

Capital régional et coopératif Desjardins

Financial Statements
December 31, 2003 and 2002

January 23, 2004

Auditors' Report

To the Shareholders of Capital régional et coopératif Desjardins

We have audited the balance sheets of **Capital régional et coopératif Desjardins** (the "Company") as at December 31, 2003 and 2002 and the statements of earnings, shareholders' equity and cash flows for the years then ended and the schedule of unsecured investments impacting on the Quebec economy as at December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Capital régional et coopératif Desjardins

Balance Sheets

As at December 31, 2003 and 2002

(in thousands of dollars, except number of shares and net value per common share)

	2003 \$	2002 \$
Assets		
Unsecured investments impacting on the Quebec economy		
Investments (see schedule)	61,438	23,910
Funds committed but not disbursed (see schedule)	29,623	9,819
	<u>91,061</u>	<u>33,729</u>
Investments (note 3)	283,527	179,104
Accounts receivable (note 4)	3,611	4,292
Cash and cash equivalents	1,397	1,101
Software (net of accumulated amortization of \$877; December 31, 2002 – \$420)	2,363	2,080
Future income taxes (note 8)	-	998
	<u>381,959</u>	<u>221,304</u>
Liabilities		
Deferred non-refundable grants (note 5)	-	5,015
Accounts payable and accrued liabilities (note 6)	1,377	4,192
Income taxes payable	185	1,358
Future income taxes (note 8)	244	-
	<u>1,806</u>	<u>10,565</u>
Net assets	<u>380,153</u>	<u>210,739</u>
Shareholders' Equity		
Share capital (note 7)	371,967	208,328
Retained earnings	11,627	2,902
Unrealized appreciation (depreciation)	(3,441)	(491)
	<u>380,153</u>	<u>210,739</u>
Number of outstanding common shares	37,085,339	20,832,862
Net value per common share	10.25	10.12

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors

Director

Director

Capital régional et coopératif Desjardins

Statements of Shareholders' Equity

For the years ended December 31, 2003 and 2002

(in thousands of dollars)

	2003			
	Share capital \$	Retained earnings \$	Unrealized appreciation (depreciation) \$	Shareholders' equity \$
Balance – December 31, 2002	208,328	2,902	(491)	210,739
Operating activities				
Realized net earnings for the year	-	8,738	-	8,738
Change in unrealized appreciation (depreciation) for the year	-	-	(2,950)	(2,950)
Net earnings for the year	-	8,738	(2,950)	5,788
Financing activities				
Shares issued	164,467	-	-	164,467
Redemption of shares	(828)	(13)	-	(841)
	163,639	(13)	-	163,626
Net change for the year	163,639	8,725	(2,950)	169,414
Balance – December 31, 2003	371,967	11,627	(3,441)	380,153
				2002
	Share capital \$	Retained earnings \$	Unrealized appreciation (depreciation) \$	Shareholders' equity \$
Balance – December 31, 2001	79,054	23	-	79,077
Operating activities				
Realized net earnings for the year	-	2,879	-	2,879
Change in unrealized appreciation (depreciation) for the year	-	-	(491)	(491)
Net earnings for the year	-	2,879	(491)	2,388
Financing activities				
Shares issued	129,274	-	-	129,274
Net change for the year	129,274	2,879	(491)	131,662
Balance – December 31, 2002	208,328	2,902	(491)	210,739

The accompanying notes form an integral part of these financial statements.

Capital régional et coopératif Desjardins

Statements of Earnings

For the years ended December 31, 2003 and 2002

(in thousands of dollars, except number of shares and net earnings per common share)

	2003 \$	2002 \$
Revenue		
Realized revenue		
Interest on investments	13,045	4,336
Gain on disposal of investments	4,468	1,698
Interest on debentures	1,053	279
Loss on disposal of unsecured investments impacting on the Quebec economy	(1,221)	-
Negotiation fees	840	497
Membership dues	1,471	1,589
Change in unrealized appreciation (depreciation)	(2,950)	(491)
	<u>16,706</u>	<u>7,908</u>
Expenses		
Operating expenses	10,378	5,265
Shareholder services	1,952	1,684
Capital tax	81	63
Amortization of software	457	420
Non-refundable grants (note 5)	(5,015)	(2,993)
	<u>7,853</u>	<u>4,439</u>
Earnings before income taxes	8,853	3,469
Income taxes (note 8)	3,065	1,081
Net earnings for the year	<u>5,788</u>	<u>2,388</u>
Weighted average number of common shares	32,823,844	12,473,600
Net earnings per common share	0.18	0.19

The accompanying notes form an integral part of these financial statements.

