

**AECL NUCLEAR FUEL WASTE TRUST FUND**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

# AECL NUCLEAR FUEL WASTE TRUST FUND

**Financial Statements**  
**December 31, 2009**

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## AUDITORS' REPORT

**To the Trustee of  
AECL NUCLEAR FUEL WASTE TRUST FUND**

We have audited the balance sheet of **AECL NUCLEAR FUEL WASTE TRUST FUND** as at **December 31, 2009**, and the statements of income and capital and cash flows 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 management, 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, 2009**, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Kwan Chan Law*

**Professional Corporation, Authorized to practise public accounting by  
The Institute of Chartered Accountants of Ontario**


Toronto  
February 26, 2010

# AECL NUCLEAR FUEL WASTE TRUST FUND

## Balance Sheet December 31, 2009

|                                       | <u>2009</u>              | <u>2008</u>              |
|---------------------------------------|--------------------------|--------------------------|
|                                       | \$                       | \$                       |
| <b>Assets</b>                         |                          |                          |
| <b>Current</b>                        |                          |                          |
| Cash and short term investment        | 251,470                  | 71,532                   |
| Interest receivable                   | <u>169,417</u>           | <u>153,155</u>           |
|                                       | <b>420,887</b>           | <b>224,687</b>           |
| <b>Fixed term securities (note 3)</b> | <b><u>28,984,567</u></b> | <b><u>26,264,019</u></b> |
|                                       | <b><u>29,405,454</u></b> | <b><u>26,488,706</u></b> |
| <b>Liabilities</b>                    |                          |                          |
| Accounts payable and accruals         | 17,207                   | 13,533                   |
| <b>Capital</b>                        | <u>29,388,247</u>        | <u>26,475,173</u>        |
|                                       | <b><u>29,405,454</u></b> | <b><u>26,488,706</u></b> |

Approved by

 FOR CIBE TRUST, Trustee

# AECL NUCLEAR FUEL WASTE TRUST FUND



## Statement of Income and Capital Year Ended December 31, 2009

|  | <u>2009</u>              | <u>2008</u>              |
|--|--------------------------|--------------------------|
|  | \$                       | \$                       |
| <b>Revenue</b>                                   |                          |                          |
| Interest income                                  | 1,160,165                | 1,010,689                |
| (Loss) gain on disposal of fixed term securities | (107,549)                | 15,161                   |
| Unrealized gain on marketable securities         | <u>204,953</u>           | <u>939,167</u>           |
|  | <b><u>1,257,569</u></b>  | <b><u>1,965,017</u></b>  |
| <br>   |                          |                          |
| <b>Expenses</b>                                  |                          |                          |
| Professional fees                                | 3,675                    | 3,465                    |
| Trustee fee                                      | <u>87,465</u>            | <u>72,763</u>            |
|  | <b><u>91,140</u></b>     | <b><u>76,228</u></b>     |
| <br>   |                          |                          |
| <b>Net income for the year</b>                   | <b>1,166,429</b>         | <b>1,888,789</b>         |
| <br>   |                          |                          |
| Capital, beginning of year                       | 26,475,173               | 22,586,384               |
| <br>   |                          |                          |
| Contribution                                     | <u>1,746,645</u>         | <u>2,000,000</u>         |
| <br>   |                          |                          |
| <b>Capital, end of year</b>                      | <b><u>29,388,247</u></b> | <b><u>26,475,173</u></b> |

(See Accompany Notes to Financial Statements)

