Capital régional et coopératif Desjardins

Financial Statements
June 30, 2008

PRICEWATERHOUSECOOPERS

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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 June 30, 2008 and December 31, 2007 and the statements of earnings, shareholders' equity and cash flows for the six-month periods ended June 30, 2008 and 2007. 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 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 June 30, 2008 and December 31, 2007 and the results of its operations and its cash flows for the six-month periods ended June 30, 3008 and 2007.

PricewaterhouseCoopers LLP

Chartered Accountants

Capital régional et coopératif Desjardins

Balance Sheets

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

	As at June 30, 2008 $	As at December 31, 2007 $
Assets		
Investments impacting the Québec economy (note 4)	348,744	360,782
Investments (note 5)	324,597	315,550
Accounts receivable (note 6)	16,164	7,062
Cash and cash equivalents	146,971	38,122
Software (net of accumulated amortization of $3,240; December 31, 2007 – $3,240)	630	80
Income taxes	1,067	4,010
Future income taxes (note 10)	9,224	8,172
	847,397	733,778
Liabilities		
Accounts payable and accrued liabilities (note 7)	9,299	1,249
	9,299	1,249
Net assets	838,098	732,529
Shareholders' Equity (note 8)	838,098	732,529
Number of outstanding common shares	85,229,385	74,097,440
Net value per common share	9.83	9.89

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 six-month periods ended June 30, 2008 and 2007

(in thousands of dollars)

2008

	Share capital	Contributed surplus	Retained earnings (deficit)			Shareholders' equity
			Realized	Unrealized	Total	
	$	$	$	$	$	$
Balance – December 31, 2007	750,345	4	11,295	(29,115)	(17,820)	732,529
Net loss for the period						
Net loss realized and unrealized net of income taxes of $747 and ($902) respectively	-	-	(908)	(3,617)	(4,525)	(4,525)
Share capital operations						
Shares issued	111,019	-	-	-	-	111,019
Redemption of shares	(944)	19	-	-	-	(925)
	110,075	19	(908)	(3,617)	(4,525)	105,550
Balance – June 30, 2008	860,420	23	10,387	(32,732)	(22,345)	838,098

2007

	Share capital	Contributed surplus	Retained earnings (deficit)			Shareholders' equity
			Realized	Unrealized	Total	
	$	$	$	$	$	$
Balance – December 31, 2006	650,197	-	16,982	(12,559)	4,423	654,620
Net loss for the period						
Net loss realized and unrealized net of income taxes of ($352) and ($4,970) respectively	-	-	203	(19,944)	(19,741)	(19,741)
Share capital operations						
Shares issued	47,203	-	-	-	-	47,203
Redemption of shares	(802)	-	(7)	-	(7)	(809)
	46,401	-	196	(19,944)	(19,748)	26,653
Balance – June 30, 2007	696,598	-	17,178	(32,503)	(15,325)	681,273

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

Capital régional et coopératif Desjardins

Statements of Earnings (Loss)

For the six-month periods ended June 30, 2008 and 2007

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

	2008	2007
	$	$
Revenue		
Realized revenue		
Interest and dividends on investments	8,521	6,872
Gain on disposal of investments	1,157	3
Interest and dividends on investments impacting the Québec economy	9,566	7,659
Loss on disposal of investments impacting the Québec economy	(7,374)	(3,808)
Negotiation fees	734	1,106
Membership dues	132	64
Changes in unrealized appreciation (depreciation) of		
Investments impacting the Québec economy	(4,343)	(17,782)
Investments	(176)	(7,132)
	8,217	(13,018)
Expenses		
Operating expenses	11,743	10,675
Shareholder services	956	903
Capital tax	198	229
Amortization of software	-	238
	12,897	12,045
Loss before income taxes	(4,680)	(25,063)
Income taxes recovery (note 10)	(155)	(5,322)
Net loss for the period	(4,525)	(19,741)
Weighted average number of common shares	81,104,176	66,806,800
Net loss per common share	(0.06)	(0.30)