Capital régional et coopératif Desjardins

Statements of Cash Flows

For the years ended December 31, 2003 and 2002

(in thousands of dollars)

	2003 \$	2002 \$
Cash flows from		
Operating activities		
Net earnings for the year	5,788	2,388
Non-cash items		
Gain on disposal of investments	(4,468)	(1,698)
Loss on disposal of unsecured investment impacting on the Quebec economy	1,221	-
Change in unrealized appreciation (depreciation)	2,950	491
Amortization of software	457	420
Amortization of premiums and discounts on investments	2,687	-
Non-refundable grants	(5,015)	(2,993)
Future income taxes	1,242	(998)
	4,862	(2,390)
Change in non-cash operating working capital balances (note 9)	(3,307)	16,211
	1,555	13,821
Investing activities		
Acquisition of unsecured investments impacting on the Quebec economy	(41,998)	(24,401)
Acquisition of investments	(621,064)	(1,349,346)
Proceeds on disposal of unsecured investments impacting on the Quebec economy	299	-
Proceeds on disposal of investments	498,618	1,232,666
Software	(740)	(918)
	(164,885)	(141,999)
Financing activities		
Issuance of common shares	164,467	129,274
Redemption of shares	(841)	-
	163,626	129,274
Net change in cash and cash equivalents during the year	296	1,096
Cash and cash equivalents – Beginning of year	1,101	5
Cash and cash equivalents – End of year	1,397	1,101
Supplementary information		
Income taxes paid	3,077	333

The accompanying notes form an integral part of these financial statements.

Capital régional et coopératif Desjardins

Schedule of Unsecured Investments Impacting on the Quebec Economy

As at December 31, 2003

(in thousands of dollars)

						Unsecured investments
	Initial investment	Industry segment	Common shares \$	Preferred shares \$	Debentures and advances \$	Total \$
Bas-Saint-Laurent						
Aqua-Biokem BSL inc.	2002	I	-	200	120	320
Boutique Le Pentagone inc.	2003	I	-	-	440	440
Coopérative funéraire du Bas-Saint-Laurent	2002	C	-	-	133	133
Gestion Arnold Gauthier inc.	2002	I	-	80	312	392
Les Diamants du Saint-Laurent inc.	2002	I	292	-	-	292
Les Industries Francis Pelletier inc.	2003	I	80	-	40	120
Location Jesna inc. (9133-1355 Québec inc.)	2003	I	60	-	40	100
PG Systèmes d'information inc.	2003	IT	-	1,080	360	1,440
Total Bas-Saint-Laurent			432	1,360	1,445	3,237
Estrie						
9116-4509 Québec inc. (Plastiques Anchor Ltée)	2002	I	-	400	-	400
Bois BissBeau inc.	2002	I	-	240	240	480
Camoplast inc.	2002	I	2,697	-	-	2,697
Crea Biopharma inc.	2003	H	-	-	140	140
Fivetracks inc.	2002	I	-	120	320	440
Gestion Ferti-Val inc.	2003	I	24	536	-	560
IPS Thérapeutique inc.	2002	H	-	80	120	200
Les Plastiques TPI inc.	2002	I	-	-	400	400
Les Tissages Sherbrooke inc.	2003	I	320	-	-	320
Neokimia inc.	2003	H	-	-	1,600	1,600
Neptune Technologies & Bioressources inc.	2003	H	800	-	824	1,624
NeXCell BioSciences inc.	2003	H	-	-	140	140
Uniflex Technologies inc.	2003	I	200	-	200	400
Total Estrie			4,041	1,376	3,984	9,401
Montréal						
Aegera Thérapeutiques inc.	2002	H	-	1,334	-	1,334
Artificial Mind & Movement Inc.	2002	IT	694	-	875	1,569
Audisoft Technologies inc.	2003	TC	-	200	-	200
Aurelium BioPharma Inc.	2003	H	-	521	521	1,042
BioAxone Thérapeutique inc.	2002	H	-	1,574	-	1,574
Cardianove inc.	2003	H	-	640	-	640
Chronogen inc.	2003	H	-	1,977	-	1,977
Coencorp Consultant Corporation Inc.	2002	IT	-	112	-	112
Coopérative Forestière des Hautes-Laurentides	2002	C	-	-	814	814
Datacom Wireless Corporation Inc.	2003	TC	-	960	-	960
Distech Contrôles inc.	2003	IT	-	718	160	878
IndustryHub Inc.	2002	IT	-	400	-	400
Invidex inc.	2003	IT	-	2,800	-	2,800
ISAC Technologies	2003	IT	1,260	-	-	1,260
KM Technologies inc.	2002	IT	-	660	-	660
Lipso Systems inc.	2002	TC	-	800	-	800
LxSix Photonics Inc. (formerly Viamode Photoniques inc.)	2002	TC	-	1,867	-	1,867
Meubles FLY America inc.	2003	I	-	6,400	-	6,400
Neks Technologies Inc.	2002	I	248	667	-	915
Nextal Biotechnologies inc.	2003	H	-	521	-	521
Opendsk Inc.	2002	IT	-	-	12	12
Original Solutions Inc.	2003	I	-	800	-	800
Osprey Pharmaceuticals Limited	2003	H	-	321	224	545
Phytoprotech inc.	2002	H	2,000	-	-	2,000
Polyplan Technologies Inc.	2003	IT	-	2,000	-	2,000
Procyon Biopharma inc.	2003	H	1,600	-	-	1,600
Ryschco Média inc.	2002	IT	-	-	200	200
SDP Components Inc.	2002	I	-	1,778	-	1,778
Silonex inc.	2002	IT	800	-	-	800
StormMaker Software Inc.	2002	IT	-	534	-	534
Technologies 20-20 inc.	2002	IT	-	-	1,000	1,000

