Offering our shareholders a rate of return that will encourage reinvestment.

Desjardins
Capital régional
et coopératif

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Invest in Québec

ANNUAL REPORT ■ 2003

Desjardins
Capital régional
et coopératif

Mission of Capital régional et coopératif Desjardins

To contribute to Québec's economic development and to further the growth of the resource regions.

To inject venture capital into cooperatives and companies and offer expertise to stimulate their start-up, growth and influence.

To provide shareholders with a rate of return that encourages reinvestment.

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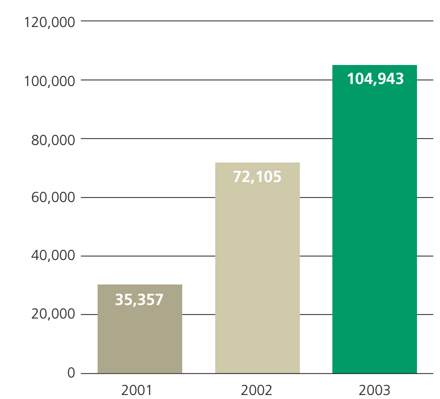
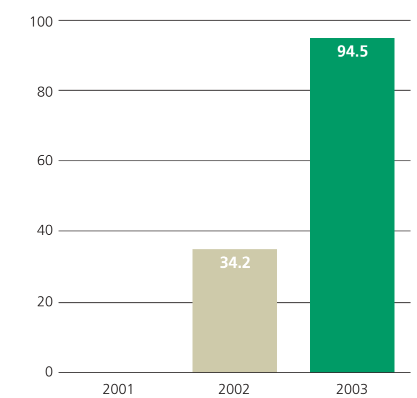
Highlights

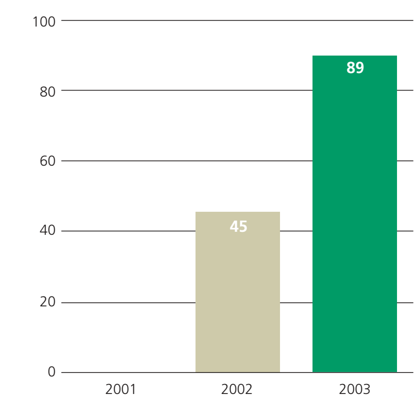
NUMBER OF SHAREHOLDERS



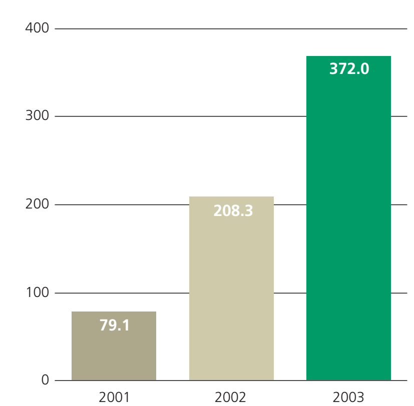
INVESTMENTS (IN $M)



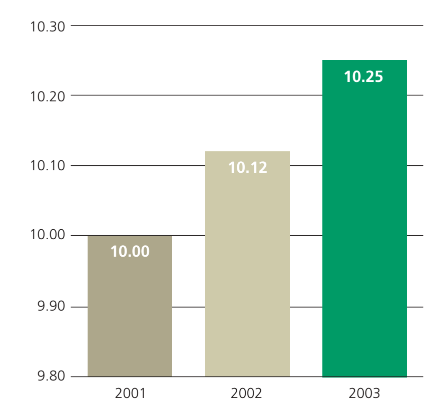
TOTAL COMMITMENTS COMPANIES/COOPERATIVES



SHARE CAPITAL (IN $M)



SHARE PRICE (IN $)



Message from the Chairman of the Board

YEAR OF PROGRESS

FOLLOWING A DECADE OF STRONG GROWTH, THE VENTURE CAPITAL INDUSTRY HAS EXPERIENCED A SIGNIFICANT CORRECTION SINCE 2002 AND IS CURRENTLY UNDERGOING MAJOR CHANGES. THE MISSION OF CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS IS TO STIMULATE THE QUÉBEC ECONOMY BY MAKING INVESTMENTS ACROSS THE PROVINCE. WE THEREFORE NEED TO ESTABLISH OURSELVES AS THE PARTNER OF CHOICE FOR BUSINESSES IN ORDER TO CREATE WEALTH AND ACHIEVE SUSTAINABLE ECONOMIC DEVELOPMENT.

This is why the selection of businesses and the investment process need to be as strict as possible. Indeed, creating shareholder value is a pre-requisite if the economic development of the Québec regions is to be an end in itself. Thus, we can ensure wealth creation through the viability of our Company. Capital régional et coopératif Desjardins must therefore invest in promising projects, and this requires time, analysis and strategic support. This approach has a two-fold advantage: in addition to promoting the long-term growth of Québec regions, we are able to make profitable investments for our shareholders.

SUCCESSES ON ALL FRONTS

Having pursued a cautious and disciplined management style, Capital régional et coopératif Desjardins reported solid results in the past year. Indeed, a rise in share value, promising projects, sound investments and a growing number of shareholders are indicators confirming that Capital régional et coopératif Desjardins is a resounding success that we can be proud of. Moreover, many business offices were opened in Québec during 2003, including two in the resource regions. This expansion will bring our Company closer to Québec entrepreneurs and cooperatives and enable us to identify and even create quality investment opportunities. With the network almost entirely deployed, Capital régional et coopératif Desjardins will now be able to accelerate its regional involvement.

CORPORATE GOVERNANCE, A PRIORITY

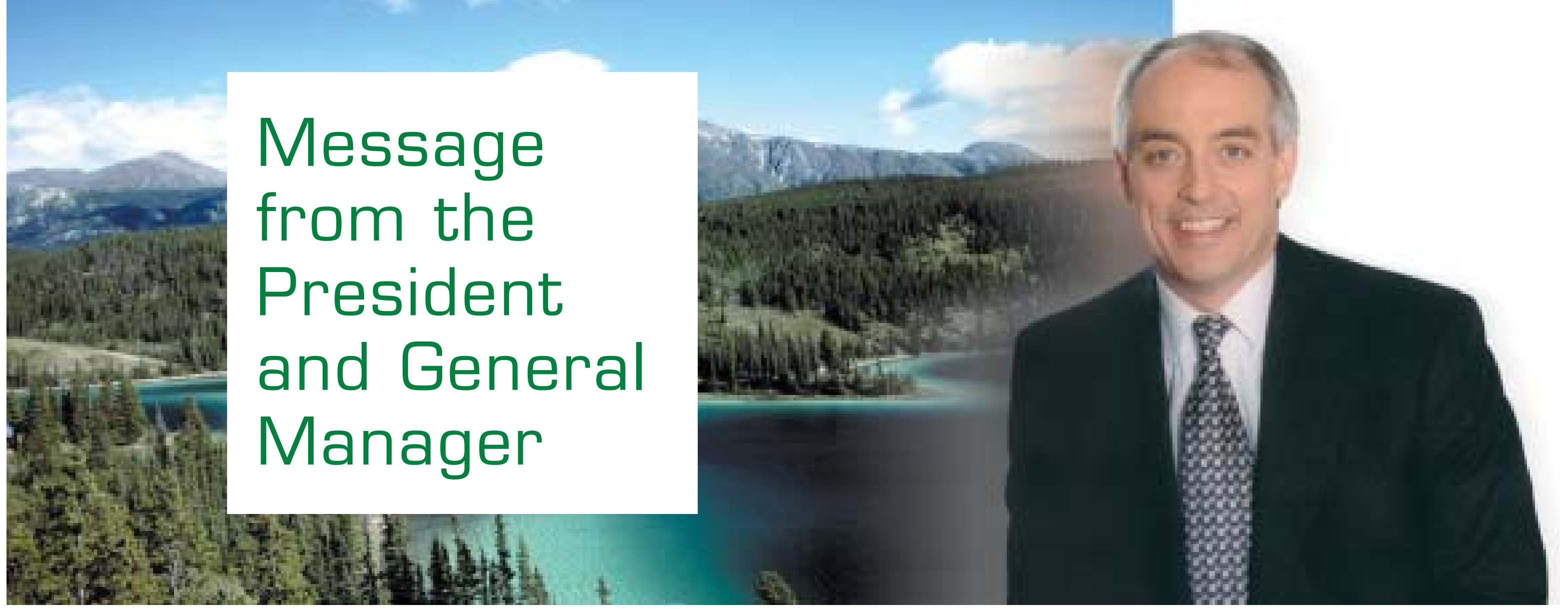
The issue of corporate governance is a top priority for me as Chairman of the Board of Directors and a frequent topic of discussion during Board meetings. Moreover, the process for assessing directors introduced in 2002 was fine-tuned in 2003. With this performance assessment, a source of motivation, directors will, among other things, be able to set objectives in line with the fulfillment of the Company's overall mission.

