

AECL NUCLEAR FUEL WASTE TRUST FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2018

AECL NUCLEAR FUEL WASTE TRUST FUND

Financial Statements
December 31, 2018

CONTENTS

	Page
Independent Auditor's Report	1 - 3
Statement of Financial Position	4
Statement of Operations and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10



INDEPENDENT AUDITOR'S REPORT

To the Trustee of AECL NUCLEAR FUEL WASTE TRUST FUND

Opinion

We have audited the financial statements of **AECL NUCLEAR FUEL WASTE TRUST FUND** (the Trust), which comprise the statement of financial position as at **December 31, 2018 and December 31, 2017**, and the statements of operations and changes in net assets and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AECL NUCLEAR FUEL WASTE TRUST FUND as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of AECL NUCLEAR FUEL WASTE TRUST FUND in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtain is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a good concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anne Law, CPA, CA.

C.C.I.

Chartered Professional Accountants Professional Corporation
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Toronto, Ontario

February 25, 2019

(Except for note 7, which is dated April 2, 2019)

AECL NUCLEAR FUEL WASTE TRUST FUND

**Statement of Financial Position
December 31, 2018**

	<u>2018</u>	<u>2017</u>
	\$	\$
Assets		
Current		
Cash and short term investment	79,765	22,201
Interest receivable	<u>165,480</u>	<u>161,411</u>
	245,245	183,612
Fixed term securities (note 3)	<u>51,019,178</u>	<u>50,316,663</u>
	<u>51,264,423</u>	<u>50,500,275</u>
 Liabilities		
 Net Assets	 <u>51,264,423</u>	 <u>50,500,275</u>
	<u>51,264,423</u>	<u>50,500,275</u>

Approved by

_____, **Trustee**

AECL NUCLEAR FUEL WASTE TRUST FUND

Statement of Operations and Changes in Net Assets Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Revenue		
Interest income	1,177,899	1,241,655
Loss on disposal of fixed term securities (note 4)	-	(9,995)
Unrealized loss on fixed term securities	<u>(452,701)</u>	<u>(258,964)</u>
	<u>725,198</u>	<u>972,696</u>
Expenses		
Trustee fee	<u>136,199</u>	<u>135,631</u>
Net income for the year	588,999	837,065
Capital, beginning of year	50,500,275	49,569,295
Contribution (note 5)	<u>175,149</u>	<u>93,915</u>
Capital, end of year	<u>51,264,423</u>	<u>50,500,275</u>

(See Accompany Notes to Financial Statements)

AECL NUCLEAR FUEL WASTE TRUST FUND

Statement of Cash Flows Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Operating Activities		
Net income	588,999	837,065
Loss on disposal of fixed term securities	-	9,995
Unrealized loss on fixed term securities	452,701	258,964
Changes in other non-cash working capital components (1)	<u>(4,069)</u>	<u>33,286</u>
	<u>1,037,631</u>	<u>1,139,310</u>
Investing Activities		
Purchase of fixed-term securities	(1,155,216)	(28,344,450)
Disposal of fixed term securities	<u>-</u>	<u>27,109,162</u>
Net cash used in investing activities	<u>(1,155,216)</u>	<u>(1,235,288)</u>
Financing Activities		
Capital contribution	<u>175,149</u>	<u>93,915</u>
Net increase (decrease) in cash and short term investment	57,564	(2,063)
Cash and short term investment, beginning of year	<u>22,201</u>	<u>24,264</u>
Cash and short term investment, end of year	<u>79,765</u>	<u>22,201</u>
(1) Changes in other non-cash working capital components represented by:		
Interest receivable	<u>(4,069)</u>	<u>33,285</u>
Additional Cash Flows Information		
Interest received	<u>1,173,830</u>	<u>1,274,940</u>

(See Accompany Notes to Financial Statements)

AECL NUCLEAR FUEL WASTE TRUST FUND

Notes to Financial Statements Year Ended December 31, 2018

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) **Basis of accounting**
These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.
- (b) **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.
- (c) **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.
- (d) **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.
- (e) **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.
- (f) **Income Taxes**
The trust has been exempted from filing income tax return, therefore no provision for income taxes have been recorded.

AECL NUCLEAR FUEL WASTE TRUST FUND

Notes to Financial Statements Year Ended December 31, 2018

3. Fixed-term Securities

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

	2018			
	Within 1 year \$	1 to 5 years \$	Over 5 years \$	Market Value \$
Securities issued by Canada	-	7,973,744	-	7,966,054
by Provinces & municipality	2,944,305	3,510,010	13,331,544	19,700,585
Other debt securities	-	<u>16,735,471</u>	<u>7,090,542</u>	<u>23,352,539</u>
	<u>2,944,305</u>	<u>28,219,225</u>	<u>20,422,086</u>	<u>51,019,178</u>

	2017			
	Within 1 year \$	1 to 5 years \$	Over 5 years \$	Market Value \$
Securities issued by Canada	-	-	7,240,137	7,233,759
by Provinces & municipality	-	6,454,315	12,909,935	19,539,898
Other debt securities	-	<u>16,735,471</u>	<u>7,090,542</u>	<u>23,543,006</u>
	<u>-</u>	<u>23,189,786</u>	<u>27,240,614</u>	<u>50,316,663</u>

4. Loss on Disposal of Fixed Term Securities

The loss on disposal of fixed term securities is comprised of as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Reversal of prior years unrealized gain	-	(222,504)
Realized gain	-	<u>212,509</u>
	<u>-</u>	<u>(9,995)</u>

AECL NUCLEAR FUEL WASTE TRUST FUND

Notes to Financial Statements Year Ended December 31, 2018

5. 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	1,746,645
April 6, 2010	1,818,812
March 31, 2011	1,898,115
April 2, 2012	1,356,134
March 26, 2013	1,414,173
March 24, 2014	1,474,983
March 30, 2015	1,089,934
March 31, 2016	1,137,441
April 3, 2017	93,915
March 29, 2018	<u>175,149</u>
	<u>34,205,301</u>

6. 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.

AECL NUCLEAR FUEL WASTE TRUST FUND

Notes to Financial Statements Year Ended December 31, 2018

6. Financial Instruments (continued)

	Less than 3 months \$	Over 3 months to 1 year \$	Over 1 year to 5 years \$	Over 5 years \$	Non interest sensitive \$	Total \$
Assets						
Cash and short term investment and fixed term securities	-	2,928,218	27,923,586	26,167,514	79,765	57,099,083
Rate	-%	2.09%	2.11%	2.45%	-%	-%
Interest receivable					165,480	165,480
Rate				-%	-%	-%

(c) Currency risk

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

7. Statement of Cash Flows

The amounts for the Additional Cash Flows Information - Interest received have been revised to the actual amount for 2018 and 2017.