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

Capital régional et coopératif Desjardins

Statements of Cash Flows

For the six-month periods ended June 30, 2008 and 2007

(in thousands of dollars)

	2008 $	2007 $
Cash flows from		
Operating activities		
Net loss for the period	(4,525)	(19,741)
Adjustments for		
Gain on disposal of investments	(1,129)	(3)
Loss on disposal of investments impacting the Québec economy	7,374	3,808
Changes in unrealized appreciation (depreciation) of		
Investments impacting the Québec economy	4,343	17,782
Investments	176	7,132
Amortization of software	-	238
Amortization of premiums and discounts on investments	287	339
Future income taxes	(1,052)	(3,680)
Capitalized interest and other non-cash items	(75)	(470)
	5,399	5,405
Changes in non-cash operating working capital balances (note 11)	1,736	(3,640)
	7,135	1,765
Investing activities		
Acquisition of investments impacting the Québec economy	(25,358)	(63,238)
Acquisition of investments	(196,902)	(41,212)
Proceeds on disposal of investments impacting the Québec economy	25,754	13,506
Proceeds on disposal of investments	188,434	42,094
Software	(191)	-
	(8,263)	(48,850)
Financing activities		
Issuance of common shares	110,917	47,178
Redemption of shares	(940)	(809)
	109,977	46,369
Net changes in cash and cash equivalents during the period	108,849	(716)
Cash and cash equivalents – Beginning of the period	38,122	20,600
Cash and cash equivalents – End of the period	146,971	19,884
Supplementary information		
Income taxes paid	274	850

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

(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 Québec 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 began 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 Québec 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 Québec by investing in eligible cooperatives;
- Support eligible entities in their start-up phase and their development;
- Stimulate the Québec economy through investments in all parts of the territory of Québec.

Administration

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

- Eight people appointed by the President of the Desjardins Group;
- Two people elected by the General Meeting of shareholders of the Company;
- Two people appointed by the above-mentioned ten members, selected from a group of people whom they deem to be representative of eligible entities as described in the Act;
- The General Manager of the Company.

Investments

The Company may acquire minority interests, mainly 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 Québec and with less than $100 million of assets and net equity of not more than $50 million.

(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 securities in an entity operating in Québec 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.

Pursuant to the Act, other investments may qualify, such as investments in certain investment funds, provided the required specific conditions set out in the Act have been met.

During each fiscal year from the one beginning on January 1, 2006, the portion of the Company's investments in eligible entities, as well as other eligible investments which do not entail any security or hypothec and are made as first purchaser, 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 Québec or in eligible cooperatives.

In its eligibility calculations, the Company also takes into account the investments it has made other than as first purchaser for the acquisition of securities issued by an eligible entity. For investments made prior to November 10, 2007, these investments should not represent more than one third of the total investments made by the Company as first purchaser in this entity. For investments made on or after November 10, 2007, this restriction is lifted, but the Company may not make investments other than as first purchaser totalling more than 20% of its net assets as at the preceding year-end for those investments to be eligible.

As at December 31, 2007, the Company was in compliance with these rules.

2 Significant accounting policies

Use of estimates

The preparation of financial statements in accordance with Canadian 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 balance sheet date and the reported amounts of revenues and expenses during the reporting year. The principal estimates are related to the determination of the fair value of investments impacting the Québec economy. Actual results could differ from those estimates. Those estimates are reviewed periodically and adjustments as they become necessary, are reported in earnings (loss) in the year in which they are known.

Comprehensive income

The statement of comprehensive income is not provided since net earnings and comprehensive income are the same.

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

Investments impacting the Québec 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 on the balance sheet date when an active market is available. Otherwise, the fair value may be established using unlisted share valuation techniques. The value of the shares with trading or transfer restrictions is 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 and the volume of trades.

Unlisted shares, debentures and advances

Unlisted shares, debentures and advances are valued at their fair value, determined in accordance with appropriate methods of valuation, primarily including 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 the discount or capitalization rate, the rate of return and the weighting of forecasted earnings.

Sureties

When it is probable that an amount will be disbursed by the Company in relation to a granted surety, the amount of liabilities accounted for is estimated using an asset-based approach and a liquidation value method.