Capital régional et coopératif Desjardins

Schedule of Unsecured Investments Impacting on the Quebec Economy ...continued

As at December 31, 2003

(in thousands of dollars)

						Unsecured investments	
	Initial investment	Industry segment	Common shares \$	Preferred shares \$	Debentures and advances \$	Total \$	
Technique d'usinage Sinlab inc.	2002	I	-	511	-	511	
Technologies Miranda inc.	2002	TC	-	833	400	1,233	
Timespring Software Corporation	2003	IT	-	1,540	-	1,540	
Triton Électronique inc.	2003	I	-	2,000	-	2,000	
Total Montréal			6,602	32,468	4,206	43,276	
Québec							
Biomax inc.	2003	I	200	-	120	320	
Bioxalis Medica inc.	2003	H	-	720	-	720	
CO2 Solution inc.	2002	I	-	-	80	80	
DuponTrolley Industries inc.	2002	I	-	-	280	280	
Groupe BOB	2003	I	320	-	320	640	
Les Fumets Sylvestre inc.	2003	I	-	-	160	160	
Les Logiciels Dynagram inc.	2002	IT	-	364	-	364	
Matiss inc.	2002	I	400	-	400	800	
Portes Patio Résiver inc.	2003	I	-	-	280	280	
Usital Canada inc.	2002	I	-	240	240	480	
Viridis Biotech inc.	2002	H	-	-	221	221	
Total Québec			920	1,324	2,101	4,345	
Richelieu-Yamaska							
Cilyls 53 inc.	2003	TC	-	945	-	945	
Cogiscan inc.	2002	IT	-	800	315	1,115	
Dessert & Passion inc.	2003	I	160	-	80	240	
Plante Snack Foods (3523454 Canada inc.)	2003	I	48	-	40	88	
Rovibec inc.	2002	I	-	160	160	320	
Total Richelieu-Yamaska			208	1,905	595	2,708	
Saguenay-Lac-Saint-Jean							
9020-4983 Québec inc. (Institut d'échafaudage du Québec)	2002	I	236	-	80	316	
Agricom inc.	2003	IT	-	80	-	80	
Groupe Nova inc.	2002	I	320	-	200	520	
Les Bois B.T. inc. (9131-9210 Québec inc.)	2003	I	50	-	150	200	
Les Luzernes Belcan du Lac-St-Jean inc.	2002	C	160	-	120	280	
Nature 3M inc.	2002	I	100	-	60	160	
Noxxent inc. (Institut d'échafaudage du Québec)	2002	I	4	-	-	4	
Thermo-Tech (9132-8716 Québec inc.)	2003	I	18	-	262	280	
Végétolab inc.	2003	I	32	-	40	72	
Total Saguenay-Lac-Saint-Jean			920	80	912	1,912	
Total at cost			13,123	38,513	13,243	64,879	
Unrealized appreciation (depreciation)						(3,441)	
Funds committed but not disbursed						61,438	
Fair value						29,623	
						91,061	

