

**Capital régional et coopératif
Desjardins**

Financial Statements
December 31, 2004 and 2003

January 28, 2005

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, 2004 and 2003 and the statements of earnings (loss), shareholders' equity and cash flows for the years then ended and the schedule of investments impacting on the Quebec economy as at December 31, 2004. 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, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Capital régional et coopératif Desjardins

Balance Sheets

As at December 31, 2004 and 2003

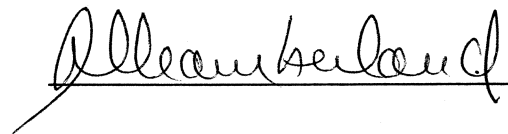
(in thousands of dollars, except number of shares and net value per common share)

	2004 \$	2003 \$
Assets		
Investments impacting on the Quebec economy		
Investments (see schedule)	135,911	61,438
Funds committed but not disbursed (see schedule)	60,550	29,623
	<u>196,461</u>	<u>91,061</u>
Investments (note 4)	274,130	279,527
Accounts receivable (note 5)	5,279	3,611
Cash and cash equivalents	3,663	5,397
Software (net of accumulated amortization of \$1,432; December 31, 2003 – \$877)	1,808	2,363
Future income taxes (note 9)	1,906	-
	<u>483,247</u>	<u>381,959</u>
Liabilities		
Accounts payable and accrued liabilities (note 7)	1,327	1,377
Income taxes payable	1,327	185
Future income taxes (note 9)	-	244
	<u>2,654</u>	<u>1,806</u>
Net assets	<u>480,593</u>	<u>380,153</u>
Shareholders' Equity		
Share capital (note 8)	472,641	371,967
Retained earnings	20,425	11,627
Unrealized appreciation (depreciation)	(12,473)	(3,441)
	<u>480,593</u>	<u>380,153</u>
Number of outstanding common shares	46,905,260	37,085,339
Net value per common share	10.25	10.25

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, 2004 and 2003

(in thousands of dollars)

	2004			
	Share capital \$	Retained earnings \$	Unrealized appreciation (depreciation) \$	Shareholders' equity \$
Balance – December 31, 2003	371,967	11,627	(3,441)	380,153
Operating activities				
Realized net earnings for the year	-	8,818	-	8,818
Change in unrealized appreciation (depreciation) for the year	-	-	(9,032)	(9,032)
Net loss for the year	-	8,818	(9,032)	(214)
Financing activities				
Shares issued	101,716	-	-	101,716
Redemption of shares	(1,042)	(20)	-	(1,062)
	100,674	(20)	-	100,654
Net change for the year	100,674	8,798	(9,032)	100,440
Balance – December 31, 2004	472,641	20,425	(12,473)	480,593
				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

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

Capital régional et coopératif Desjardins

Statements of Earnings (Loss)

For the years ended December 31, 2004 and 2003

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

	2004 \$	2003 \$
Revenue		
Realized revenue		
Interest on investments	15,155	13,045
Gain on disposal of investments	10,132	4,468
Interest on debentures	3,135	1,053
Loss on disposal of investments impacting on the Quebec economy	(2,299)	(1,221)
Negotiation fees	1,379	840
Membership dues	294	1,471
Change in unrealized appreciation (depreciation)	(9,032)	(2,950)
	<u>18,764</u>	<u>16,706</u>
Expenses		
Operating expenses	14,848	10,378
Shareholder services	2,167	1,952
Capital tax	88	81
Amortization of software	555	457
Non-refundable grants (note 6)	-	(5,015)
	<u>17,658</u>	<u>7,853</u>
Earnings before income taxes	1,106	8,853
Income taxes (note 9)	1,320	3,065
Net earnings (loss) for the year	<u>(214)</u>	<u>5,788</u>
Weighted average number of common shares	44,453,373	32,823,844
Net earnings (loss) per common share	-	0.18

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, 2004 and 2003

(in thousands of dollars)

