

Financial Statements of

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

For the year ended 31 March, 2018



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INDEPENDENT AUDITORS' REPORT

To the Trustee of New Brunswick Power Corporation Nuclear Fuel Waste Trust

We have audited the accompanying financial statements of New Brunswick Power Corporation Nuclear Fuel Waste Trust, which comprise the statement of assets as at March 31, 2018, the statements of operations and comprehensive income, and changes in assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of New Brunswick Power Corporation Nuclear Fuel Waste Trust as at March 31, 2018, and its financial performance for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
June 15, 2018
Fredericton, Canada

**NEW BRUNSWICK POWER CORPORATION
NUCLEAR FUEL WASTE TRUST
Statement of Assets
for the year ended March 31, 2018**

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

	2018	2017
ASSETS		
INVESTMENTS		
Investments (Note 4)	\$ 160,493	\$ 154,439
	160,493	154,439
OTHER		
Accrued interest receivable (Note 4)	13	17
	13	17
TOTAL ASSETS	\$ 160,506	\$ 154,456

**NEW BRUNSWICK POWER CORPORATION
 NUCLEAR FUEL WASTE TRUST
 Statement of Operations and Comprehensive Income (Loss)
 for the year ended March 31, 2018**

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

	<u>2018</u>	<u>2017</u>
Income		
Interest income	\$ 969	\$ 959
Gain (loss) on disposal of available for sale assets	1,767	(49)
Mark-to-market of fair value through profit and loss investments	1,890	3,199
OPERATING INCOME	4,626	4,109
Other comprehensive loss		
Change in unrealized gains and losses on available-for-sale investments:		
Unrealized loss arising during the year	(1,224)	(85)
COMPREHENSIVE INCOME	\$ 3,402	\$ 4,024

**NEW BRUNSWICK POWER CORPORATION
 NUCLEAR FUEL WASTE TRUST
 Statement of Changes in Assets
 for the year ended March 31, 2018**

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

	2018	2017
ASSETS, BEGINNING OF YEAR	\$ 154,456	\$ 140,709
Transfer from Point Lepreau Used Fuel Management and Decommissioning Segregated Funds	2,648	9,723
Increase in assets from operations	4,626	4,109
Decrease in assets from other comprehensive income	(1,224)	(85)
ASSETS, END OF YEAR	\$ 160,506	\$ 154,456

NEW BRUNSWICK POWER CORPORATION
NUCLEAR FUEL WASTE TRUST
Notes to the Financial Statements
for the year ended March 31, 2018

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

1. DESCRIPTION OF THE FUNDS

On October 1, 2013, New Brunswick Power Nuclear Corporation amalgamated with New Brunswick Power Corporation, as such the Nuclear Fuel Waste Trust funds are now held by New Brunswick Power Corporation.

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. The funding requirement for 2017/18 was \$2.6 million (\$9.7 million in 2016/17).

In February 2016, management of the trust was transitioned to New Brunswick Investment Management Corporation ("NBIMC"), now operating as Vestcor Investment Management Corporation ("VIMC"). The trust is managed in accordance with the *Statement of Investment Policy and Guidelines* that have been established. The NWMO is the beneficiary of the Trust. The Trust has been accepted by the Canadian Nuclear Safety Commission as satisfaction of New Brunswick Power Corporation's financial guarantee requirement of the operating license.

The financial statements present the assets of the Trust as at March 31, 2018 and the statements of operations and comprehensive income and changes in assets for the year then ended.

NEW BRUNSWICK POWER CORPORATION
NUCLEAR FUEL WASTE TRUST
Notes to the Financial Statements
for the year ended March 31, 2018

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Trust have been prepared by management in accordance with International Financial Reporting Standards.

Basis of preparation

Statement of compliance

The financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International accounting Standards Board (“IASB”).

The financial statements of the Trust were authorized for issue by the Trustee on June 15, 2018.

