

Financial Statements of

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

For the year ended 31 March, 2016



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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 net assets as at March 31, 2016, the statements of comprehensive income and changes in net 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, 2016, and its financial performance and its changes in net assets for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

The financial statements of New Brunswick Power Corporation – Nuclear Fuel Waste Trust as at and for the year ended March 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 25, 2015.

Chartered Professional Accountants
June 14, 2016
Fredericton, Canada

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

**Statement of Net Assets
as at March 31, 2016
(in thousands)**

	2016	2015
ASSETS		
Cash (Note 4)	\$ -	\$ 1
Investments (Note 4)	140,693	131,377
Accrued interest receivable (Note 4)	16	773
TOTAL ASSETS	\$ 140,709	\$ 132,151
NET ASSETS		
	\$ 140,709	\$ 132,151

**NEW BRUNSWICK POWER CORPORATION - NUCLEAR FUEL WASTE
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**Statement of Comprehensive Income
for the year ended March 31, 2016
(in thousands)**

	2016	2015
Interest income	\$ 4,030	\$ 3,829
Gain on disposal	13,908	-
Market value change	1,384	
INCOME FROM OPERATIONS	19,322	3,829
Other comprehensive income		
Change in unrealized gains and losses on available-for-sale investments:		
Unrealized (loss) gains arising during the year	(19,554)	13,940
COMPREHENSIVE (LOSS) INCOME	\$ (232)	\$ 17,769

**NEW BRUNSWICK POWER CORPORATION - NUCLEAR FUEL WASTE
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**Statement of Changes in Net Assets
for the year ended March 31, 2016
(in thousands)**

	2016		2015	
NET ASSETS, BEGINNING OF YEAR	\$	132,151	\$	108,062
Contributions		8,790		6,320
Increase in assets from operations		19,322		3,829
(Decrease) increase in assets from other comprehensive income		(19,554)		13,940
NET ASSETS, END OF YEAR	\$	140,709	\$	132,151

NEW BRUNSWICK POWER CORPORATION - NUCLEAR FUEL WASTE TRUST

Notes to the Financial Statements
for the year ended March 31, 2016
(in thousands)

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 2015/16 was \$8.8 million (\$6.0 million in 2014/15).

The Trustee of the Trust is BNY Mellon Trust Company. 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 in the operating license.

In February 2016, management of the trust was transitioned to New Brunswick Investment Management Corporation ("NBIMC"). 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 in the operating license.

The financial statements present the assets of the Trust as at March 31, 2016 and the statements of operations and comprehensive income and changes in net 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, 2016
(in thousands)

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: The standard is the first part of a multi-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement. The standard contains chapters on recognition, classification, and measurement, de-recognition of financial assets and liabilities, and hedge accounting. The Trust must apply IFRS 9, Financial Instruments for its annual periods beginning on 1 April 2018. Earlier application is permitted.

4. INVESTMENTS

Investments are comprised of cash and Federal and Provincial Bonds as follows:

	2016	2015
Cash	\$ -	\$ 1
Accrued interest receivable	16	773
Investments	140,693	131,377
	\$ 140,709	\$ 132,151

Investments include a mark-to-market unrealized gain of \$4,154 at March 31, 2016, as compared to a mark-to-market unrealized gain of \$23,708 at March 31, 2015. These are recorded in net assets.

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

NB Power limits its credit risk associated with the Trust. The current portfolio comprises of investment grade ratings of BBB or above for longer term securities and R 1 for short term debt. The following table outlines the allocation of the maximum credit exposure by investment grade ratings.

	AAA	AA+	to AA-	A+ to A-	BBB	R-1	Other	Total
Maximum credit exposure	\$25,873	\$23,910	\$69,577	\$16,773	\$1,093	\$110	\$137,336	

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Notes to the Financial Statements
for the year ended March 31, 2016
(in thousands)

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust has interest rate risk exposure as changes in interest rates directly affect the value of the Trust's investments.

A 1% increase or decrease in interest rates would cause a corresponding change of approximately \$11.5 million (\$3.4 million on other comprehensive income and \$8.1 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 three levels. These are 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 internal models using inputs that are not based on observable market data. Unobservable inputs reflect subjective assumptions that market participants may use in pricing the investment.

Hierarchy Level	Includes these financial instruments
1	<ul style="list-style-type: none">the Nuclear Fuel Waste TrustMarket value of \$24,073
2	<ul style="list-style-type: none">the Nuclear Fuel Waste TrustMarket value of \$116,636
3	The Trust currently does not have any fair values in level 3.