Industry segment legend

C: Cooperatives
 I: Industrial
 H: Health and Biotechnology
 TC: Telecommunications
 IT: Information Technology

Capital régional et coopératif Desjardins

Schedule of Unsecured Investments Impacting on the Quebec Economy ...*continued*

As at December 31, 2003

(in thousands of dollars)

Agreements related to unsecured investments impacting on the Quebec economy may include clauses providing for options as to conversion and redemption.

The debentures and advances bear interest at a weighted average rate of 13.30% and have an average residual maturity of 3.4 years.

Allocation of investments by industry segment:

Industry segment			2003
	Unsecured investments \$	Funds committed but not disbursed \$	Total \$
Cooperatives	1,227	500	1,727
Industrial	25,005	3,364	28,369
Health and Biotechnology	15,878	17,222	33,100
Telecommunications	6,005	1,845	7,850
Information Technology	16,764	6,692	23,456
Total at cost	64,879	29,623	94,502
Unrealized appreciation (depreciation)	(3,441)	-	(3,441)
Fair value	61,438	29,623	91,061

Capital régional et coopératif Desjardins

Notes to Financial Statements

December 31, 2003 and 2002

(tabular amounts are in thousands of dollars, unless otherwise specified)

1 Governing statutes, mission, administration and investments

Governing statutes and mission

Capital régional et coopératif Desjardins (the “Company”) is constituted by an Act of the Quebec National Assembly (R.S.Q.c.C-6.1) and is deemed to have been incorporated by the filing of statutes on July 1, 2001. The Company started its activities on November 5, 2001 and is a legal person with share capital whose mission is to:

- raise venture capital for the benefit of Quebec resource regions (Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie-Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay-Lac-Saint-Jean) and the cooperative sector;
- promote economic development in the resource regions through investments in eligible entities operating in those regions;
- support the cooperative movement throughout Quebec by investing in eligible cooperatives;
- support eligible entities in their start-up phase and their development; and
- stimulate the Quebec economy through investments in all parts of the territory of Quebec.

Administration

The affairs of the Company are administered by a Board of Directors composed of 13 members, as follows:

- 8 persons appointed by the President of the Mouvement des caisses Desjardins;
- 2 persons elected by the General Meeting of shareholders of the Company;
- 2 persons appointed by the above-mentioned 10 members selected from a group of persons that they deem to be representative of eligible entities as described in the Act; and
- the President and General Manager of the Company.

Investments

The Company may invest in eligible entities, with or without a guarantee or security. Eligible entities include eligible cooperatives and partnerships or a legal person actively operating an enterprise, the majority of whose employees are resident in Quebec and with less than \$50,000,000 of assets and net equity of not more than \$20,000,000.

The Company may invest up to 5% of its assets (as established on the basis of the last accountants’ valuation) in the same eligible enterprise or cooperative and the investment is generally planned for a period of five to eight years. This percentage may be increased to 10% to allow the Company to acquire titles of an entity operating in Quebec but which is not an eligible entity. In such case, the Company may, directly or indirectly, acquire or hold shares representing up to a maximum of 30% of the voting rights, which can be exercised in all circumstances.

Capital régional et coopératif Desjardins

Notes to Financial Statements

December 31, 2003 and 2002

(tabular amounts are in thousands of dollars, unless otherwise specified)

During each fiscal year, from the fiscal year beginning on January 1, 2006, the portion of the Company's investments in eligible entities which does not entail any security or hypothec must represent on average at least 60% of the average net assets of the Company for the preceding year. Furthermore, a portion representing at least 35% of that percentage must be invested in entities situated in resource regions of Quebec or in eligible cooperatives.

2 Significant accounting policies

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting period. The principal estimates are related to the determination of the fair value of unsecured investments impacting on the Quebec economy. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they are known.