TEAMWORK

Capital régional et coopératif Desjardins' success stems from the efforts of a large number of people. First of all, the Desjardins Venture Capital team, manager of our Company, performed admirably in 2003. As well, the significant involvement of the caisses network and the Corporate Financial Centres of Desjardins Group is essential to our success.

Finally, I would be remiss in not mentioning the contributions made by the members of our Board of Directors. This body of top-notch directors with diverse expertise and regional roots distinguishes itself by the dedication of its members and their ready availability. All these people are working together to ensure the success of Capital régional et coopératif Desjardins, and I take this opportunity to thank them all for their invaluable contributions to our achievements.

(signed) Bruno Riverin
Chairman of the Board



Message from the President and General Manager

EXCELLENT ACHIEVEMENTS IN A DIFFICULT ENVIRONMENT

IN 2003, CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS INTENSIFIED ITS EFFORTS TO EXPAND ITS NETWORK ACROSS QUÉBEC. SEVEN BUSINESS OFFICES WERE OPENED DURING THE YEAR AND IN ONLY TWO YEARS OF OPERATIONS, THE TOTAL NUMBER OF OFFICES IN THE PROVINCE HAS NOW REACHED 14, INCLUDING 4 IN THE RESOURCE REGIONS.

Capital régional et coopératif Desjardins is currently the only fund to benefit from such a far-reaching network, and this expansion is stimulating the emergence and growth of Québec businesses.

Generally, 2003 unfolded under difficult conditions. The economic environment continued to be rather gloomy, the new Québec government adopted a tax measure that reduced by half the subscription limit for Company shares and the venture capital industry is experiencing a period of major changes.

Nonetheless, Capital régional et coopératif Desjardins can boast numerous achievements in 2003: capital raising was very successful and some $42 million was invested in 60 companies.

TEPID ECONOMIC RECOVERY

Although 2003 was marked by an economic recovery, this upturn turned out to be fragile. SARS, the mad cow disease and forest fires in western Canada slowed down the economy in many respects. In addition, not everyone cheered the strengthening of the Canadian dollar in the last quarter.

Although imported products are now cheaper, exports, which are the mainstay of our economy, are clearly at a disadvantage. However, the Canadian economy is bolstered by some factors, especially the drop in interest rates and higher residential real estate prices, which benefit property owners.

VENTURE CAPITAL INDUSTRY REPOSITIONING

Following ten years of strong growth, the venture capital industry is currently going through a challenging period. Indeed, since 2002, venture capital investments have been decreasing and according to forecasts, the available funds will soon fall to 1998 and 1999 levels. The stock market downturn of the past few years has resulted in a sluggish economy as well as the decline in activity surrounding new listings and mergers/acquisitions, which in turn have affected portfolio valuation.

Given this context, the industry needs to reposition itself and offer intelligent capital solutions. More than simply capital, entrepreneurs need to be offered added value via access to networks and business management support. Capital régional et coopératif Desjardins is well positioned through its province-wide network to make its mark and become the partner of choice for Québec enterprises and cooperatives.

HIGH DEMAND FOR OUR SHARES

This was another successful year in terms of capital raising, despite the 50% reduction in subscription limit. Indeed, close to $164 million was raised and the number of shareholders grew to 104,943 as of December 31, 2003. In fact, 2003 shares were all sold out by early September 2003, thanks to the popularity of Capital régional et coopératif Desjardins shares among investors, combined the new subscription limit which created a scarcity effect. It is therefore very important for current and future shareholders to buy our shares as soon as they are offered to the public.

REINFORCED REGIONAL PRESENCE

Capital régional et coopératif Desjardins now has 14 offices across the province:

- Bas-Saint-Laurent
- Centre-du-Québec
- Chaudière-Appalaches
- Estrie
- Gaspésie–Îles-de-la-Madeleine
- Lanaudière
- Laval–Laurentides
- Mauricie
- Montérégie
- Montréal
- Outaouais
- Québec City
- Richelieu-Yamaska
- Saguenay–Lac-Saint-Jean

Our regionally-based investment specialists work closely with the caisses and the Desjardins Corporate Financial Centres to better serve Québec entrepreneurs.

Thus, since its inception, Capital régional et coopératif Desjardins has committed a total of $94.5 million in 89 businesses in all Québec regions. The Company fully intends to do all that is necessary to meet its obligations in terms of regional investments. Moreover, two other offices are slated for opening in the first half of 2004 in the resource regions of Abitibi-Témiscamingue and Côte-Nord.

WELL-DIVERSIFIED PORTFOLIO

Although still in its early stage, the Capital régional et coopératif Desjardins portfolio is already well-diversified. It is invested in several sectors, including IT, healthcare and biotechnology, telecommunications, manufacturing, natural resources transformation and cooperatives. Investments were made in companies at various phases of their development process (start-up, growth, merger). However, given that the portfolio is still in its early stage, it has not yet appreciated in value, as venture capital investments generally take 3 to 5 years to generate returns.

ECONOMIC DEVELOPMENT FIRST AND FOREMOST

The primary mission of Capital régional et coopératif Desjardins is to stimulate the Québec economy by investing in all regions of the province. Indeed, under the Company's incorporating act, 21% of net assets shall be invested in cooperatives and businesses in resource regions starting from the fiscal year beginning January 1, 2006.

We are currently striving hard to put together the tools and resources necessary for fulfilling our entire mission. The expansion of our network this year is a good example.

We also demonstrated our strong desire to immerse ourselves in the cooperative life by initiating the first conference on the capitalization of cooperatives in March 2003.

In short, despite the lack of government grants for opening new offices and the reduction in the subscription limit, Capital régional et coopératif Desjardins is the only fund to have expanded its network as quickly and as widely across the province to fully carry out its mission for the benefit of businesses, cooperatives and, above all, the Québec economy.

The achievements and successes of Capital régional et coopératif Desjardins are the result of efforts that need to be highlighted. I would like to extend sincere thanks to the Desjardins caisses network for their enthusiastic and effective contribution to capital raising. I would also like to recognize the support of our Board of Directors and the Desjardins Corporate Financial Centres as well as the tireless efforts of the Desjardins Venture Capital team.

Finally, I wish to express my gratitude to our shareholders. Their confidence in Capital régional et coopératif Desjardins strongly bolsters our commitment to providing them with attractive returns.

