

Auditors' report

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

We have audited the statements of net assets and the investment portfolio of the Hydro-Québec Trust for Management of Nuclear Fuel Waste as at December 31, 2003 and the statement of earnings and of 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 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 and the investment portfolio of the Trust as at December 31, 2003 and the earnings 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, 2004

**Hydro Quebec Trust for Management
of Nuclear Fuel Waste**

Financials

at December 31st 2003

Hydro Quebec Trust for Management of Nuclear Fuel Waste
Statement of Operations
For the period ended Decmeber 31

	2003	2002 (1 month)
	\$	\$
Income		
Dividends	-	
Interest	645 867	
Other		-
	645 867	-
Net Income	645 867	0

Hydro Quebec Trust for Management of Nuclear Fuel Waste

Statement of Net Assets

For the period ended December 31

	2003	2002
	\$	\$
Assets		
Investments, at market value (at cost of 24,000,000\$)	24 000 000	19 999 881
Cash	-	119
Accrued income	71 361	
	24 071 361	20 000 000
Liabilities		
Income distribution payable	71 361	-
	71 361	-
Net Assets, at market value	24 000 000	20 000 000
Unitholder Equity		
Unitholder equity, at market value	24 000 000	20 000 000

Hydro Quebec Trust for Management of Nuclear Fuel Waste
Statement of Changes in Net Assets
For the Period ending December 31, 2003

	2003	2002 (1 month)
	\$	\$
Net Assets-Beginning of Period	20 000 000	
Income		
Net Investment Income	645 867	-
Income Distribution	(645 867)	-
	0	-
Capital Contributions	4 000 000	20 000 000
Capital Reductions	4 000 000	20 000 000
Realized Gain on sales of investments		
Cost of investments-beginning of period	19 999 881	-
Cost of purchases	83 999 658	19 999 881
	103 999 539	19 999 881
Less		
Cost of investments-end of period	24 000 000	19 999 881
Cost of investments sold during the period	79 999 539	0
Proceeds from sales	79 999 539	-
Net gain (loss) on sales of securities	-	-
Unrealized gain (loss) in value of investmets for the period	-	-
Net Assets-End of Period	24 000 000	20 000 000

Hydro Quebec Trust for Management of Nuclear Fuel Waste

Statement of Investments

at December 31, 2003

Nomial value/ Number of shares	Issuer	Face value	Average Cost \$	Market value \$
SHORT TERM INVESTMENTS (100.00%)				
Province of Quebec IBN 2.72%, 13/02/04		4,000,000	4 000 000	4 000 000
Province of Quebec PN, 13 February, 2004		20,123,000	20 000 000	20 000 000
			24 000 000	24 000 000
Total Short Term Investments			24 000 000	24 000 000
Total Investments (100.00%)			24 000 000	24 000 000
Cash and other net assets(0.00%)				
Total net assets (100%)				24 000 000

Hydro-Québec Trust for the Management of Nuclear Fuel Waste

Notes to the Financial Statements

As at December 31, 2003

1. Establishment 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 more fully stipulated in section 11 of Bill C-27.

2. Significant Accounting Policies Investments

Investments are stated at their 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 income statement.

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, 2003, the fair value of all the financial instruments was approximately equal to their book value.