Unsecured investments impacting on the Quebec economy

Listed shares

The investments in listed shares are recorded at their fair value, estimated using the weighted average closing price for a 50-day period ending on the balance sheet date. The weighting is calculated with consideration of the volume of shares transacted during this period. The value of shares that are restricted in negotiability or transferability are adjusted by a discount. The Company determines the amount of this discount based on the nature and duration of the restriction, the relative volatility of the share's performance, as well as the importance of the interest held in the overall float of outstanding shares.

Unlisted shares and debentures and advances

Unlisted shares and debentures and advances are valued at their fair value, determined in accordance with appropriate methods of valuation, including primarily comparison to arm's-length transactions or takeover bids, and the capitalization of representative earnings before interest, taxes, amortization and capitalization or discounting of cash flows.

Significant assumptions used in the determination of fair value can include discount or capitalization rate, rate of return and the weighting of forecasted earnings.

Funds committed but not disbursed

Funds committed but not disbursed represent investments that have been agreed upon and where funds have been committed but not disbursed at the end of the year.

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Notes to Financial Statements

December 31, 2003 and 2002

(tabular amounts are in thousands of dollars, unless otherwise specified)

Investments

Investments consist of temporary investments recorded at the lower of cost and fair value and bonds recorded at their unamortized cost net of the provision for losses, if necessary. The fair value is calculated according to the market value, presented in note 3, which is the stock quotation closing price at the date of the balance sheet.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand. In accordance with sector practice, short-term investments with original terms to maturity of three months or less are not included in cash and cash equivalents but in investments.

Software

Software is recorded at cost and amortized on a straight-line basis over a period of three to five years.

Income taxes

The Company uses the liability method in accounting for income taxes. According to this method, future income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. The tax rate in effect when these differences are expected to reverse is used to calculate future income taxes at the balance sheet date. Future income tax assets are recognized when it is more likely than not that the assets will be realized.

Revenue recognition

Gains and losses on disposal

Gains and losses on disposal of unsecured investments impacting on the Quebec economy are recorded at the date of sale and represent the difference between the sale proceeds and the cost, without taking into consideration the unrealized appreciation (depreciation) recorded in previous years, which is reversed and taken into account in change in unrealized appreciation (depreciation) for the year.

Gains and losses on disposal of investments are recorded at the date of sale and represent the difference between the sale proceeds and the cost.

Membership dues

Membership dues are recorded at the time of a shareholder's initial subscription and on the closure of that shareholder's account.

Negotiation fees

Negotiation fees are recorded when the service is performed and when collection is considered probable.

Capital régional et coopératif Desjardins

Notes to Financial Statements

December 31, 2003 and 2002

(tabular amounts are in thousands of dollars, unless otherwise specified)

Premiums and discounts

Premiums and discounts on determined maturity portfolio investments are amortized using the internal rate of return method up to the maturity date of these investments.

Non-refundable grants

The non-refundable grants received from the ministère de l'Industrie et du Commerce du Québec and the Mouvement des caisses Desjardins are recognized when the related expenses are committed.

3 Investments

a) Investments include the following:

	2003 \$	2002 \$
Bonds	309,150	187,206
Temporary investments	4,000	1,717
	<hr/>	<hr/>
	313,150	188,923
Less: Funds committed but not disbursed	29,623	9,819
	<hr/>	<hr/>
	283,527	179,104
	<hr/>	<hr/>

b) Allocation of investments by maturity date

Bonds	2003			
Maturity	Less than 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
Unamortized cost	6,103	137,956	165,091	309,150
Par value	6,000	132,077	152,811	290,888
Fair value	6,104	139,619	167,276	312,999
Average effective rate	2.43%	4.04%	5.02%	4.53%
Average nominal rate	6.46%	5.61%	6.32%	6.00%

Capital régional et coopératif Desjardins

Notes to Financial Statements

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(tabular amounts are in thousands of dollars, unless otherwise specified)

Maturity	2002		
	1 to 5 years \$	More than 5 years \$	Total \$
Unamortized cost	103,430	83,776	187,206
Par value	100,000	78,500	178,500
Fair value	105,475	85,435	190,910
Average effective rate	4.75%	5.49%	5.04%
Average nominal rate	5.44%	6.58%	5.94%

Temporary investments bear interest at 2.75% and mature on January 5, 2004 (2002 – temporary investments bear interest at rates ranging from 2.70% to 2.77%).

The fair value of temporary investments as at December 31, 2003 and 2002 was approximately equal to their book value.