	2004 \$	2003 \$
Cash flows from		
Operating activities		
Net earnings (loss) for the year	(214)	5,788
Non-cash items		
Gain on disposal of investments	(10,132)	(4,468)
Loss on disposal of investments impacting on the Quebec economy	2,299	1,221
Change in unrealized appreciation (depreciation)	9,032	2,950
Amortization of software	555	457
Amortization of premiums and discounts on investments	3,259	2,687
Non-refundable grants	-	(5,015)
Future income taxes	(2,150)	1,242
Capitalized interest	(792)	(78)
	<u>1,857</u>	<u>4,784</u>
Change in non-cash operating working capital balances (note 10)	(576)	(3,307)
	<u>1,281</u>	<u>1,477</u>
Investing activities		
Acquisition of investments impacting on the Quebec economy	(85,932)	(41,920)
Acquisition of investments	(832,642)	(617,564)
Proceeds on disposal of investments impacting on the Quebec economy	920	299
Proceeds on disposal of investments	813,985	498,618
Software	-	(740)
	<u>(103,669)</u>	<u>(161,307)</u>
Financing activities		
Issuance of common shares	101,716	164,467
Redemption of shares	(1,062)	(841)
	<u>100,654</u>	<u>163,626</u>
Net change in cash and cash equivalents during the year	(1,734)	3,796
Cash and cash equivalents – Beginning of year	<u>5,397</u>	<u>1,601</u>
Cash and cash equivalents – End of year	<u>3,663</u>	<u>5,397</u>
Supplementary information		
Income taxes paid	2,180	3,077

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

Capital régional et coopératif Desjardins

Schedule of Investments Impacting on the Quebec Economy

As at December 31, 2004

(in thousands of dollars)

	Initial investment year	Industry segment	Unsecured investments			Secured investments	Total \$
			Common shares \$	Preferred shares \$	Debentures and advances \$	Debentures and advances \$	
Bas-Saint-Laurent							
Aqua-Biokem BSL inc.	2002	I	-	760	160	-	920
Boutique Le Pentagone inc.	2003	I	-	-	331	-	331
Coopérative funéraire du Bas-Saint-Laurent	2002	C	-	-	83	-	83
Gestion Arnold Gauthier inc.	2002	I	-	80	287	-	367
Les Diamants du Saint-Laurent inc.	2002	I	292	-	-	-	292
Les Industries Francis Pelletier inc.	2003	I	80	-	160	-	240
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	1,920	1,421	-	3,773
Capitale-Nationale							
Bio Max inc.	2003	I	200	-	120	-	320
Congébec Logistique inc.	2004	I	2,600	-	-	-	2,600
Humagade Ltée	2004	TC	-	-	240	-	240
Labcal Technologies Inc.	2004	IT	-	1,840	479	-	2,319
Les Logiciels Dynagram inc.	2002	IT	-	364	-	-	364
NordTech Aérospatiale (NTA) inc.	2004	I	-	-	1,800	-	1,800
Usital Canada inc.	2002	I	-	240	240	-	480
Viridis Biotech inc.	2002	H	-	-	-	421	421
Total Capitale-Nationale			2,800	2,444	2,879	421	8,544
Centre-du-Québec							
Rovibec inc.	2002	I	-	160	124	-	284
Total Centre-du-Québec			-	160	124	-	284
Chaudière-Appalaches							
Coopérative de Travail Trans-Group	2004	C	-	-	1,200	-	1,200
Groupe BOB inc.	2003	I	320	-	320	-	640
Les Fumets Sylvestre inc.	2003	I	-	-	160	-	160
Matiss inc.	2002	I	400	-	364	-	764
Portes Patio Résiver inc.	2003	I	-	-	318	-	318
Total Chaudière-Appalaches			720	-	2,362	-	3,082
Estrie							
9116-4509 Québec inc. (Plastiques Anchor Ltée and Les Plastiques TPI inc.)	2002	I	-	400	40	38	478
Câble-Axion Digitel inc.	2004	TC	-	2,880	-	-	2,880
Camoplast inc.	2002	I	20,359	-	-	-	20,359
Cogiscan inc.	2002	IT	-	800	315	-	1,115
Coopérative des employés Laser AMP inc.	2004	C	-	-	550	-	550
Coopérative de Travailleurs actionnaires Filage Sherbrooke	2004	C	-	-	1,618	-	1,618
Crea BioPharma inc.	2002	H	-	-	-	398	398
FilSpec Inc. (9120-0782 Québec inc.)	2004	I	400	-	-	-	400
FilSpec Inc. (9139-4841 Québec)	2004	I	160	-	-	-	160
Fivettracks inc.	2002	I	-	120	320	-	440
Gestion Ferti-Val inc.	2003	I	24	536	-	-	560
IPS Thérapeutique inc.	2002	H	-	80	80	40	200
Laser AMP inc.	2004	I	10	74	-	-	84
Les Entreprises Michel Lapierre inc.	2004	I	-	1,414	1,886	-	3,300
Les Plastiques TPI inc.	2002	I	-	-	-	400	400
Les Tissages Sherbrooke inc.	2003	I	320	-	280	-	600
Neptune Technologies & Bioressources inc.	2003	H	800	-	955	-	1,755
NeXCell BioSciences inc.	2002	H	-	-	-	195	195
Quantiscript inc.	2004	TC	-	1,080	-	-	1,080
Tranzyme Pharma inc. (formerly Néokimia inc.)	2003	H	-	-	1,600	-	1,600
Uniflex Technologies inc.	2003	I	200	-	200	-	400
Total Estrie			22,273	7,384	7,844	1,071	38,572