(signed) Luc Chabot
President and General Manager

Investments

FAVOURABLE FINANCING THROUGH VENTURE CAPITAL

VENTURE CAPITAL IS A TYPE OF EQUITY FINANCING THAT ENABLES ENTREPRENEURS TO CARRY OUT PROMISING PROJECTS (START-UPS, STRATEGIC ACQUISITIONS, MERGERS, DEVELOPMENT OF NEW MARKETS, ETC.). A SOURCE OF FINANCING THAT COMPLEMENTS TRADITIONAL BUSINESS LOANS, VENTURE CAPITAL INVESTMENTS CAN TAKE DIFFERENT FORMS.

Capital régional et coopératif Desjardins provides financing that ranges from equity (common or preferred shares), equity loans and cooperative partnership shares to convertible or participating debentures.

Venture capital provides several advantages for a company in need of financing:

- Since venture capital is not a loan but a capital investment, the company's financial structure and ratios are improved, thereby giving more flexibility in the completion of projects;
- Since repayments are not generally required in the short term, the invested capital and internally generated funds are used for accelerating the company's growth;
- Venture capital is often the only source of financing available, especially for start-ups and strategic acquisitions;
- The support of a venture capital company makes it easier to acquire additional funds, if necessary.

STRICT INVESTMENT CRITERIA

Capital régional et coopératif Desjardins invests in companies with assets under $50 million and net equity of no more than $20 million as well as in all types of cooperatives. To ensure that shareholders are provided with attractive returns, the Company screens investment projects using the following criteria:

- The management team is experienced and visionary, and is seeking to join forces with a financial partner;
- The company or cooperative is competently and aggressively managed;
- The organizational structure is effective and entrepreneurial;
- The proposed project has sound profit potential;
- The targeted market is sufficiently large for generating attractive opportunities;
- The proposed product or service features a competitive edge and ideally has export potential;
- Capital régional et coopératif Desjardins will be able to materialize its investment in an average period of 5 to 8 years after the completion of the project.

COMBINING GENERAL EXPERTISE WITH SPECIALIZED KNOW-HOW

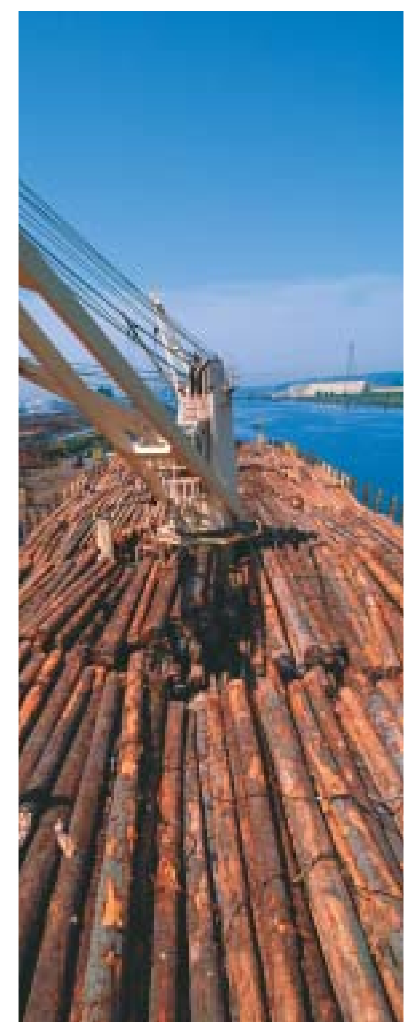
Capital régional et coopératif Desjardins has entrusted the management of its operations and its investment and liquid portfolios to Desjardins Venture Capital, one of the most important managers of venture capital funds in Québec. Desjardins Venture Capital professionals are responsible for analyzing investment proposals, issuing investment or divestment recommendations, completing transactions and monitoring the investment portfolio.

In addition to extensive experience in business management, financing, mergers and acquisitions, expansion, stock market listings as well as sales and marketing, these managers have industry or regional expertise. They can build teams made up of generalists and specialists working closely together and achieving synergy. In short, they can add value to portfolio companies and cooperatives by offering their expertise to entrepreneurs and supporting them in the management of their businesses.

UNPARALLELED REGIONAL NETWORK IN QUÉBEC

One of the main assets of Capital régional et coopératif Desjardins is no doubt the vast network of caisses and Corporate Financial Centres that has made Desjardins a household name in the province. A second major asset is the presence of the Company's manager across Québec. As at December 31, 2003, Québec entrepreneurs could benefit from services provided by 14 offices in the following regions: Bas-Saint-Laurent, Centre-du-Québec, Chaudière-Appalaches, Estrie, Gaspésie–Îles-de-la-Madeleine, Lanaudière, Laval–Laurentides, Mauricie, Montérégie, Montréal, Outaouais, Québec City, Richelieu-Yamaska and Saguenay–Lac-Saint-Jean. Two more offices will be opened in Abitibi-Témiscamingue and Côte-Nord in the first half of 2004.

The specialists working at these offices are extremely familiar with specific regional characteristics and are supported by industry experts with respect to more specific needs. Consequently, Québec entrepreneurs can access the best advice for their business projects.



ENTREPENEURSHIP EMERGING IN SAGUENAY–LAC-SAINT-JEAN

The Saguenay–Lac-Saint-Jean economy is dominated by resource extraction and primary processing in three main industry sectors: aluminum, wood and agri-food. With large aluminum and wood corporations employing a high number of people over many years, the region has become heavily dependent on these industries. It is therefore no surprise that entrepreneurship among the local population is relatively undeveloped.

Nonetheless, several factors are currently facilitating entrepreneurship, especially the tax measures introduced by the Québec government to promote the development of secondary and tertiary aluminum processing in the region, now known as the *Vallée de l'aluminium* (Aluminum Valley).

However, since the beginning of the 1990s, the region has been well positioned in the forestry sector. Plans are under way to process wood in the region prior to exporting and thus circumvent the issue of lumber export duties. Such new projects bode well for the future of the industry in the region.

Finally, northern crops constitute a third emerging business pole. Numerous research studies show that certain crop varieties not only grow very well but are especially suitable for cultivation in the region.

Since Capital régional et coopératif Desjardins was created, Saguenay–Lac-Saint-Jean entrepreneurs have had additional financing available for their projects. Moreover, given the Company's mission, cooperatives have a new financial partner now. In addition to financing, this aspect of the Company's mission can play a role in bringing together the region's entrepreneurs and cooperatives to work alongside toward the realization of business projects.

Michel Lacroix
Regional Manager
Saguenay–Lac-Saint-Jean
Charlevoix–Côte-Nord

Capital régional et coopératif Desjardins' projects in the Saguenay–Lac-Saint-Jean region in 2003 included investments in two new wood-processing companies. Both companies are offering an alternative solution for processed wood used externally in building construction. ThermoTech will be distributing a Finnish technology for roasting wood while Bois BT will process wood using the technology acquired from ThermoTech. Since the high temperatures (between 230°C and 260°C) used during the treatment eliminate particles prone to attacks by biological agents, roasted wood does not deteriorate and can be easily processed. The region will be able to sell wood-roasting equipment as well as roasted wood, thus meeting the needs of two types of potential buyers.

THE BUSTLING ESTRIE REGION

Although agriculture and forestry are the traditional economic sectors in Estrie, manufacturing is also solid and diversified. In fact, manufacturing is currently experiencing a labour shortage in the region and several companies that recently underwent significant expansion are hard-pressed to find specialized personnel.

Moreover, thanks to its three main university research poles (the Institute of Pharmacological Research at the University of Sherbrooke, the University Hospital Centre of the University of Sherbrooke, and Bishop's University in Lennoxville), the region has several facilities that promote research and development, especially in the health and biomedical sectors.