Investments

Investments consist of temporary investments, bonds, preferred shares, foreign exchange contracts and units of funds of hedge funds recorded at fair value. Units of funds of hedge funds are recorded at fair value estimated by their respective managers at the balance sheet date. The foreign exchange contracts are measured using the difference between the contract's rate and the rate of an identical contract (same maturity and notional amount) that would have been agreed to at the balance sheet date. For all other investments, fair value is calculated according to market value, which is the bid-side level at market closing on the balance sheet date.

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

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 offsetting the investments and are carried at fair value measured using the sell-side level at market closing on the balance sheet date. Realized and unrealized gains and losses thereon are recorded in revenue in Interest and dividends on investments. As at June 30, 2008 and December 31, 2007, the Company had no securities sold short.

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 back those securities at a specified price and on a specified date. Those 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 purchase price and specified selling price and the difference between the selling price and the specified repurchase price are recorded using the accrual method in Interest and dividends on investments. As at June 30, 2008 and December 31, 2007, the Company had no securities purchased under resale agreements or securities sold under repurchase agreements.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances and short-term deposits with original terms to maturity of three months or less.

Software

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

Foreign currency translation

Assets measured at fair value, monetary assets and monetary liabilities are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date. Foreign exchange gains and losses are recognized in the Statement of Earnings with the gains or losses on disposal and the appreciation or depreciation of those assets or liabilities.

(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

Interest and dividends

Interest is recorded on an accrual basis when collection is considered probable. Dividends are recorded as at the holder-of-record date and when they are declared by the issuing companies.

Gains and losses on disposal

Gains and losses on disposal of investments and investments impacting the Québec economy are recorded at the date of sale and represent the difference between the sale proceeds and the unamortized 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.

Membership dues

Membership dues are recorded at the time of a shareholder's initial subscription and on the closure of that shareholder's last 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 fixed-term maturity portfolio investments are amortized using the internal rate of return method up to the maturity date of these investments. Amortization of premiums and discounts are recorded in Interest and dividends on investments.

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

3 Changes in accounting policies

At the beginning of fiscal 2008, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, "Financial Instruments – Disclosures", Section 3863, "Financial Instruments – Presentation", and Section 1535, "Capital Disclosures".

Sections 3862 and 3863 establish standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments and for presentation of financial instruments. These new standards supersede CICA Handbook Section 3861, "Financial Instruments – Disclosure and Presentation".

Section 1535 requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These new standards relate to disclosure only and did not have an impact on the financial results of the Company.

The main effects are discussed in notes 4, 5, 9 and 13.

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

4 Investments impacting the Québec economy

a)

	As at June 30, 2008		As at December 31, 2007	
	Cost $	**Fair value** $	**Cost** $	**Fair value** $
Unsecured				
Common shares	130,975	119,968	123,352	117,211
Preferred shares	109,109	85,821	110,271	89,135
Debentures and advances	141,944	135,569	155,788	148,144
	382,028	341,358	389,411	354,490
Secured				
Debentures and advances	6,413	7,386	6,725	6,292
	388,441	348,744	396,136	360,782

Agreements related to investments impacting the Québec economy may include clauses providing conversion and redemption options.

The debentures and advances bear interest at a weighted average rate of 10.3% (December 31, 2007 – 10.1%) and have an average residual maturity of 4.57 years (December 31, 2007 – 4.55 years). For substantially all the interest-bearing debentures and advances, the interest rate is fixed.

b) Allocation of investments and funds committed by industry segment

						As at June 30, 2008
Industry segment	**Investments at cost** $	**Unrealized appreciation (depreciation)** $	**Fair value** $	**Funds committed but not disbursed*** $	**Sureties*** $	**Total commitment** $
Major Investments and Company Buyout	81,533	(4,560)	76,973	19,140	-	96,113
Development Capital	58,800	672	59,472	1,600	-	61,072
Cooperatives and Resource Regions	116,953	(6,762)	110,191	28,572	-	138,763
Venture Capital - Information technology and communications	74,951	(4,507)	70,444	21,468	-	91,912
Venture Capital - Health	56,204	(24,540)	31,664	8,190	-	39,854
Total	388,441	(39,697)	348,744	78,970	-	427,714

