

Hydro Quebec Trust for Management of Nuclear Fuel Waste

Financial Statements
December 31, 2005

March 14, 2006

Auditors' Report

To the Trustee of Hydro Quebec Trust for Management of Nuclear Fuel Waste

We have audited the statements of net assets and investments of the **Hydro Quebec Trust for Management of Nuclear Fuel Waste** as at December 31, 2005 and the statements 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 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 investments of the Trust as at December 31, 2005 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.

The financial statements as at December 31, 2004 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 4, 2005.

PricewaterhouseCoopers LLP

Chartered Accountants

Hydro Quebec Trust for Management of Nuclear Fuel Waste

Statement Net Assets

As at December 31, 2005

	2005 \$	2004 \$
Assets		
Investments, at market value (cost \$32,000,000; 2004 – \$28,000,000)	32,000,000	28,000,000
Accrued interest	132,630	103,393
	<hr/>	<hr/>
	32,132,630	28,103,393
Liabilities		
Income distribution payable	132,630	103,393
	<hr/>	<hr/>
Net assets, at market value	32,000,000	28,000,000

Hydro Quebec Trust for Management of Nuclear Fuel Waste

Statement of Operations

For the year ended December 31, 2005

	2005 \$	2004 \$
Income		
Interest	746,528	555,210
Net income	<u>746,528</u>	<u>555,210</u>

Hydro Quebec Trust for Management of Nuclear Fuel Waste

Statement of Changes in Net Assets

For the year ended December 31, 2005

	2005 \$	2004 \$
Net assets – Beginning of year	28,000,000	24,000,000
Income		
Net investment income	746,528	555,210
Income distribution	(746,528)	(555,210)
	-	-
Capital contributions	4,000,000	4,000,000
Realized gain on sales of investments		
Cost of investments – Beginning of year	28,000,000	24,000,000
Cost of purchases	116,000,000	100,000,000
	144,000,000	124,000,000
Cost of investments – End of year	(32,000,000)	(28,000,000)
Cost of investments sold during the year	112,000,000	96,000,000
Proceeds from sales	112,000,000	96,000,000
Net gain on sale of securities	-	-
Net assets – End of year	32,000,000	28,000,000

Hydro Quebec Trust for Management of Nuclear Fuel Waste

Statement of Investments

As at December 31, 2005

	Face value \$	Average cost \$	Market value \$
Short-term investments			
Province of Quebec, T-Bill, January 20, 2006	32,000,000	<u>32,000,000</u>	<u>32,000,000</u>
Total short-term investments and net assets		<u>32,000,000</u>	<u>32,000,000</u>

Hydro Quebec Trust for Management of Nuclear Fuel Waste

Notes to Financial Statements

December 31, 2005

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, 2005, the fair value of all the financial instruments was approximately equal to their book value.