4 Accounts receivable

	2003 \$	2002 \$
Subscriptions and membership dues receivable	-	1,450
Interest receivable on investments	2,979	1,879
Sales taxes receivable	283	481
Other accounts receivable	349	482
	<u>3,611</u>	<u>4,292</u>

5 Non-refundable grants

To accelerate the start-up of the Company and the development of its activities in various regions of Quebec, the ministère de l'Industrie et du Commerce du Québec and the Mouvement des caisses Desjardins granted the Company, in equal shares, non-refundable grants totalling \$10,000,000. These grants will allow the Company to pay its organization and start-up costs and set up a sectoral know-how allowing the support of the companies and cooperatives in their start-up phase and with their development. During the year, \$5,014,600 (2002 – \$2,993,000) of these grants were recognized. As at December 31, 2003, all the non-refundable grants are amortized (2002 – balance of \$5,014,600).

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Notes to Financial Statements

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(tabular amounts are in thousands of dollars, unless otherwise specified)

6 Accounts payable and accrued liabilities

	2003 \$	2002 \$
Entity members of the Mouvement des caisses Desjardins		
Management fees	79	2,015
Other operating expenses	63	556
Shareholder services	959	1,178
Software	-	313
	<hr/>	<hr/>
	1,101	4,062
Other	276	130
	<hr/>	<hr/>
	1,377	4,192
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7 Share capital

Authorized

The Company is authorized to issue common shares and fractions of common shares, participating, voting, with the right to elect two representatives to the Board of Directors, without par value, so that its capital increases by a maximum of \$150,000,000 annually to a maximum of \$1,425,000,000, redeemable subject to certain conditions provided under the Act.

In the June 12, 2003 budget of the Quebec ministère des Finances, the annual limit of capital increase for the year 2003 has been reduced to \$75,000,000, which brings the cumulative limit to \$375,000,000 as at February 29, 2004.

Issued and fully paid

	2003 \$	2002 \$
37,085,339 Common shares (2002 – 20,832,862)	<hr/>	<hr/>
	371,967	208,328

During the year, the Company issued 16,334,855 common shares (2002 – 12,927,412) for a cash consideration of \$164,467,150 (2002 – \$129,274,120).

During the year, the Company redeemed 82,378 common shares (2002 – nil) for a cash consideration of \$841,006 (2002 – nil).

This data does not include the redemption requests made within 30 days after subscription.

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(tabular amounts are in thousands of dollars, unless otherwise specified)

Redemption criteria

The Company is bound to redeem a whole common share or a fraction of a common share in the following circumstances:

- at the request of the person who acquired it from the Company at least seven years prior to redemption;
- at the request of a person to whom it has been devolved by succession;
- at the request of the person who acquired it from the Company if the person applies to the Company therefor in writing within 30 days after subscribing it; and
- at the request of a person who acquired it from the Company if that person is declared to have a severe and permanent mental or physical disability which makes this person incapable of pursuing his or her work.

However, the Company may purchase a common share or a fractional common share by agreement in the cases and to the extent permitted by a policy adopted by the Board of Directors and approved by the Quebec ministère des Finances.

The redemption price of the common shares will be set twice a year, at dates that are six months apart, by the Company's Board of Directors on the basis of the Company's value as determined in the audited financial statements.

8 Income taxes

For purposes of calculating taxable income in Quebec, the Company was authorized to deduct, prior to June 13, 2003, for a given taxation year, an amount that is not more than its taxable income for the year. Accordingly, the Company's income was exempt from Quebec income taxes. Since June 13, 2003, the Company is subject to Quebec income taxes.

The Company is subject to Federal income taxes. Moreover, Federal income taxes include the large corporations tax.

a) The income tax expense is detailed as follows:

	2003 \$	2002 \$
Current income taxes	1,823	2,079
Future income taxes	1,242	(998)
	<hr/> 3,065	<hr/> 1,081

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- b) The actual income tax rate differs from the combined basic income tax rate and is explained as follows:

	2003 \$	2002 \$
Income taxes by applying the income tax rate:		
Canada, 29.12%	2,578	1,018
Quebec, 8.9%	788	-
First 163 days of the period not subject to Quebec income taxes	(352)	
Large corporations tax*	159	88
Permanent differences between earnings before income taxes and taxable income and other	(108)	(25)
	<hr/> 3,065	<hr/> 1,081

* The large corporations tax is based on capital employed in Canada by the Company.