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

						As at December 31, 2007
Industry segment	**Investments at cost $**	**Unrealized appreciation (depreciation) $**	**Fair value $**	**Funds committed but not disbursed* $**	**Sureties* $**	**Total commitment $**
Major Investments and Company Buyout	91,910	(300)	91,610	4,944	-	96,554
Development Capital	53,761	(990)	52,771	7,400	-	60,171
Cooperatives and Resource Regions	120,216	(13,575)	106,641	29,918	-	136,559
Venture Capital - Information technology and communications	71,377	1,119	72,496	22,118	-	94,614
Venture Capital - Health	58,872	(21,608)	37,264	9,243	-	46,507
Total	396,136	(35,354)	360,782	73,623	-	434,405

* Funds committed but not disbursed and sureties are not included in the Company's assets.

c) Funds committed but not disbursed represent investments that have been agreed upon and which have been committed but not disbursed at the balance sheet date. Future disbursements are subject to certain conditions. Assuming that the conditions are respected, the estimated installments over the coming years ended December 31 will be as follows:

	$
2008 (6 months period)	48,966
2009	20,090
2010	4,000
2011	5,914
	78,970

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

5 Investments

a) Allocation of investments by instrument

	As at June 30, 2008		As at December 31, 2007	
	Unamortized cost $	Fair value $	Unamortized cost $	Fair value $
Bonds				
Federal	87,231	80,242	87,196	87,179
Provincial and guaranteed	105,032	105,414	102,049	102,026
Financial institutions	62,453	69,459	60,546	59,815
Companies	38,124	38,031	34,974	34,948
Supranational entities	2,011	2,026	2,012	1,995
	294,851	295,172	286,777	285,963
Preferred shares	16,470	14,116	15,321	13,959
Units of fund of hedge funds	15,000	15,560	15,000	15,628
Foreign exchange contracts*	-	(251)	-	-
Total	326,321	324,597	317,098	315,550

* Foreign exchange contracts have three-month maturities. See note 13 for further details.

b) Allocation of bonds by maturity date

	As at June 30, 2008			
Maturity	Less than 1 year $	1 to 5 years $	More than 5 years $	Total $
Unamortized cost	2,524	173,688	118,639	294,851
Par value	2,500	172,151	118,520	293,171
Fair value	2,519	173,437	119,216	295,172
Average nominal rate *	4.00%	4.49%	4.61%	4.54%
Average effective rate	4.07%	4.18%	4.53%	4.33%

	As at December 31, 2007			
Maturity	Less than 1 year $	1 to 5 years $	More than 5 years $	Total $
Unamortized cost	-	195,921	90,856	286,777
Par value	-	194,819	90,894	285,713
Fair value	-	194,564	91,399	285,963
Average nominal rate *	n/a	4.64%	4.62%	4.64%
Average effective rate	n/a	4.39%	4.61%	4.46%

* Substantially all bonds are fixed-interest rate issues.

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

6 Accounts receivable

	As at June 30, 2008 $	As at December 31, 2007 $
Interest receivable on investments	3,333	2,880
Interest receivable on investments impacting the Québec economy	2,076	2,035
Sales taxes receivable	804	468
Investments receivable	8,011	-
Subscriptions and membership dues receivable	102	-
Other accounts receivable	1,838	1,679
	16,164	7,062

7 Accounts payable and accrued liabilities

	As at June 30, 2008 $	As at December 31, 2007 $
Shareholder services	494	674
Investments payable	8,002	-
Redeemed shares payable	-	15
Other accounts payable and accrued liabilities	803	560
	9,299	1,249

8 Shareholders' Equity

Share capital authorized

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

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

As of the capitalization period following the one at the end of which the Company first reaches capitalization of at least $1 billion, the Company may collect, per capitalization period, the lesser of $150 million and the amount corresponding to the reduction in paid-up capital attributable to all the shares and fractions of shares redeemed or purchased by agreement by the Company during the preceding capitalization period.