Capital régional et coopératif Desjardins

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

As at December 31, 2004

(in thousands of dollars)

	Initial investment year	Industry segment	Unsecured investments			Secured investments	Total \$
			Common shares \$	Preferred shares \$	Debentures and advances \$	Debentures and advances \$	
Gaspésie-Îles-de-la-Madeleine							
Eocycle Technologies inc.	2004	I	480	-	-	-	480
Total Gaspésie-Îles-de-la-Madeleine			480	-	-	-	480
Lanaudière							
Dessert & Passion inc.	2003	I	-	160	80	-	240
Total Lanaudière			-	160	80	-	240
Laurentides							
Capital Pro-Égax inc.	2004	I	110	-	-	-	110
Coopérative Forestière des Hautes-Laurentides	2002	C	-	-	678	-	678
Triton Électronique inc.	2003	I	-	2,000	-	-	2,000
Total Laurentides			110	2,000	678	-	2,788
Laval							
Datacom Wireless Corporation inc.	2003	TC	-	1,600	-	-	1,600
Neks Technologies inc.	2002	I	248	667	-	-	915
Technologies 20-20 inc.	2002	IT	1,000	-	-	-	1,000
Total Laval			1,248	2,267	-	-	3,515
Mauricie							
Cilys 53 inc.	2003	TC	-	945	-	450	1,395
Matériaux Spécialisés Louiseville inc.	2004	I	-	-	8,200	-	8,200
Plancher Best Value inc.	2004	I	-	320	160	-	480
Total Mauricie			-	1,265	8,360	450	10,075
Montérégie							
Audisoft Technologies inc.	2003	TC	200	1,817	-	-	2,017
Coencorp Consultant Corporation	2002	IT	-	112	-	-	112
Distech Contrôles inc.	2003	IT	-	718	303	-	1,021
Plante Snack Foods (3523454 Canada inc.)	2003	I	48	-	35	-	83
Total Montérégie			248	2,647	338	-	3,233
Montréal							
Aegera Therapeutics Inc.	2002	H	-	1,334	2,617	-	3,951
Aurelium BioPharma Inc.	2003	H	-	1,602	-	-	1,602
Avance Pharma inc. (formerly Phytobiotech)	2002	H	2,000	-	-	-	2,000
Bioaxone Thérapeutique inc.	2002	H	-	2,000	-	160	2,160
Bioxalis Médica inc.	2003	H	-	1,120	-	-	1,120
Cardianove inc.	2003	H	-	640	-	-	640
Chronogen inc.	2003	H	-	1,977	-	-	1,977
Coradiant inc.	2004	IT	-	4,010	-	-	4,010
Corporation de Logiciels Timespring	2003	IT	-	5,840	-	-	5,840
Corporation Iatroquest	2004	H	-	1,840	-	-	1,840
Fonds d'investissement MSBI	2004	F	460	-	-	-	460
Gestion MSBI inc.	2004	F	154	-	-	-	154
IndustryHub inc.	2002	IT	-	400	-	40	440
Invidex inc.	2003	IT	-	2,800	1,170	-	3,970
ISAC Technologies inc.	2003	IT	1,537	-	-	-	1,537
Les Reproductions BLB inc.	2004	I	-	100	300	-	400
Lipso Systems inc.	2002	TC	-	801	-	-	801
Logiciels StormMaker inc.	2002	IT	-	533	400	-	933
LxSix Photonics inc.	2002	TC	-	1,867	-	-	1,867
Meubles Fly America inc.	2003	I	-	6,400	-	-	6,400
Nextal Biotechnologies inc.	2003	H	-	761	-	-	761
Nstein Technologies inc.	2004	IT	192	-	-	-	192
Original Solutions inc.	2003	I	-	800	-	-	800
Osprey Pharmaceuticals Limited	2003	H	-	1,698	-	-	1,698
PainCeptor Pharma Corporation	2004	H	-	2,162	-	-	2,162
Pensée & Mouvement Artificiels inc.	2002	IT	695	-	713	-	1,408
Polyplan Technologies inc.	2003	IT	-	2,000	-	-	2,000
Procyon Biopharma inc.	2003	H	1,604	-	-	-	1,604
Resonant Medical inc.	2004	H	-	2,800	-	-	2,800