- c) Future income taxes relate to the following items:

	2003 \$	2002 \$
Future income tax assets		
Deferred non-refundable grants	-	1,460
Unrealized appreciation	654	143
	<hr/> 654	<hr/> 1,603
Future income tax liabilities		
Software	(898)	(605)
	<hr/> (898)	<hr/> (605)
Future income tax assets (liabilities), net	<hr/> (244)	<hr/> 998

- d) The purchase of shares of the Company provides the right to the investor to reduce its taxes in Quebec only by an amount equal to 50% of the amount invested annually, up to a tax credit of \$1,250.

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9 Cash flows

The change in non-cash operating working capital balances consists of the following:

	2003 \$	2002 \$
Decrease in accounts receivable	681	16,192
Decrease in accounts payable and accrued liabilities	(2,815)	(1,318)
Increase (decrease) in income taxes	(1,173)	1,337
	<hr/>	<hr/>
	(3,307)	16,211
	<hr/>	<hr/>

10 Related party transactions

The Company is a member of the Mouvement des caisses Desjardins. In the normal course of its operations, the Company carried out transactions with other members of the Mouvement des caisses Desjardins. All of these transactions are measured at the exchange amount:

	2003 \$	2002 \$
Earnings		
Caisse centrale Desjardins		
Interest on term deposits	568	1,161
Capital Desjardins inc.		
Interest on investments	1,217	294
Gain on disposal of investments	414	139
Desjardins Trust Inc.		
Shareholder services	1,621	1,171
Desjardins Venture Capital Inc.		
Management fees	9,779	4,827
Fédération des caisses Desjardins du Québec		
Operating expenses	291	440
Mouvement des caisses Desjardins		
Non-refundable grant	2,507	1,497

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	2003	2002
	\$	\$
Balance sheet		
Caisse centrale Desjardins		
Bankers' acceptances	-	1,217
Term deposits	4,000	500
Cash	362	1,018
Capital Desjardins inc.		
Bonds	29,389	15,485
Accounts receivable	-	78
Desjardins Securities		
Cash	236	-
Accounts payable and accrued liabilities	36	-
Desjardins Trust Inc.		
Accounts receivable	-	1,450
Software	1,044	1,379
Accounts payable and accrued liabilities	959	1,204
Desjardins Venture Capital Inc.		
Accounts receivable	-	117
Accounts payable and accrued liabilities	79	2,116
Desjardins Venture Capital, Limited Partnership		
Accounts receivable	86	-
Fédération des caisses Desjardins du Québec		
Software	1,319	701
Accounts payable and accrued liabilities	27	742
Fonds d'investissement Desjardins régionaux		
Accounts receivable	56	223
Mouvement des caisses Desjardins		
Deferred non-refundable grant	-	2,508

11 Commitments

The Company has entrusted the management of its operations, including management of its portfolio, to Desjardins Venture Capital Inc. (DVC), previously Investissement Desjardins inc., a member of the Mouvement des caisses Desjardins, in accordance with strategies and objectives approved by the Board of Directors. The management contract signed by DVC and the Company is in effect for an initial ten-year period, unless the parties agree to terminate it by mutual agreement. Thereafter, it shall be automatically renewed for a five-year period unless either party decides to terminate the contract by giving notice of at least 18 months.

Under this contract, the Company is required to pay an annual management fee equal to 3% of its annual average net asset value reduced by any amount payable for the acquisition of investments and by the remaining balance of the deferred non-refundable grants. This percentage is reduced to 2.5% from the fiscal year following that in which the Company's net asset value reaches \$750,000,000.

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The Company has appointed Desjardins Trust Inc., a Mouvement des caisses Desjardins corporation, to act as its registrar and transfer agent with respect to shareholder transactions. The term of this contract is three years and two months effective November 1, 2001 and is renewable annually under the same terms and conditions unless either party gives written notice to the contrary 180 days before the end of a year.

12 Financial instruments

The fair value of accounts receivable, cash and cash equivalents, and accounts payable and accrued liabilities approximates their carrying value given their current maturities.

Credit risk for investments relates to the possibility that the counterparty to the transaction does not meet its obligations. The Company reduces this risk by dealing solely with Caisse centrale Desjardins and Valeurs mobilières Desjardins, entities that are members of the Mouvement des caisses Desjardins.

The Company does not hold any derivative financial instruments.