2004
(in thousands of dollars, unless otherwise stated)

3. INVESTMENTS

The fair value of each of the investments is based on market value determined at December 31, 2004. The fair values and historical costs of the investments with 2003 included for comparison purposes are as follows:

	<u>2004</u>		<u>2003</u>	
	<u>Fair Value</u>	<u>Historical Cost</u>	<u>Fair Value</u>	<u>Historical Cost</u>
Fixed income investments	\$ 673,856	\$ 664,497	\$ 617,672	\$ 615,090
Short term investments	49,973	50,004	19,391	19,370
Cash and cash equivalents				
Cash	47	47	163	163
Cash equivalents	76,743	76,764	3,300	3,300
	76,790	76,811	3,463	3,463
	\$ 800,619	\$ 791,312	\$ 640,526	\$ 637,923

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

	<u>2004</u>	<u>2003</u>
Fixed income investments		
1 to 5 years	\$ 219,487	\$ 204,252
5 to 10 years	229,954	259,298
Over 10 years	224,415	154,122
Total	\$ 673,856	\$ 617,672
Average yield	4.13%	4.34%

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Notes to the Financial Statements
December 31, 2004
(in thousands of dollars, unless otherwise stated)

4. INVESTMENT INCOME

Investment income consists of the following:

	<u>2004</u>	<u>2003</u>
Interest		
Bonds and debentures	\$ 32,661	\$ 21,803
Short term investments	413	475
Cash and cash equivalents	819	3,195
	<u>33,893</u>	<u>25,473</u>
Net realized gains/(loss)	12,481	21,365
Net unrealized gains/(loss)	6,704	2,603
	<u>19,185</u>	<u>23,968</u>
	<u>\$ 53,078</u>	<u>\$ 49,441</u>

As at December 31, 2004, there was approximately \$2,724 (2003 - \$3,809) 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>2004</u>	<u>2003</u>
Audit fees	\$ 20	\$ 18
Trustee fees	6	15
Investment management fees	260	321
	<u>\$ 286</u>	<u>\$ 354</u>

6. CONTRIBUTIONS

Cash contributions to The Ontario NFWA Trust during the year were \$100,000 (2003 - \$100,000).

7. RECEIVABLE/PAYABLE FOR INVESTMENTS TRANSACTIONS

Investments that have been sold at the end of the year but have not settled at December 31, 2004, have been presented as a receivable of approximately \$8,369 (2003 - \$7,022).

Investments that have been purchased at the end of the period but have not settled at December 31, 2004, have been presented as a payable of approximately \$8,387 (2003 - nil).

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(in thousands of dollars, unless otherwise stated)

8. ADMINISTRATION FEES

Administration fees for the year ended December 31, 2004 were as follows:

	<u>2004</u>	<u>2003</u>
Audit fees	\$ 21	\$ 18
Trustee fees	34	27
Investment management fees	987	372
	<u>\$ 1,042</u>	<u>\$ 417</u>

9. PAYMENTS/WITHDRAWALS

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