Desjardins' role in the venture capital industry has gained in reputation since the arrival of Capital régional et coopératif Desjardins in Estrie. Furthermore, given its mission and resources, the Company can now finance larger projects than it could previously.

To sum up, much time and effort have been invested over the past two years for promoting Capital régional et coopératif Desjardins. Since entrepreneurs in the region are now well aware of the Company's mission and financial resources, the number of investments should increase sharply during 2004.

François Lapointe
Regional Manager
Estrie

The reopening of the Tissages Sherbrooke plant was no doubt one of the investment highlights in Estrie in 2003. Closed down in June 2002 by its previous U.S. owner, the plant was acquired and restarted by a group of local entrepreneurs. The company is in excellent financial shape now, employs approximately 200 people and has a solid customer base.

Capital régional et coopératif Desjardins also financed the expansion of Ferti-Val. The company, which has developed a composting technology, is positioning itself as one of the leading providers of innovative waste processing solutions.

HIGH-TECH SECTOR EMERGES IN BAS-SAINT-LAURENT AND GASPÉSIE–ÎLES-DE-LA-MADELEINE

The industrial, manufacturing, forestry and fisheries sectors make significant contributions to the economy of Bas-Saint-Laurent and Gaspésie–Îles-de-la-Madeleine. Manufacturing industries such as food, wood, steel, pulp and paper and transportation equipment are vital for the growth of the region. In addition, the region is focusing on communications and new technologies as well as activities related to the maritime and wind energy sectors.

A marine biotechnology industry is emerging in the region to meet a specific need - optimal utilization of fishing resources that have been dwindling at an alarming rate for around 10 years. This industry extracts high value-added products from residual marine products that have not been subject to genetic manipulation.

The regional arm of Desjardins Venture Capital has been present in Bas-Saint-Laurent for 30 years but funds have been rather limited. The amount of available funds has increased fivefold since the arrival of Capital régional et coopératif Desjardins. For instance, investments made during the previous 30 years totalled approximately $14 million whereas Capital régional et coopératif Desjardins has already committed more than $4 million since its arrival in the region two years ago.

In addition, a new office was opened in Maria, Gaspésie, during 2003. Unlike several other investors that have closed a number of regional offices, Desjardins is reinforcing its presence in the region.

Michel Leclerc
Regional Manager
Bas-Saint-Laurent
Gaspésie–Îles-de-la-Madeleine

Among other 2003 projects in the Bas-Saint-Laurent region, Capital régional et coopératif Desjardins invested $1.4 million in PG Systèmes, a Rimouski-based company specialized in software for municipalities. These funds enabled the company to acquire one of its most significant competitors based in Québec City. Thanks to the strategic acquisition, PG Systèmes became PG Mensys Systèmes d'Information, one of the two main players in this industry in Québec. The Information Technology team made a significant contribution to this project, which admirably demonstrates the synergy between the industry and regional teams of Capital régional et coopératif Desjardins' manager.

During the year, Capital régional et coopératif Desjardins also invested in Aqua-Biokem BSL, a Matane-based company that processes shrimp waste and algae into natural fertilizer, protein-rich food and cosmetics.

INDUSTRY TEAMS COMPLEMENT REGIONAL OPERATIONS

Capital régional et coopératif Desjardins invests in most economic sectors, which can be grouped into three main areas: life sciences, industrial, IT and telecommunications.

PROSPECTING KEY TO LIFE SCIENCES IN 2003

This sector comprises healthcare and biotechnology companies. A great deal of prospecting was conducted in 2003 to join forces with the best companies in Québec. Approximately $12.2 million was invested during fiscal 2003 while commitments were made for another $25.2 million in 14 companies. In just two years, Capital régional et coopératif Desjardins has succeeded in building a high-quality portfolio comprising 16 companies from this high-potential sector.

Life sciences no doubt have a very promising future. An aging population that is faced with increasing healthcare needs and seeks to improve its quality of life will no doubt provide numerous market opportunities. Capital régional et coopératif Desjardins intends to be there to support the growth of healthcare companies. Besides, since the Company was created recently, investments in the sector were made after the technology stock market bubble burst, that is, at a time when prices were lower. The value of these investments are expected to be maintained or even slightly increased in 2004.

INDUSTRIAL SECTOR EXPANDS IN REGIONS

The industrial sector comprises several subsectors, including agri-food, manufacturing, aerospace and forestry. Venture capital investments in these areas are generally smaller and are usually not syndicated. Globalization is often a necessity for industrial companies, which need venture capital especially in start-up and significant expansion phases.

However, with very low interest rates facilitating project financing at the present time, entrepreneurs are less inclined to resort to venture capital, which involves giving up ownership stakes. Additionally, venture capital investors are discouraged by the valuations of industrial companies, which remain high compared with the downward trend in technology sectors.

Nonetheless, the industrial sector is playing an active role in many Québec regions, and Capital régional et coopératif Desjardins has made numerous investments in this sector, despite the general environment. In fact, investments were made during the year for a total of $15.2 million. Commitments for $15.9 million were made in 28 companies.

TIMING IS RIGHT FOR INVESTING IN INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

The IT and telecommunications sector has been significantly consolidated, restructured and downsized during the past two years and is now better positioned for the future. Furthermore, with company valuations falling to more realistic levels following a major correction, the timing is right for investments in the sector.

As in the case of life sciences, the recent creation of Capital régional et coopératif Desjardins is an advantage for the Company in this sector since the technology bubble burst before its first investments were made. With valuations of technology and telecommunications companies at a record low, prices can only appreciate in the short and medium terms, especially since the sector has taken the necessary measures to shore up its bases.

In 2003, Capital régional et coopératif Desjardins invested $14.6 million and made commitments for $20.5 million in 16 IT and telecommunications companies. Since its inception, the Company has invested in 25 companies in this sector.

Diane Déry
General Manager of the Corporate
Financial Centre for Québec City,
Caisses Desjardins des Hautes-Marées

CLOSE COOPERATION WITH THE WIDE DESJARDINS GROUP NETWORK

The Desjardins Group network covers all of Québec. In addition to the caisses, it includes numerous Corporate Financial Centres whose mission is to meet the needs of Québec entrepreneurs. Thanks to their in-depth knowledge of the business solutions proposed by Desjardins, they often refer investment accounts to Capital régional et coopératif Desjardins' manager.

"With the arrival of Capital régional et coopératif Desjardins in our region, we can provide venture capital to a larger number of businesses," noted Diane Déry, General Manager of the Corporate Financial Centre for Québec City, Caisses Desjardins des Hautes-Marées. "There are substantial venture capital requirements in the Québec City region, because the economy there has been undergoing major changes for the past 10 years or so. Many businesses have been created, particularly in the biotechnology, optics and photonics industries, and for many of them growth would not be possible without venture capital support. We therefore refer accounts to the Québec City regional office of Capital régional et coopératif Desjardins' manager, and this cooperation has resulted in two investments," added Ms. Déry.

"For us, one of the great benefits of working with Capital régional et coopératif Desjardins is the decentralization of their decision-making. Although some venture capital firms operate regional offices, investment decisions for most of them are made in Montréal. However, because of the major differences that often exist among regions, we believe it is essential for decisions to be made by local people who have solid knowledge of geographic realities," concluded Ms. Déry.