# AECL NUCLEAR FUEL WASTE TRUST FUND

## Statement of Cash Flows Year Ended December 31, 2009

|  | <u>2009</u>               | <u>2008</u>               |
|--|---------------------------|---------------------------|
|  | \$                        | \$                        |
| <b>Operating Activities</b>  |                           |                           |
| Net income   | 1,166,429                 | 1,888,789                 |
| (Loss) gain on disposal of fixed term securities                         | 107,549                   | (15,161)                  |
| Unrealized gain on marketable securities                                 | (204,953)                 | (939,167)                 |
| Changes in other non-cash working capital components (1)                 | <u>(12,588)</u>           | <u>15,203</u>             |
|  | <u><b>1,056,437</b></u>   | <u><b>949,664</b></u>     |
| <b>Investing Activities</b>  |                           |                           |
| Purchase of fixed-term securities  | (15,573,711)              | (37,229,940)              |
| Disposal of fixed term securities  | <u>12,950,567</u>         | <u>30,827,738</u>         |
|  | <u><b>(2,623,144)</b></u> | <u><b>(6,402,202)</b></u> |
| <b>Financing Activities</b>  |                           |                           |
| Capital contribution   | <u>1,746,645</u>          | <u>2,000,000</u>          |
| <b>Net increase (decrease) in cash and short term investment</b>         | <b>179,938</b>            | <b>(3,452,538)</b>        |
| Cash and short term investment, beginning of year                        | <u>71,532</u>             | <u>3,524,070</u>          |
| <b>Cash and short term investment, end of year</b>                       | <u><b>251,470</b></u>     | <u><b>71,532</b></u>      |
| <br>   |                           |                           |
| (1) Changes in other non-cash working capital components represented by: |                           |                           |
| Interest receivable  | (16,262)                  | 11,738                    |
| Accounts payable and accruals  | <u>3,674</u>              | <u>3,465</u>              |
|  | <u><b>(12,588)</b></u>    | <u><b>15,203</b></u>      |
| <br>   |                           |                           |
| <b>Additional Cash Flows Information</b>                                 |                           |                           |
| Interest received  | <u>\$ 1,143,903</u>       | <u>1,022,427</u>          |

(See Accompany Notes to Financial Statements)

# AECL NUCLEAR FUEL WASTE TRUST FUND

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## Notes to Financial Statements Year Ended December 31, 2009

### 1. Description of Trust

The Nuclear Fuel Waste Act, an Act respecting the long-term management of nuclear fuel waste, came into force on November 15, 2002. Pursuant to the Act, the trust was settled by Atomic Energy of Canada Limited and the assets of the trust are held by CIBC Trust Corporation. Contributions to the trust were made in accordance with the provisions of the Act.

### 2. Summary of Significant Accounting Policies

(a) Use of estimates in the preparation of financial statements

The preparation of the financial statements of AECL Nuclear Fuel Waste Trust Fund requires the trustee to make estimates and assumptions, mainly concerning the valuation of items, which affect reported amount of assets, liabilities, net income and related disclosures. Actual results could differ from these estimates.

(b) Cash and short-term investment

Cash and short-term investment include cash on account and short-term investment with original maturities of three months or less. Cash and short-term investment are classified as held-for-trading and are carried at the fair value, which is the quoted market price.

(c) Fixed-term Securities

Fixed-term securities are classified as held-for-trading investments and are carried at the fair value, which is the quoted market price.

(d) Revenue Recognition

Interest earned on cash and short-term investment and fixed term securities is taken into income as it accrues, at the effective interest rates.

(e) Income Taxes

The trust has been exempted from filing income tax return, therefore no provision for income taxes have been recorded.

(f) Future Accounting Changes

The Canadian Institute of Chartered Accountants ("CICA") has announced the following accounting changes scheduled to become effective relating to fiscal year beginning on or after January 1, 2010:

# AECL NUCLEAR FUEL WASTE TRUST FUND

## Notes to Financial Statements Year Ended December 31, 2009

### 2. Summary of Significant Accounting Policies (cont'd ...)

a) Consolidated financial statements, section 1601

This section, which together with new section 1602, replaces the former Consolidated Financial Statements, section 1600, establishes standards for the preparation of consolidated financial statements.

The adoption of section 1601 is not expected to have a material impact on the Trust's financial statements.

b) Non-controlling interests, section 1602

This section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The adoption of section 1602 is not expected to have a material impact on the Trust's financial statements.

c) Financial instruments - recognition and measurement, section 3855

This section has been amended to clarify the application of the effective interest method after a debt instrument has been impaired. This section has also been amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes.

The adoption of section 3855 is not expected to have a material impact on the Trust's financial statements.