Capital régional et coopératif Desjardins

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

As at December 31, 2004

(in thousands of dollars)

	Initial investment year	Industry segment	Unsecured investments			Secured investments		Total \$
			Common shares \$	Preferred shares \$	Debentures and advances \$	Debentures and advances \$		
Ryshco Média inc.	2002	IT	-	-	-	200	200	
SDP Components inc.	2002	I	-	1,778	-	-	1,778	
Technologies Miranda inc.	2002	TC	-	2,033	-	-	2,033	
Topigen Pharmaceutiques inc.	2004	H	-	3,866	-	-	3,866	
Vertical 7 inc.	2004	IT	-	400	-	-	400	
Total Montréal			6,642	51,562	5,200	400	63,804	
Outaouais								
Cactus Commerce inc.	2004	IT	-	800	-	-	800	
Total Outaouais			-	800	-	-	800	
Saguenay-Lac-Saint-Jean								
Agricom inc.	2003	IT	-	80	-	-	80	
Bois B.T. (9131-9210 Québec inc.)	2003	I	50	-	150	-	200	
Champi-Lac (9124-0598 Québec inc.)	2004	I	-	80	120	-	200	
C.R.O.I. (9068-6767 Québec inc.)	2004	I	80	-	240	-	320	
Groupe Canmec (6317456 Canada inc.)	2004	I	466	4,865	969	-	6,300	
Groupe Nova inc.	2002	I	412	-	200	-	612	
Institut d'échafaudage du Québec (9020-4983 Québec inc.)	2002	I	236	-	80	-	316	
Les Industries I.S.A. (4157702 Canada inc.)	2004	I	60	-	196	-	256	
Les Luzernes Belcan du Lac-St-Jean inc.	2002	C	226	-	120	-	346	
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	-	88	-	120	
Total Saguenay-Lac-Saint-Jean			1,666	5,043	2,485	-	9,194	
Total at cost			36,619	77,652	31,771	2,342	148,384	
3Unrealized appreciation (depreciation)							<u>(12,473)</u>	
Sub-total							135,911	
Funds committed but not disbursed							<u>60,550</u>	
Fair value							<u>196,461</u>	

Industry segment legend

- C: Cooperatives
- I: Industrial
- H: Health and Biotechnology
- TC: Telecommunications
- IT: Information Technology
- F: Investment Funds

Capital régional et coopératif Desjardins

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

As at December 31, 2004

(in thousands of dollars)

Agreements related to 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 11.9% and have an average residual maturity of 3.96 years.

Allocation of investments by industry segment:

Industry segment	2004				
	Unsecured investments at cost \$	Secured investments at cost \$	Unrealized appreciation (depreciation) \$	Funds committed but not disbursed at cost \$	Fair value \$
Cooperatives	4,475	-	-	25,000	29,475
Industrial	67,013	438	(7,230)	2,730	62,951
Health and Biotechnology	31,536	1,214	(2,317)	15,970	46,403
Telecommunications	13,463	450	(219)	3,670	17,364
Information Technology	28,941	240	(2,707)	3,630	30,104
Investment Funds	614	-	-	9,550	10,164
Total	146,042	2,342	(12,473)	60,550	196,461

Capital régional et coopératif Desjardins

Notes to Financial Statements

December 31, 2004 and 2003

(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 typically 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.

Capital régional et coopératif Desjardins

Notes to Financial Statements

December 31, 2004 and 2003

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

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.