Capital Raising and Share Ownership

CAPITAL RAISING CONDUCTED BY CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS GENERATED STRONG RESULTS IN 2003. THE SHARES OF THE COMPANY ARE INCREASINGLY POPULAR AND HAVE EVEN BECOME SCARCE. INDEED, IN MARCH 2003, THE COMPANY ANNOUNCED THAT THE NUMBER OF AVAILABLE SHARES WAS INSUFFICIENT TO MEET DEMAND FOR THE CURRENT YEAR. THE NEW TAX MEASURES ADOPTED BY THE QUÉBEC GOVERNMENT IN JUNE THAT REDUCED THE MAXIMUM AMOUNT OF CAPITAL RAISING BY 50% TO $75 MILLION, THEREFORE ACCELERATED AND INCREASED THE SCARCITY PHENOMENON NOTED IN MARCH TO SUCH AN EXTENT THAT CAPITAL RAISING ENDED ON SEPTEMBER 9.

RAISING $163.6 MILLION IN EQUITY CAPITAL

Between January and September 2003, 16,252,477 shares were bought by Québec investors for a total of $372 million, compared with $208.3 million last year. Such successful capital raising results from unprecedented effort and mobilization that only Desjardins can accomplish. The Company's shares were sold out during the summer, a period that is not conducive to year-end financial planning. We wish to underline the outstanding work performed by advisors posted at the 1,476 Desjardins sales outlets.

SOME 105,000 SHAREHOLDERS

As at December 31, 2003, Capital régional et coopératif Desjardins had 104,943 shareholders, up 46% over the 72,105 registered at the end of 2002. It should be noted that such an increase in share ownership may not be repeated in the coming years. Indeed, taking into account the annual subscription limit of $150 million, two thirds of the 105,000 or so shareholders will be able to avail themselves of future issues.

VALUABLE INVESTMENT

The shares of Capital régional et coopératif Desjardins are easily accessible and offer attractive tax benefits. The minimum amount of the initial subscription is $500, and subsequent investments can be less, provided they are multiples of $100. As well, investors can benefit from a 50% tax credit granted by the Québec government, which alone represents an after-tax compound annual return of more than 9% over the mandatory holding period of 7 years, assuming the share value is maintained at the initial issue price of $10. Finally, since the shares are not eligible for RRSPs, they serve as an excellent complement for investors who have maximized their contributions in this regard.

REDEMPTION OF SHARES, UNDER CERTAIN CONDITIONS

An investor's shares may be redeemed under the following conditions:

- A written request in this respect is received within 30 days following the subscription;
- The shares have been held for 7 years;
- The shares were received in settlement of a succession;
- The shareholder suffers from a disability that prevents him or her from working.

The shares may also be purchased by agreement if the shareholder:

- Did not benefit from the tax credit to which he or she was entitled;
- Emigrated from Canada permanently;
- Is suffering from a serious illness;
- Has an urgent need for cash to cover extraordinary expenses related to health problems or an accident.

In 2003, only 661 shareholders requested the cancellation of their subscription within the 30-day period, while 290 shareholders requested a partial or total redemption of their shares for other reasons.

Board of Directors

of Capital régional et coopératif Desjardins (as at January 14, 2004)

THE COMPANY'S BUSINESS IS ADMINISTERED BY A BOARD OF DIRECTORS MADE UP OF THE FOLLOWING PERSONS:

1 **Bruno Riverin** (2)(4)
Chairman of the Company's Board of Directors
and Corporate Director

2 **Luc Chabot** (2)(4)
President and General Manager of the Company,
President and Chief Operating Officer of
Desjardins Venture Capital

3 **Yves Lavoie** (2)(4)
Vice-Chairman of the Company's Board of Directors
and Corporate Director

4 **Gilbert Beaulieu**
Secretary of the Company's Board of Directors,
General Manager,
Caisse populaire de Vaudreuil

5 **Lorrain Barrette, FCA** (1)
President,
Caisse populaire Desjardins de la M.R.C.
de Rouyn-Noranda

6 **Jean Boisvert** (1) *
President,
Solvteq inc.

7 **Évangéliste Bourdages** (3)
President,
Groupe Ohméga Inc.

8 **Serges Chamberland** (1)
Director,
Administrative and Financial Services,
City of Saguenay

9 **Serge Cousineau** (1)
General Manager,
Caisse populaire de Drummondville

10 **Pierre Gauvreau, FCA** (2)
Chief Executive Officer,
Coopérative fédérée de Québec

11 **Luc Labelle, M.Sc.** (3)
President,
Réseau LCL inc.

12 **Denise Verreault** (3)
President,
Groupe maritime Verreault Inc.

13 **Carole Voyzelle** (2) *
President and General Manager,
Parc technologique du Québec métropolitain

(1) Member of the Audit Committee
(2) Member of the Executive Committee and of the Purchase Exchange Committee
(3) Member of the Conduct Review Committee
(4) Member of the Investment Committee
* Outgoing and may be re-elected at the Annual General Meeting of the shareholders.

Review of Financial Position

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS AS AT DECEMBER 31, 2003

THE OBJECTIVE OF THIS MANAGEMENT REPORT IS TO PROVIDE A BETTER UNDERSTANDING OF THE COMPANY'S OPERATIONS. IT SHOULD BE READ IN CONJUNCTION WITH THE AUDITED ANNUAL FINANCIAL STATEMENTS AND THE ACCOMPANYING NOTES. THIS DISCUSSION AND ANALYSIS CONTAINS MANAGEMENT'S ANALYSIS OF CERTAIN FORWARD-LOOKING STATEMENTS. CAUTION SHOULD BE EXERCISED IN THE INTERPRETATION OF THIS ANALYSIS AND STATEMENTS, SINCE MANAGEMENT OFTEN MAKES REFERENCE TO OBJECTIVES AND STRATEGIES THAT CONTAIN RISKS AND UNCERTAINTIES.

Due to the nature of the Company's operations, the related risks and uncertainties could cause the actual results to differ materially from those contemplated by these forward-looking statements. The Company disclaims any intention or obligation to update or revise forward-looking statements based on any new information or event that may occur.

1 THE COMPANY'S MAIN OPERATIONS

The Company was created on July 1, 2001 with the coming into force of the incorporating act adopted by the Québec National Assembly on June 21, 2001. It was founded on the initiative of Mouvement des caisses Desjardins, and its mission is to mobilize venture capital in support of all regions of Québec. One of the Company's priorities is to invest in the resource regions of Québec, i.e. Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie–Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay–Lac-Saint-Jean (the "resource regions") and in the capitalization of cooperatives.

The Company was granted a time period of 5 years, namely until fiscal 2006, for the purpose of structuring and making operational the three main activities underlying its growth: capital raising, as well as investments in eligible entities and in securities.

1.1 Raising Capital

The Company sells its shares only through the Desjardins caisses network. As at December 31, 2003, this distribution network consisted of 578 Desjardins caisses and 898 service centres, for a total of 1,476 sales outlets.

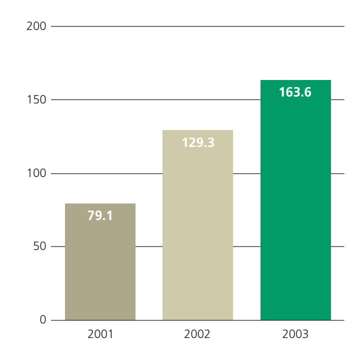
Since it started selling shares in November 2001, the Company has always been successful. In fiscal 2003, it completed the sale of its 2002 share issue and sold all of its 2003 issue. The Company raised $163.6 million in fiscal 2003, bringing the total number of shareholders as at December 31, 2003 to 104,943 and the share capital to almost $372 million.

Because of the 57-day subscription period in 2001 and the tax measures announced by the Québec government in 2002 and 2003, the active periods for raising capital are different from one fiscal year to another.