# AECL NUCLEAR FUEL WASTE TRUST FUND

## Notes to Financial Statements Year Ended December 31, 2009

### 3. Fixed-term Securities

The amortized cost, term to maturity and market value of the fixed-term securities are as follows:

|                             | 2009                   |                       |                    |                       |
|-----------------------------|------------------------|-----------------------|--------------------|-----------------------|
|                             | Within<br>1 year<br>\$ | 1 to 5<br>years<br>\$ | Over 5 years<br>\$ | Market<br>Value<br>\$ |
| Securities issued           |                        |                       |                    |                       |
| by Canada                   | -                      | 1,276,452             | 2,130,000          | 3,315,646             |
| by Provinces & municipality | -                      | 2,270,346             | 16,725,790         | 19,579,333            |
| Other debt securities       | <u>946,230</u>         | <u>3,864,380</u>      | <u>1,025,870</u>   | <u>6,089,588</u>      |
|                             | <u>946,230</u>         | <u>7,411,178</u>      | <u>19,881,660</u>  | <u>28,984,567</u>     |
|                             | 2008                   |                       |                    |                       |
|                             | Within<br>1 year<br>\$ | 1 to 5<br>years<br>\$ | Over 5 years<br>\$ | Market<br>Value<br>\$ |
| Securities issued           |                        |                       |                    |                       |
| by Canada                   | -                      | 544,830               | -                  | 572,080               |
| by Provinces & municipality | -                      | 2,083,870             | 16,154,668         | 22,542,720            |
| Other debt securities       | <u>-</u>               | <u>3,121,014</u>      | <u>3,434,100</u>   | <u>3,149,219</u>      |
|                             | <u>-</u>               | <u>5,749,714</u>      | <u>19,588,768</u>  | <u>26,264,019</u>     |

### 4. Contribution

Contributions made by Atomic Energy of Canada Limited are as follows:

|  | \$                |
|--|-------------------|
| Initial contribution - November 25, 2002 | 10,000,000        |
| Annual contribution :                    |                   |
| November 14, 2003                        | 2,000,000         |
| November 15, 2004                        | 2,000,000         |
| November 15, 2005                        | 2,000,000         |
| November 14, 2006                        | 2,000,000         |
| November 14, 2007                        | 2,000,000         |
| November 14, 2008                        | 2,000,000         |
| May 13, 2009                             | <u>1,746,645</u>  |
|  | <u>23,746,645</u> |

# AECL NUCLEAR FUEL WASTE TRUST FUND,

## Notes to Financial Statements Year Ended December 31, 2009

### 5. Financial Instruments

(a) Fair value

The trust's financial instruments comprise of cash and short term investment, interest receivable, fixed term securities and accounts payable and accruals. These financial instruments are reported at their fair value. The fair value of cash, interest receivable and accounts payable and accruals are the same as the carrying values due to the short term nature. The book and fair values of fixed term securities are disclosed in note 3.

(b) Interest rate risk

The following tables give the detailed maturity dates and average effective rates of the on- and off-balance sheet instruments.

|  | Less than<br>3 months<br>\$ | Over<br>3 months<br>to 1 year<br>\$ | Over 1 year<br>to 5 years<br>\$ | Over<br>5 years<br>\$ | Non<br>interest<br>sensitive<br>\$ | Total<br>\$ |
|--|-----------------------------|-------------------------------------|---------------------------------|-----------------------|------------------------------------|-------------|
| <b>Assets</b>  |                             |                                     |                                 |                       |                                    |             |
| Cash and short term<br>investment and fixed<br>term securities | 56,987                      | -                                   | 9,749,873                       | 19,234,690            | 194,487                            | 29,236,037  |
| Rate   | 0.07%                       | -                                   | 3.65%                           | 4.49%                 | -%                                 | -%          |
| Interest receivable  |                             |                                     |                                 |                       | 169,417                            | 169,417     |
| Rate   |                             |                                     |                                 | -%                    | -%                                 | -%          |
| <b>Liabilities</b>   |                             |                                     |                                 |                       |                                    |             |
| Accounts payable   |                             |                                     |                                 |                       | 17,207                             | 17,207      |
| Rate   |                             |                                     |                                 |                       | -%                                 | -%          |

(c) Currency risk

The trust fund only invests in Canadian dollar denominated instruments to avoid taking in currency risk in the portfolio.

# AECL NUCLEAR FUEL WASTE TRUST FUND,

## Notes to Financial Statements Year Ended December 31, 2009

### 6. Capital Management

The Trustee invested the Trust Fund consistent with the Policy Statement of the Trust Indenture. The primary investment objective of this Policy Statement is to preserve the capital of the Trust Fund for the benefit of future policy decisions made by the Nuclear Waste Management Organization as determined from time to time.

The second investment objective is to earn the highest (net of all costs) rate of return on the assets without taking excess risks.