Each capitalization period, which lasts twelve months, will begin on March 1 of each year. The maximum the Company can raise in the capitalization period ending on February 28, 2009 is $150 million. As at June 30, 2008, the Company is in compliance with this limit.

Share capital issued and fully paid	**As at June 30, 2008 $**	**As at December 31, 2007 $**
85,229,385 Common shares (December 31, 2007 – 74,097,440)	860,420	750,345

During the period, the Company issued 11,225,375 common shares (during the year 2007 – 10,117,487) for a cash consideration of $111.0 million (during the year 2007 – $101.8 million).

During the period, the Company redeemed 93,430 common shares (during the year 2007 – 159,535) for a cash consideration of $0.9 million (during the year 2007 – $1.6 million).

These data do not include the redemption requests made within 30 days of subscription.

The contributed surplus results from the excess of the shares' issuance price over the price payable for their repurchase.

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 of subscribing it;

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

- 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.

Moreover, 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 to be adopted by the Board of Directors and approved by the Québec Minister of Finance.

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.

Tax credit

The purchase of shares of the Company entitles the investor to receive a non-refundable tax credit, for Québec tax purposes only, for an amount equal to :
For purchases prior to March 24, 2006: 50% tax credit, $1,250 maximum.
For purchases from March 24, 2006 to November 9, 2007: 35% tax credit, $875 maximum.
For purchases subsequent to November 9, 2007: 50% tax credit, $2,500 maximum.

As of November 2008, certain holders of shares issued by the Company will become eligible to redeem them under the terms set out in the prospectus, representing a maximum of $76.8 million at the current price of $9.83. Investors who withdraw some or all of their shares as part of a redemption after a seven-year holding period will not be able to claim the tax credit for any purchase for which the tax credit could be applied in the same or subsequent taxation years.

9 Capital disclosures

The Company's objective with respect to capital management is to ensure the availability of sufficient cash resources to fund investments in line with its mission and meet shareholders' demands for share repurchases. The Company's capital consists of shareholders' equity.

The Company is not subject to any other rules regarding its capital other than those governing the issuance and repurchase of its shares, as indicated in note 8.

The Company's policy is to reinvest the annual revenues generated by its operations and not to pay dividends to its shareholders, with a view to increasing the capital available for investment and enhancing share valuations.

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

10 Income taxes

The Company is subject to Federal and provincial income taxes.

a) The income tax expense is detailed as follows:

	June 30, 2008 $	June 30, 2007 $
Current income taxes	897	(1,642)
Future income taxes	(1,052)	(3,680)
	(155)	(5,322)

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

	June 30, 2008 $	June 30, 2007 $
Income taxes by applying the combined income tax rate of 39.40% (2007– 39.02%)	(1,844)	(7,703)
Permanent differences between earnings before income taxes and taxable income and other items	1,689	2,381
	(155)	(5,322)

c) Future income taxes relate to the following items:

	As at June 30, 2008 $	As at December 31, 2007 $
Future income tax assets		
Unrealized depreciation on investments impacting the Québec economy and investments	8,606	7,498
Premiums on bonds	529	494
Taxes losses carried over	41	140
Other	69	61
	9,245	8,193
Future income tax liabilities		
Software	(21)	(21)
Future income tax assets, net	9,224	8,172

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

11 Cash flows

The changes in non-cash operating working capital balances consist of the following:

	June 30, 2008 $	**June 30, 2007 $**
Increase in accounts receivable	(1,019)	(1,184)
Decrease (increase) in income taxes	2,943	(2,263)
Decrease in accounts payable and accrued liabilities	(188)	(193)
	1,736	(3,640)

12 Related party transactions

Major agreements with the Company and the entities of the Desjardins Group are as follow :

- The Company has entrusted the management of its operations, including management of its portfolio, to Desjardins Venture Capital Inc. ("DVC"), in accordance with the 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 the contract by mutual agreement. Thereafter, the contract shall be automatically renewed for a five-year period unless either party decides to terminate the contract by giving written 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 assets net value reduced by any amount payable for the acquisition of investments. This percentage is reduced to 2.5% as of the fiscal year following that in which the Company's net asset value reaches $750 million. Since this threshold was reached during the current year, the management fee will be set to 2.5% as of 2009. An adjustment is made to the management fee charged to the Company to avoid double billing relative to the Company's interest in some funds.