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 revenues and expenses during the reporting period. The principal estimates are related to the determination of the fair value of investments impacting on the Quebec economy. Actual results could differ from those estimates. Those estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they are known.

Investments impacting on the Quebec economy

Listed shares

The investments in listed shares are recorded at their fair value. Fair value is established using the bid side level at market closing at the balance sheet date. Previously, fair value was calculated using the weighted average closing price for a 50-day period ending on the balance sheet date. 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.

Capital régional et coopératif Desjardins

Notes to Financial Statements

December 31, 2004 and 2003

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

Significant assumptions used in the determination of fair value can include a discount or capitalization rate, a 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.

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 4(b), which is the stock quotation closing price at the balance sheet date.

Obligations related to securities sold short

Securities sold short as part of trading activities, which represent the Company's obligation to deliver securities sold which were not owned at the time of sale, are recorded as liabilities and are carried at fair value. Realized and unrealized gains and losses thereon are recorded in revenue in "Interest on investments". As at December 31, 2004, the Company has no securities sold short and no significant amount has been recognized for the year.

Securities purchased under resale agreements and securities sold under repurchase agreements

The Company enters into short-term purchases and sales of securities with simultaneous agreements to sell and buy those securities back at a specified price and on a specified date. These agreements are accounted for as collateralized lending and borrowing transactions and are recorded on the balance sheet at the selling or repurchase price specified under the agreement. The difference between the specified selling price and the purchase price is recorded using the accrual method in "Interest on investments". The difference between the selling price and the specified repurchase price is also recorded in "Interest on investments". As at December 31, 2004, the Company has no securities purchased under resale agreements or securities sold under repurchase agreements, and no significant amount has been recognized for the year.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with original terms to maturity of three months or less, which deposits were previously classified with investments.

Software

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

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Notes to Financial Statements

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

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 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.

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.

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3 Change in accounting policy

In January 2004, the Canadian Institute of Chartered Accountants Accounting Standards Board issued Accounting Guideline 18 (AcG-18) which requires investment companies to carry investments at fair value. The Company has decided to apply this new standard prospectively starting January 1, 2005. Consequently, bonds previously carried at unamortized cost will be carried at their fair value. This change in accounting policy will increase both the investment and unrealized appreciation (depreciation) balances by \$1,517,000 each and net asset value per common share by \$0.03 to \$10.28 at January 1, 2005.

4 Investments

a) Investments include the following:

	2004 \$	2003 \$
Bonds	334,680	309,150
Less: Funds committed but not disbursed	60,550	29,623
	274,130	279,527

b) Allocation of investments by maturity date

Bonds				2004
Maturity	Less than 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
Unamortized cost	-	84,537	250,143	334,680
Par value	-	80,060	221,102	301,162
Fair value	-	85,010	251,187	336,197
Average effective rate	-	3.83%	4.41%	4.27%
Average nominal rate	-	5.75%	6.56%	6.34%

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%

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5 Accounts receivable

	2004 \$	2003 \$
Interest receivable on investments	3,740	2,979
Sales taxes receivable	229	283
Other accounts receivable	1,310	349
	<hr/> 5,279	<hr/> 3,611

6 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 allowed 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. As at December 31, 2003, all the non-refundable grants had been recognized.

7 Accounts payable and accrued liabilities

	2004 \$	2003 \$
Entities of the Mouvement des caisses Desjardins		
Shareholder services	1,055	959
Management fees	-	79
Other operating expenses	-	63
	<hr/> 1,055	<hr/> 1,101
Other	272	276
	<hr/> 1,327	<hr/> 1,377

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8 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 \$1,375,000,000, redeemable subject to certain conditions provided under the Act.

In the March 30, 2004 budget of the Minister of Revenue of Quebec, the annual limit of capital increase for the year 2004 was reduced to \$100,000,000. Furthermore, in the June 12, 2003 budget, the annual limit of capital had been reduced to \$75,000,000. Those combined reductions result in a cumulative limit of \$475,000,000 as at February 28, 2005.

Issued and fully paid

	2004 \$	2003 \$
46,905,260 Common shares (2003 – 37,085,339)	472,641	371,967

During the year, the Company issued 9,923,523 common shares (2003 – 16,334,855) for a cash consideration of \$101,715,850 (2003 – \$164,467,150).