Basis of Measurement

The financial statements of the Trust have been prepared on the historical cost basis except for available-for-sale and fair value through profit and loss financial assets that are measured at fair value. The financial report has been prepared on a going concern basis.

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Trust’s functional currency. The financial statements of the Trust have been rounded off to the nearest thousand dollars, unless otherwise stated.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of the assets, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable when making the judgment about carrying values of assets that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 5.

NEW BRUNSWICK POWER CORPORATION
NUCLEAR FUEL WASTE TRUST
Notes to the Financial Statements
for the year ended March 31, 2018

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

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.

Classification

Financial instrument	Classification
Accrued interest receivable	Loans and receivables
Investment in NBP Canadian Long-Term Bond Fund	Available-for-sale
Investments in various NBIMC unit trust funds	Fair value through profit and loss

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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 fair value through profit and loss 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 income.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Fair value through profit and loss

Financial assets in this category are typically acquired with the intention of reselling them prior to maturity. NB Power can choose to designate any financial asset as being fair value through profit and loss.

These assets are measured at fair value at the statement of assets date. Changes in fair value are included in operating income. These include realized and unrealized earnings.

**NEW BRUNSWICK POWER CORPORATION
NUCLEAR FUEL WASTE TRUST
Notes to the Financial Statements
for the year ended March 31, 2018**

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

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

Future accounting changes

The following standards or amendments, applicable to the Trust, have been issued but are not yet effective. They have not been adopted early by the trust.

IFRS 9 Financial Instruments replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments. The Trust must apply IFRS 9, Financial Instruments for its annual periods beginning on April 1, 2018. Earlier application is permitted.

The adoption of IFRS 9 will impact the classification of accrued interest receivable, and the Trust's investment in the NBP Canadian Long Term Bond Fund, which will change from available for sale to fair value through OCI for debt instruments. There will be no change to the carrying amounts of the financial assets due to these changes.

4. INVESTMENTS

	2018	2017
Accrued interest receivable	\$ 13	\$ 17
Investment in NBP Canadian Long-Term Bond Fund	15,155	24,612
Investments in various NBIMC unit trust funds	145,338	129,827
	\$ 160,506	\$ 154,456

NEW BRUNSWICK POWER CORPORATION
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Notes to the Financial Statements
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(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

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 represent the Trust's maximum credit exposure at the statement of assets date.

	AAA	AA+ to AA	A+ to A	BBB	R1	Other	Total
Maximum credit exposure	\$25,298	\$15,159	\$54,440	\$14,479	\$4,895	\$2,738	\$117,009

Interest rate risk

The Trust is invested in NBIMC unit trusts. The NBIMC unit trusts contain domestic and international equities and fixed income securities. A 1 percent increase or decrease in interest rates would cause a corresponding change of approximately \$12.1 million (\$2.0 million on OCI and \$10.1 million on income) in the value of the investments.

Fair value

The fair value of cash and accrued interest receivable approximates their carrying values due to their short-term maturity.

The financial instruments carried at fair value are classified using a fair value hierarchy which has 3 levels as follows:

Level 1: Fair value determination is based on inputs that are quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value is determined using inputs, other than quoted prices in level 1, that are observable for the financial asset or financial liability, either directly or indirectly. These inputs include quoted prices for similar financial instruments in active markets, quoted price for similar instruments that are not active, and inputs other than quoted prices that are observable for the instrument. These are inputs that are derived principally from, or corroborated by, observable market data.

Level 3: Fair value is determined based on valuation models using inputs that are not based on observable market data. Unobservable inputs reflect subjective assumptions that market participants may use in pricing the investments.

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5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Hierarchy Level	Financial Instruments	Fair value
1	N/A	The trust does not have any fair values in level 1.
2	<ul style="list-style-type: none"> • Investment in NBP Canadian Long-Term Bond Fund • Investments held in various NBIMC unit trust funds 	Total fair value of \$160,506.
3	N/A	The Trust does not have any fair values in level 3.