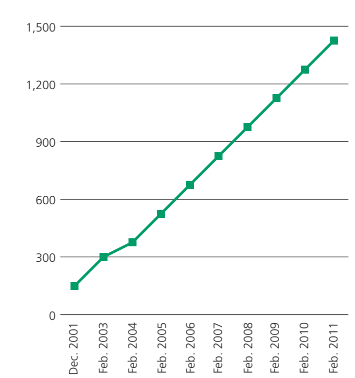
On July 16, 2002, the ministère des Finances du Québec (Québec Department of Finance) introduced a major amendment to facilitate the acquisition of the Company's shares by extending until the last business day in February the period for acquiring shares and benefiting from the tax credit for the previous year.

In the Québec budget of June 12, 2003, the annual limit for the increase in share capital for fiscal 2003 (ending February 29, 2004) was reduced to $75 million. This limit was reached as early as September 2003.

RAISING CAPITAL (IN $M) (ANNUAL)



ANNUAL REGULATORY LIMIT FOR SHARE ISSUES (IN $M) (CUMULATIVE)



1.2 Investments in Eligible Entities

The Company's first investments in eligible entities started in February 2002. The portfolio's net value was $33.7 million as at December 31, 2002. With investments totalling approximately $57.4 million in fiscal 2003, the year ended with investments whose fair value amounted to $91.1 million.

The Company's investment activities expanded quickly and exceeded investments in 2002 by more than 1.5 times. With this rate of growth expected to pick up in the coming six-month periods, the Company will be able to meet the investment requirements provided for in the Act and applicable as of the fiscal year beginning on January 1, 2006.

In accordance with Canadian accounting practices, the Company elected to account for its unsecured investments impacting on the Québec economy at fair value.

In fiscal 2003, two comprehensive reviews of the portfolio were carried out: one for the six-month period ended June 30 and the other for the six-month period ended December 31, 2003. As a result of these reviews, the value of 27 investments was adjusted. In its statement of earnings for the year, the Company recorded a change in unrealized depreciation of $2.95 million for a cumulative portfolio depreciation of $3.44 million reported in the balance sheet as at December 31, 2003.

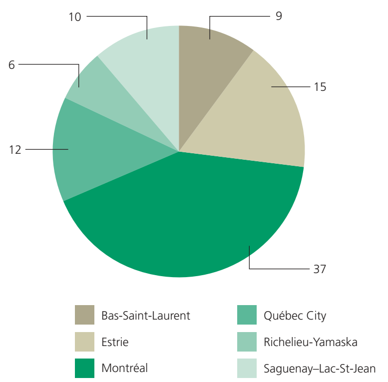
A valuation at fair value of the investment portfolio may have a negative impact on the Company's earnings during its first years of operations. Two factors are behind this:

- In line with the valuation methodology adopted by its Board of Directors, investments that are under 12 months old are not valued, other than those for which a new transaction or significant changes resulted in an impairment of the investment;
- Because of the nature of the Company's operations, namely venture capital investments in small and medium-sized enterprises, problems are more likely to occur early in the investment cycle while successes are more likely to be achieved toward the end of the cycle that is estimated to generally last from 5 to 8 years.

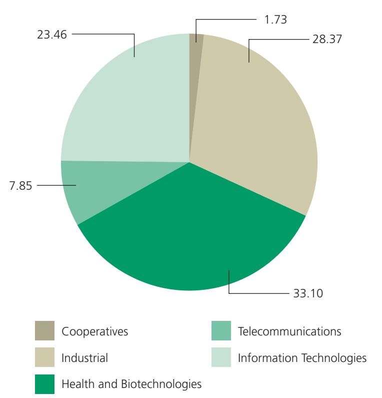
Consequently, the outlook for a positive return generated by the investments in eligible entities should be considered over a period of 5 to 8 years.

The Company and Desjardins Venture Capital (its manager) have adopted investment policies and strategies designed to promote the interest of the Company's shareholders. In this regard, the industry segment and the development stage of the companies in which the Company invests are clearly defined. Moreover, the internal and external auditors of the Company and those of the manager ensure systematic monitoring.

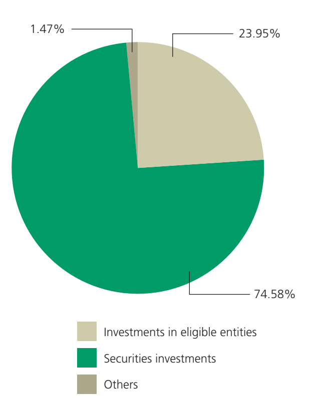
NUMBER OF COMPANIES BY REGION AS AT DECEMBER 31, 2003



TOTAL COMMITMENTS IN $M, AT COST, BY INDUSTRY SEGMENT AS AT DECEMBER 31, 2003



NET ASSETS AS AT DECEMBER 31, 2003



In fiscal 2003, new commitments totalled $61.8 million, of which $42 million were disbursed. Total commitments amounted to $94.5 million in 89 companies, of which $64.9 million were disbursed in 81 portfolio companies. Investments were broken down as follows:

BY REGION	$M	%	NUMBER OF COMPANIES
Bas-Saint-Laurent	4.077	4.3	9
Estrie	9.604	10.2	15
Montréal	70.118	74.2	37
Québec City	6.445	6.8	12
Richelieu-Yamaska	1.958	2.1	6
Saguenay–Lac-Saint-Jean	2.300	2.4	10
Total	94.502	100.0	89

INDUSTRY SEGMENT	$M	%	NUMBER OF COMPANIES
Cooperatives	1.727	1.8	4
Industrial	28.369	30.1	41
Health and Biotechnologies	33.100	35.0	19
Telecommunications	7.850	8.3	6
Information Technologies	23.456	24.8	19
Total	94.502	100.0	89

According to the standards set by the Act and effective as of fiscal 2006, the portion of the Company's investments in eligible entities should account for at least 60% of its average net assets for the preceding year. Furthermore, a portion representing at least 35% of that percentage must be invested in entities located in resource regions of Québec or in cooperatives.

The Company expects to meet its investment objectives on schedule in particular by being present in all administrative regions of Québec. In cooperation with its manager, the number of business offices has grown from 7 as at December 31, 2002 to 14 as at December 31, 2003. This growth will continue in 2004 with the opening of two other regional offices in resource regions.

Business development is the priority in the various regions of Québec. The Company can benefit from the expertise of investment professionals present in the regional offices of its manager, investment professionals specialized in the industrial and health industries as well as in new technologies, financial advisors in the caisses Desjardins, managers of Corporate Financial Centres, as well as directors in the target regions. Over 6,000 persons contribute directly or indirectly to the pursuit of the Company's investment objectives for 2006.

1.3 Securities Investments

The portion of net assets not invested in eligible entities is managed according to an investment policy adopted by the Company's Board of Directors. Taking into consideration the inherent risks of the investment portfolio in eligible entities, the purpose of this policy is to ensure that the portfolio is structured in such a manner that a fair balance is achieved between the optimal return on the portfolio and an acceptable level of risk for the Company's total assets.

Investments consist of temporary investments recorded at the lower of cost and fair value and bonds recorded at their amortized cost. The fair value of fixed-income securities is presented in a note to the financial statements.

Since the start of the Company's operations, investments are managed so as to protect shareholders' capital. As in 2002, the amounts available as at December 31, 2003, which totalled nearly $315 million, were invested almost exclusively in highly liquid bonds with low credit risk. As at December 31, 2003, almost 80% of the securities held in the portfolio were government-guaranteed. In addition, in the first half of 2003, the investment policy was reviewed. Management and risk control tools were implemented and a conservative portfolio management style designed to minimize interest-rate risks while maximizing investment income was initiated.