- The Company has appointed Desjardins Trust Inc. to act as its registrar and transfer agent with respect to shareholder transactions. The agreement has a two-year term starting on January 1, 2008.

- The Company has appointed the Fédération des caisses Desjardins du Québec to distribute its shares through the entities of the Desjardins Group. This agreement is effective for one 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 expiry date of the agreement.

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

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

	As at June 30, 2008	**As at December 31, 2007**
	$	**$**
Balance sheets		
Caisse centrale Desjardins		
Cash and cash equivalents	132,598	23,143
Depreciation of foreign exchange contracts	251	-
Interest receivable on investments	827	22
Capital Desjardins inc.		
Investments	3,409	19,652
Desjardins Capital de développement (Regional funds)		
Accounts payable and accrued liabilities	2	151
Desjardins Venture Capital Inc.		
Accounts receivable	18	-
Accounts payable and accrued liabilities	-	77
Desjardins Global Asset Management		
Investments	15,560	15,628
Desjardins Trust Inc.		
Cash and cash equivalents	1,516	1,321
Accounts payable and accrued liabilities	494	674
Desjardins Securities		
Cash and cash equivalents	12,758	13,658
Fédération des caisses Desjardins du Québec		
Accounts payable and accrued liabilities	439	80

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

	June 30, 2008 $	June 30, 2007 $
Statements of earnings		
Caisse centrale Desjardins		
Interest and dividends on investments	1,326	219
Gain on disposal of investments	28	-
Changes in unrealized appreciation (depreciation) of investments	(251)	-
Capital Desjardins inc.		
Loss on disposal of investments	(103)	-
Interest and dividends on investments	224	525
Changes in unrealized appreciation (depreciation) of investments	(4)	(393)
Desjardins Global Asset Management		
Changes in unrealized appreciation (depreciation) of investments	(68)	339
Desjardins Securities		
Interest and dividends on investments	206	82
Desjardins Trust Inc.		
Interest and dividends on investments	(4)	44
Shareholder services	835	740
Desjardins Venture Capital Inc.		
Management fees	11,713	9,896
Fédération des caisses Desjardins du Québec		
Interest and dividends on investments	26	-
Operating expenses	162	201

13 Financial instruments and associated risks

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.

Market risks

Market risks pertain to the Company's interest in the capital markets and, indirectly, to general changes in economic conditions. They also pertain to the impact of capital market movements on the value of the Company's assets. The market risks directly impacting the Company are as follows:

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

Interest rate risk

Interest rate fluctuations have a significant impact on the market value of fixed-income securities held in the portfolio, representing $295.1 million as at June 30, 2008 (December 31, 2007 – $286.0 million). Accordingly, a 1% increase in interest rates would have resulted in a $9.8 million decline in net earnings, representing a 1.2% decline in the Company's share price (December 31, 2007 – $8.3 million and 1.2%, respectively). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $10.4 million increase in net earnings, representing a 1.3% increase in the share price (December 31, 2007 – $8.7 million and 1.3%, respectively). Given that the Company plans to hold its fixed-income securities to maturity, the long-term effect of interest rates on its results should be limited.

Cash and cash equivalents bear interest at a weighted average rate of 3.12% (December 31, 2007 – 4.11%). Accounts receivable and accounts payable and accrued liabilities bear no interest.

Stock market risk

Stock market trends have a twofold impact on the Company. In addition to the direct impact on the market values of publicly traded stocks, the valuations of some private portfolio companies may also be affected by changes in stock prices.

As at June 30, 2008, the investment portfolios consisted of 17 publicly listed companies with a total value of $20.5 million (December 31, 2007 – 19 enterprises with a total value of $23.6 million). Therefore, a 10% increase or decrease of the stock market would have increased or decreased the net earnings of the Company by $1.5M.