In general the portfolio will follow a conservative "buy and hold" trading philosophy. The trustee, however, is permitted to exercise their professional judgement and make changes in their sole discretion as necessary to achieve the objectives of the portfolio.

The investment time horizon is dependent on the policy decisions of the Nuclear Waste Management Organization and any relevant legislation changes. While these policy decisions continue to evolve, the current view is that investment time horizon for the Trust is expected to be long term as the actual underlying waste management activities are expected to occur between 2025 and 2030.

As the purposes of the Trust is to fund the policy decisions of the Nuclear Waste Management Organization when called upon, there must be sufficient liquidity in the portfolio to meet these needs. Atomic Energy of Canada Limited will keep the trustee informed of potential cash flows as information becomes available in order to avoid distressed liquidation of portfolio positions.

Atomic Energy of Canada Limited is constrained by Financial Administration Act ("FAA") on ownership of shares and by Department of Finance regulations on the quality of issuers' securities.

In order to achieve the investment objectives at an acceptable level of risk and within the FAA and Department of Finance's guidelines, the following policy asset allocation ranges and strategic benchmarks have been established.

| <u>Asset Mix</u>         | <u>Strategic Benchmark</u> | <u>Permissible Range</u> |                | <u>Maturity Limit</u> |
|--------------------------|----------------------------|--------------------------|----------------|-----------------------|
|                          |                            | <u>Minimum</u>           | <u>Maximum</u> |                       |
| Cash and Money Market    | 10 %                       | - %                      | 40 %           | 12 months             |
| Fixed Income Instruments |                            |                          |                |                       |
| Canadian - Government    | 75 %                       | 50 %                     | 100 %          | Not exceeding 2025    |
| Guaranteed               |                            |                          |                |                       |
| Corporate Issues         | 15 %                       | - %                      | 50 %           | Not exceeding 2025    |
| Total portfolio          | 100 %                      |                          |                |                       |

# AECL NUCLEAR FUEL WASTE TRUST FUND,

## Notes to Financial Statements Year Ended December 31, 2009

### 6. Capital Management (cont'd...)

The Trustee is permitted to set and vary the asset mix depending upon the current economic and market conditions as well as the Trustee's outlook, provided that the asset mix remains within the permissible ranges set out above. The Trustee should periodically rebalance the portfolio in order to compensate for asset allocation shifts arising from differences in rates of return and changes in market prices on the individual securities and different asset classes.

#### Type of investments and risk management

##### a) Cash and Short Term Investments

Cash and short term investments include any instruments in the Fixed Income Investments section that mature in one year or less.

Cash and short-term investments must be rated R-1 or better.

Sample Investments include:

- Demand or term deposits
- Bankers acceptances
- Treasury bills
- Commercial paper

For asset mix calculation purposes Short Term Investments will include Fixed Income Investments below, maturing in one year or less.

##### b) Fixed Income Investments

Permitted fixed income investments are financial instruments have a maturity profile in excess of 1 year and include the following:

- Notes, bonds and debentures
- Strip Bonds - Residuals and Coupons
- Mortgage and asset backed securities

##### c) Maximum Term

All fixed income instruments shall have a term to maturity not exceeding 2025.

##### d) Concentration

Except for Government of Canada, Provincial government or other Government guaranteed issue, no single issuer may constitute more than 10% of the total portfolio.

All instruments must be rated by two of the following rating services: Dominion Bond Rating Service (DBRS), Standard & Poors (S&P) or Moody's

All instruments must meet or exceed the following minimal credit quality at time of purchase and during the holding period. Instruments held which are downgraded below the minimum levels listed below must be liquidated on learning of the downgrade.

# AECL NUCLEAR FUEL WASTE TRUST FUND,

## Notes to Financial Statements Year Ended December 31, 2009

### 6. Capital Management (cont'd...)

| <u>Rating Agency</u>                    | <u>Commercial Paper and<br/>Short term Debt</u> | <u>Bonds and Long Term Debt</u> |
|---|---|---------------------------------|
| Dominion Bond Rating<br>Services (DBRS) | R-1 (Low)                                       | AA (Low)                        |
| Standard and Poors (S&P)<br>Moody's     | A-1 (mid)<br>P1                                 | AA-<br>Aa3                      |

The Portfolio will be benchmarked using the widely published PC bond Indices. Adjustments to the benchmark are allowed to reflect the unique limiting constraints of the Trust as set out in this Investment Policy Statement.