Moreover, significant effort was made in 2003 to respect the Company's tax features, while ensuring accountable management of the portfolio. In this regard, the Company did not hesitate to call on specialists for the selection of securities intended to minimize tax liabilities, while maintaining investment diversification and security.

(1) In 2002, the Company changed its accounting method for software from the method used in 2001. This change resulted in a restatement in fiscal 2001 and did not have any impact on the Company's net assets, net earnings and cash flows for the years ended December 31, 2001 and 2002. For information about this restatement, please see note 2 of the financial statements for the year ended December 31, 2002.

(2) Net earnings per share were calculated using the weighted average number of common shares outstanding during the year.

(3) Including unsecured investments impacting on the Québec economy and investments in bond and money markets.

(4) Including the proceeds from the issue of shares and the non-refundable grants in the amount of $10 million in equal shares from the ministère de l'Industrie et du Commerce du Québec (Québec Department of Industry and Commerce) and the Mouvement des caisses Desjardins.

In light of the amortized cost method, interest income derived primarily from investments in bonds are recorded at the effective rate of the bond at the date of acquisition. The gains on disposal are recorded at the date of sale and represent the difference between the sale proceeds and the cost. Investment income in the amount of $13 million as well as gains on disposal of other investments in the amount of $4.5 million constitute the Company's main sources of revenue for 2003.

The Company plans to carry on with the management of its liquid portfolio in this manner until its investment portfolio reaches a certain level of maturity.

2 SELECTED FINANCIAL INFORMATION

2.1 Annual Information

The following table sets forth audited annual financial information selected by the Company. This financial information was taken from the audited financial statements of the Company and the accompanying notes which are incorporated herein by reference. This financial information should be read in conjunction with these financial statements.

ANNUAL FINANCIAL INFORMATION

Years ended December 31

(in thousands of $, except the number of shares and per share data)

	2003	2002(1)	2001(1) Restated 57-day period
Data from statements of earnings			
Revenue	16,706	7,908	1,608
Expenses	7,853	4,439	1,534
Earnings before income taxes	8,853	3,469	74
Income taxes	3,065	1,081	51
Net earnings for the year	5,788	2,388	23
Weighted average number of common shares	32,823,844	12,473,600	3,952,725
Net earnings per common share (2)	0.18	0.19	0.01
Data from balance sheets			
Unsecured investments impacting on the Québec economy	91,061	33,729	-
Total assets	381,959	221,304	92,616
Liabilities	1,806	10,565	13,539
Shareholders' equity	380,153	210,739	79,077
Number of outstanding common shares	37,085,339	20,832,862	7,905,450
Net value per common share	10.25	10.12	10.00
Data from cash flows			
Cash flows used in investing activities (3)	(164,885)	(141,999)	(72,127)
Cash flows from financing activities (4)	163,626	129,274	88,910

2.2 Semi-Annual Information

The following table sets forth semi-annual financial information selected by the Company. This financial information was taken from the audited financial statements of the Company and the accompanying notes which are incorporated herein by reference. This financial information should be read in conjunction with these financial statements.

			2003
Data from statements of earnings (in thousands of $, except per share data)	**1st half** *(audited)*	**2nd half** *(change)*	**Year** *(audited)*
Revenue	10,943	5,763	16,706
Expenses other than non-refundable grants	6,757	6,111	12,868
Non-refundable grants	(2,661)	(2,354)	(5,015)
Earnings before income taxes	6,847	2,006	8,853
Income taxes	1,834	1,231	3,065
Net earnings	5,013	775	5,788
Weighted average number of common shares	28,769,848	36,877,839	32,823,844
Net earnings per common share(2)	0.17	0.02	0.18

			2002(1)
Data from statements of earnings (in thousands of $, except per share data)	**1st half** *(audited)*	**2nd half** *(change)*	**Year** *(audited)*
Revenue	1,479	6,429	7,908
Expenses other than non-refundable grants	2,566	4,866	7,432
Non-refundable grants	(1,283)	(1,710)	(2,993)
Earnings before income taxes	196	3,273	3,469
Income taxes	188	893	1,081
Net earnings	8	2,380	2,388
Weighted average number of common shares	9,325,545	15,621,655	12,473,600
Net earnings per common share(2)	0.00	0.15	0.19

	2001 (1)
Data from statements of earnings (in thousands of $, except per share data)	**Restated 57-day period** *(audited)*
Revenue	1,608
Expenses other than non-refundable grants	3,382
Non-refundable grants	(1,848)
Earnings before income taxes	74
Income taxes	51
Net earnings	23
Weighted average number of common shares	3,952,725
Net earnings per common share(2)	0.01

(1) In 2002, the Company changed its accounting method for software from the method used in 2001. This change resulted in a restatement in fiscal 2001 and did not have any impact on the Company's net assets, net earnings and cash flows for the years ended December 31, 2001 and 2002. For information about this restatement, please see note 2 of the financial statements for the year ended December 31, 2002.

(2) Net earnings per common share were calculated using the weighted average number of common shares outstanding during the period or year.

2.3 Dividends

The Company has a policy of reinvesting its annual operating income and not paying dividends to shareholders in order to increase its capital available for investment in eligible entities and create share appreciation.

3 LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities, combined with capital raising, enabled the Company to invest $42 million in eligible entities and over $122 million in bonds and temporary investments in fiscal 2003.

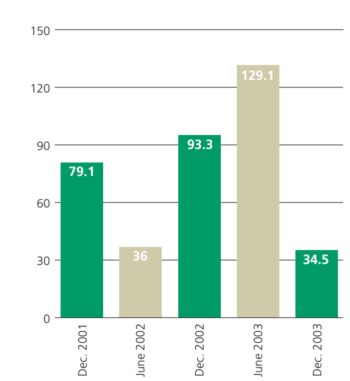
Considering the capital-raising activities that continue until February 2011 and the requirement of shareholders to hold their shares for at least 7 years before they are eligible for redemption, the Company does not anticipate a shortage of liquidity in the short or medium terms.

4 OPERATING RESULTS

This analysis is intended to provide shareholders with an overview of the major changes that took place from the year ended December 31, 2002 to that ended December 31, 2003.

Despite unfavourable conditions for the venture capital industry, especially with respect to the high-tech segment, the Company made new investments and generated earnings in the past year.

RAISING CAPITAL (IN $M)
(SEMI-ANNUAL)



4.1 Revenue

The Company's start-up activities are advancing at such a pace that a comparison of results from one period to another is not representative.

(in thousands of $)	2003	2002	2001
Revenue			**Restated 57-day period**
Investments			
Realized revenue	17,513	6,034	71
Investments			
Realized revenue	672	776	-
Change in unrealized appreciation (depreciation)	(2,950)	(491)	-
	(2,278)	285	-
Membership dues	1,471	1,589	1,537
Revenue	16,706	7,908	1,608

During the fiscal year ended December 31, 2003, revenues totalled $16.7 million, compared with $7.9 million for 2002. Fiscal 2002 was the Company's first full year of operations.

For the initial 57-day 2001 fiscal period, revenue was essentially derived from membership dues. Since capital raising started only in November 2001 and increased in the final 3 weeks of December 2001, revenue from term deposits was for a short period and therefore insignificant. However, for the fiscal years subsequent to 2001, investment income contributed significantly to the Company's revenue. For fiscal 2003 and 2002, investment income amounted to $17.5 million and $6 million respectively. In addition to interest income, and with the manager's expertise, the Company realized capital gains on the disposal of certain investments, and this contributed to its profitability.