During the year, the Company redeemed 103,602 common shares (2003 – 82,378) for a cash consideration of \$1,061,836 (2003 – \$841,006).

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

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 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 Minister of Revenue of Quebec.

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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.

9 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 has been 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:

	2004	2003
	\$	\$
Current income taxes	3,470	1,823
Future income taxes	(2,150)	1,242
	<hr/>	<hr/>
	1,320	3,065
	<hr/>	<hr/>

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

	2004	2003
	\$	\$
Income taxes by applying the income tax rate:		
Canada, 29.12%	322	2,578
Quebec, 8.9%	98	788
First 163 days of the period not subject to Quebec income taxes	-	(352)
Large corporations tax*	154	159
Non-taxable or non-deductible portion of capital gain or loss, unrealized appreciation (depreciation) and other	746	(108)
	<hr/>	<hr/>
	1,320	3,065
	<hr/>	<hr/>

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

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c) Future income taxes relate to the following items:

	2004	2003
	\$	\$
Future income tax assets		
Unrealized appreciation	2,371	654
Others	222	-
	<hr/>	<hr/>
	2,593	654
Future income tax liabilities		
Software	(687)	(898)
	<hr/>	<hr/>
Future income tax assets (liabilities), net	<u>1,906</u>	<u>(244)</u>

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.

10 Cash flows

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

	2004	2003
	\$	\$
Decrease (increase) in accounts receivable	(1,668)	681
Decrease in accounts payable and accrued liabilities	(50)	(2,815)
Increase (decrease) in income taxes	1,142	(1,173)
	<hr/>	<hr/>
	<u>(576)</u>	<u>(3,307)</u>

Capital régional et coopératif Desjardins

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11 Related party transactions

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

	2004	2003
	\$	\$
Earnings		
Caisse centrale Desjardins		
Interest on term deposits	948	568
Capital Desjardins inc.		
Interest on investments	1,831	1,217
Gain on disposal of investments	992	414
Desjardins Trust Inc.		
Shareholder services	1,898	1,621
Desjardins Venture Capital Inc.		
Management fees	14,112	9,779
Negotiation fees	202	-
Operating expenses	30	-
Fédération des caisses Desjardins du Québec		
Operating expenses	318	291
Mouvement des caisses Desjardins		
Non-refundable grant	-	2,507

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	2004	2003
	\$	\$
Balance sheet		
Caisse centrale Desjardins		
Term deposits	-	4,000
Cash	559	362
Capital Desjardins inc.		
Bonds	32,828	29,389
Desjardins Securities		
Cash	1,766	236
Accounts payable and accrued liabilities	-	36
Desjardins Trust Inc.		
Cash	10	-
Software	709	1,044
Accounts payable and accrued liabilities	1,055	959
Desjardins Venture Capital Inc.		
Accounts receivable	405	-
Accounts payable and accrued liabilities	-	79
Desjardins Venture Capital, Limited Partnership		
Accounts receivable	-	86
Accounts payable and accrued liabilities	7	-
Fédération des caisses Desjardins du Québec		
Software	1,099	1,319
Accounts payable and accrued liabilities	11	27
Desjardins Capital de développement		
Accounts receivable	296	56

12 Commitments

The Company has entrusted the management of its operations, including management of its portfolio, to Desjardins Venture Capital Inc. (DVC), an entity 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., an entity of the Mouvement des caisses Desjardins, 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.

The Company has appointed the Fédération des caisses Desjardins du Québec, an entity of the Mouvement des caisses Desjardins, for the distribution of the Company's shares in the entities of the Mouvement des caisses Desjardins. The present agreement will be effective for the following year and will be automatically renewed each year under the same terms and conditions unless one of the parties gives written notice to the contrary three months before the expiration date of the agreement.

13 Financial instruments

Fair value

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

Credit risk of 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 high-credit quality corporations; therefore, the Company considers the risk of non-performance and credit risk on these instruments to be remote.

Interest rate risk

Cash and cash equivalents, except for a short-term deposit (December 31, 2003), accounts receivable and accounts payable and accrued liabilities are non-interest bearing. The short-term deposit amounting to \$4,000,000 was included in the balance sheet as at December 31, 2003, bore interest at a rate of 2.75% and matured on January 4, 2004.

The Company does not hold any derivative financial instruments.

14 Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.