

Financial statements of

**HYDRO QUEBEC TRUST FOR
MANAGEMENT OF NUCLEAR FUEL
WASTE**

December 31, 2004

HYDRO QUEBEC TRUST FOR MANAGEMENT OF NUCLEAR FUEL WASTE

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Auditors' report

To the Trustee of
Hydro-Québec Trust for Management of Nuclear Fuel Waste

We have audited the statement of net assets and the statement of investments of the Hydro-Québec Trust for Management of Nuclear Fuel Waste as at December 31, 2004 and the statement of operations and changes in net assets 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 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 and the investments 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.

Samson Bélair
Deloitte + Touche s.e.n.c.r.l.

Chartered Accountants

March 4, 2005

HYDRO QUEBEC TRUST FOR MANAGEMENT OF NUCLEAR FUEL WASTE

Statement of operations as at December 31, 2004

	2004	2003
	\$	\$
Income		
Interest	555,210	645,867
Net income	555,210	645,867

HYDRO QUEBEC TRUST FOR MANAGEMENT OF NUCLEAR FUEL WASTE

Statement of net assets as at December 31, 2004

	2004	2003
	\$	\$
Assets		
Investments, at market value (at cost of \$28,000,000, \$24,000,000 in 2003)	28,000,000	24,000,000
Accrued income	103,393	71,361
	28,103,393	24,071,361
Liabilities		
Income distribution payable	103,393	71,361
Net assets, at market value	28,000,000	24,000,000

Hydro Quebec Trust for Management of Nuclear Fuel Waste
Statement of changes in net assets
year ended December 31, 2004

	2004	2003
	\$	\$
Net assets, beginning of year	24,000,000	20,000,000
Income		
Net investment income	555,210	645,867
Income distribution	(555,210)	(645,867)
	-	-
Capital contributions	4,000,000	4,000,000
Realized gain on sales of investments		
Cost of investments, beginning of period	24,000,000	19,999,881
Cost of purchases	100,000,000	83,999,658
	124,000,000	103,999,539
Less		
Cost of investments, end of period	28,000,000	24,000,000
Cost of investments sold during the period	96,000,000	79,999,539
Proceeds from sales	96,000,000	79,999,539
Net gain on sale of securities	-	-
Net assets, end of year	28,000,000	24,000,000

HYDRO QUEBEC TRUST FOR MANAGEMENT OF NUCLEAR FUEL WASTE

Statement of investments year ended December 31, 2004

Issuer	Face value	Average cost	Market value
	\$	\$	\$
Short-term investments (100.00%)			
Quebec Hydro IBN 2.65%, Feb 08, 2005	28,000,000	28,000,000	28,000,000
Total short-term investments		28,000,000	28,000,000
Total investments (100.00%)		28,000,000	28,000,000
Cash and other net assets (0.00%)			-
Total net assets (100%)			28,000,000

HYDRO QUEBEC TRUST FOR MANAGEMENT OF NUCLEAR FUEL WASTE

Notes to the financial statements year ended December 31 2004

1. Nature of the Trust

The Trust was established to enable the performance of Hydro-Québec's financial obligations under the terms of Bill C-27 for the purpose of financing the implementation of the nuclear fuel waste management proposal of the government of Canada, as stipulated in section 11 of Bill C-27.

2. Significant accounting policies

Investments

Investments are stated at market value. The market value is determined by taking the closing price at year-end. Costs are calculated using the average cost method. Gains and losses on the sale of investments are calculated on the basis of the average cost at the time of purchase and are posted directly to the statement of operations.

Income

The trust records its income using the accrual basis of accounting.

Use of estimates

The presentation of financial statements in accordance with Canadian generally accepted accounting principles requires the trustee to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Financial instruments

Financial Risk

The Trust is exposed to financial risk associated with interest rate fluctuations and volatility.

Fair Value

As at December 31, 2004, the fair value of all the financial instruments was approximately equal to their book value.