In accordance with the Company's global asset management approach, the overall impact of these interrelated risks is taken into account when determining overall asset allocation.

Currency risk

Changes in currency values have an impact on several companies with which the Company is associated. However, the net effect of an appreciation in the Canadian dollar is not necessarily negative for these companies. While it has an adverse effect on certain exporters, it can also be beneficial for companies that import a significant portion of their inputs or for companies that seize the opportunity to acquire equipment in order to drive future productivity.

Currency fluctuations impact the fair value of investments valued initially in foreign currencies and subsequently translated into Canadian dollars at the prevailing rate of exchange. These investments, whose value varies in step with fluctuations in the value of the US dollar, represent a fair value of $36.2 million as at June 30, 2008 (December 31, 2007 – $38.1 million).

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

As at January 1, 2008, the Company implemented a systematic foreign exchange risk hedging strategy relating to its existing investments with exit horizons of at least 12 months, as well as to any new foreign currency positions. The Company contracted a 5 million line of credit to cover the transactions on foreign exchange contracts. As at June 30, 2008, the Company held foreign exchange contracts under which it will be required to deliver US$28 million.

The Company’s net exposure to the US dollar is therefore US$7 million (December 31, 2007 – US$38.6 million). For each $0.01 increase in the value of the Canadian dollar against its US counterpart, the Company loses $70,000, whereas it gains $70,000 for each $0.01 decrease in value (December 31, 2007 – loss of $386,000 and gain of $386,000, respectively).

Credit and counterparty risks

In pursuing its venture capital investment mission, the Company is exposed to credit risk related to potential financial losses of a partner company. By diversifying its investments by industry segment, stage of development and type of financial instrument, and by limiting the potential risk related to each individual company, the Company keeps portfolio volatility to a minimum with respect to the potential occurrence of negative events.

In substantially all cases, the Company does not require collateral to limit the credit risk on its loans. Receiving collateral contravenes the investment eligibility rules set out in note 1.

Investments are assigned ratings of 1–5 based on financial ratios. Subsequently, companies with a 5 rating based on their ratios are reviewed on a monthly basis using predefined qualitative criteria to determine which companies rate 5, 6 or 7.

Investments impacting the Québec economy are allocated by risk rating as follows (at fair value):

Rating		As at June 30, 2008 $	As at December 31, 2007 $
1 to 4	Low to higher than average risk	251,105	261,988
5	At risk	86,396	84,404
6 and 7	At high risk and insolvent	11,243	14,390

Investments portfolio risks are managed by diversification across numerous issuers with a credit rating equivalent to BBB as determined by Standard & Poor's or DBRS or higher. Counterparty risks arising from cash and repurchase agreement transactions are limited to the immediate short term.

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

As at June 30, 2008, the concentration in the top five investments impacting the Québec economy and the top investments (percentages are based on the fair value of assets) is as follows:

	As at June 30, 2008		As at December 31, 2007	
	% of the asset class	% of net assets	% of the asset class	% of net assets
Investments impacting the Québec economy	20.8	8.6	33.2	16.3
Investments*	53.6	20.8	53.8	26.0

* Government issuers accounted for 89.5% (December 31, 2007 – 42.2%) of the investments portfolio's five largest issuers or counterparties.

For the foreign exchange contracts, counterparty risk is low in light of the amounts involved and the fact that the contract counterparty is Caisse centrale Desjardins.

Liquidity risks

The Company must maintain sufficient liquid assets to fund share redemptions and meet its commitments in investments impacting the Québec economy. If it failed to do so, the Company would be dependent on the markets and could be forced to carry out transactions under unfavourable conditions. With liquid investments representing 36% of assets under management and as a result of the management approach, which ensures that the average maturity of assets matches the average maturity of expected outflows, the Company can confirm that its management approach factors in this risk.

14 Schedule of cost of investments impacting the Québec economy

The schedule of cost of investments impacting the Québec economy together with the auditors' report is presented separately from these financial statements and is available at the Company's head office, on its website and on SEDAR.