The first investments in eligible entities date back to February 2002. The financial impact of these transactions was reflected in the Company's earnings as early as the first half of 2002 by way of interest income on unsecured debentures and negotiation fees. Realized depreciation and the change in unrealized appreciation (depreciation) recorded in the second half of 2002 and fiscal 2003 clearly reflect the reality of our operations. Since the beginning of its investing activities in 2002, the Company recorded related revenue in the amount of $0.3 million in 2002 and losses of $2.3 million in 2003. As mentioned previously, because of the nature of the investments involved, namely venture capital investments in small and medium-sized enterprises, problems are more likely to occur early in the investment cycle while successes are more likely to be achieved toward the end of the cycle that is estimated to generally last from 5 to 8 years.

Revenue from membership dues, which are required of all new shareholders on opening an account, is directly related to capital raising. In 2001 and 2002, the Company raised more capital in the second half of the year. However, the legislative amendment announced in July 2002 that extended until the last business day in February of the Company's share acquisition period and the application of the tax credit in respect of the previous taxation year explains the increase in membership revenue in the first half of 2003 compared with the preceding fiscal years when membership dues were primarily recorded in the second half of the year.

Revenues from membership dues are derived primarily from charges of $43.47 ($50, including taxes) required on a shareholder's initial subscription and on closing of his or her account. Considering that the charges required on opening an account are the primary source of revenue and in light of the critical mass of more than 100,000 shareholders reached as of September 2003, the Company anticipates that revenue derived from membership dues will be much less important in future years.

4.2 Expenses

(in thousands of $)	2003	2002	2001
Expenses			**Restated 57-day period**
Operating expenses	10,378	5,265	2,749
Shareholder services	1,952	1,684	548
Capital tax	81	63	85
Amortization of software	457	420	-
	12,868	7,432	3,382
Non-refundable grants	(5,015)	(2,993)	(1,848)
Expenses	7,853	4,439	1,534

Expenses consist mainly of operating and shareholder services expenses. These expenses were partially offset by non-refundable grants to the Company.

Operating Expenses

Management fees incurred in fiscal 2003 amounted to $9.8 million, or 94% of total operating expenses of $10.4 million, compared with $4.8 million or 92% of total operating expenses in 2002.

The billing basis is comparable from one period to another, since no changes were made to the management agreement. Under this agreement, the management fees are equivalent to 3% of the annual average net value of the Company's assets, less all amounts payable for the acquisition of investments and the balance of deferred non-refundable grants. This percentage will be reduced to 2.5% as of the fiscal year following the year in which the net value of assets reaches $750 million. At the current rate of authorized capital raising, which is $150 million annually, the Company expects this reduced rate will be applied as of fiscal 2007.

Shareholder Services

The Company has appointed Desjardins Trust as shareholder registrar and share transfer agent. It also acts as an agent for various shareholder support services, and this represents, since the beginning of the Company's operations, the primary component of expenses in respect of shareholder services. For fiscal 2003, the services provided by Desjardins Trust amounted to over $1.6 million, or 83% of shareholder services expenses.

The increase in expenses related to the management of shareholder accounts is attributable to the fact that the number of shareholders rose from 72,105 as at December 31, 2002 to 104,943 as at December 31, 2003. Expenses varied proportionately and increased almost 40% from $1.2 million in 2002 to $1.6 million in 2003. However, the Company expects that trustee expenses will level off, since the number of shareholders is unlikely to rise significantly in the coming years.

Capital Tax

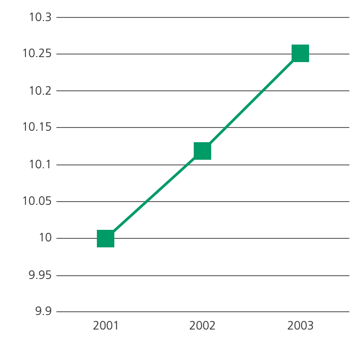
The selection of securities eligible for an investment deduction in the determination of Québec capital tax helped minimize tax liabilities while ensuring investment diversification and security. As at December 31, 2003, almost 99% of the investment portfolio consisted of investments eligible for Québec capital tax purposes.

Non-Refundable Grants

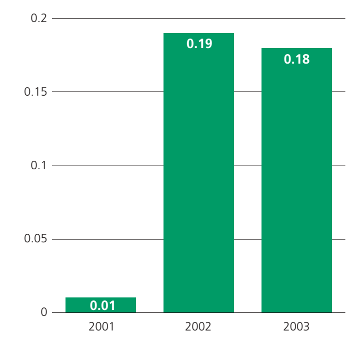
The Mouvement des caisses Desjardins and the ministère de l'Industrie et du Commerce du Québec (Québec Department of Industry and Commerce) gave the Company, in equal shares, grants totalling $10 million. The grants were extended for the purpose of giving the Company start-up assistance with respect to all current expenses related to its organization activities.

The deferred balance of grants totalled $5.0 million as at December 31, 2002 and was fully amortized as at December 31, 2003.

NET VALUE PER COMMON SHARE IN DOLLARS



NET EARNINGS PER COMMON SHARE IN DOLLARS



Income Taxes

Income taxes amounted to $3.1 million in 2003, compared with $1.1 million in the previous year. For Québec taxable income purposes, the Company was authorized to deduct, prior to June 13, 2003, for a given taxation year, an amount not exceeding its taxable income for the year. Accordingly, the Company had no Québec income tax payable. Since June 12, 2003, the Company is subject to Québec income tax. The legislative amendment resulted in additional taxes payable in the amount of $241,000 in the second half of the year, or 4.93% of taxable income.

In addition to current income taxes, future income taxes represent a major component of tax expenses. Since the grants were fully amortized as at December 31, 2003, future income taxes recorded previously as a result of the difference between the accounting and tax treatment of the grants were reversed.

As at December 31, 2003, with almost 69% of the investment portfolio consisting of eligible investments for federal tax on large corporations purposes, the Company minimized the tax impact.

Net Earnings

Net earnings totalled $5.8 million for the year ended December 31, 2003. As a result, earnings per share amounted to $0.18 based on the weighted average number of common shares. Net asset value per common share increased from $10.00 as at December 31, 2001 to $10.12 as at December 31, 2002, and closed at $10.25 as at December 31, 2003 based on the number of common shares outstanding at year-end.

The Company partly amortized operating expenses thanks to the grants. Proceeds from the grants combined with investment income have to date contributed to the Company's positive results. In the coming years, prudent investment portfolio management and the selection of quality and promising projects will continue to be the key elements for the Company to generate an attractive long-term return for shareholders.

5 ACCOUNTING POLICIES

5.1 Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates 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 main estimates relate to determining the fair value of unsecured investments impacting on the Québec economy. Actual results could differ from those estimates.

The fair value of the unsecured investment portfolio impacting on the Québec economy is determined on a semi-annual basis according to a methodology recommended by the manager's valuation committee and approved by the Company's Board of Directors. The manager's management prepares a detailed valuation report and a team of employees specialized in business valuation assists in determining the fair value. In preparing analyses, management draws on the services of an outside expert in business valuation, as needed. The report is then submitted to the manager's portfolio valuation advisory committee. The committee consists of a director of the manager, a director of the Company and two outside members. An expert in business valuation also attends the meetings. The committee receives the report, discusses it, ensures the reasonableness of the report based, as necessary, on the advice of outside experts, and makes a final recommendation to the Company's Board of Directors.

According to the portfolio valuation methodology implemented by the manager in January 2002, the valuation technique to be used is determined according to the following hierarchical order:

- Based on the market value for public companies;
- Based on a transaction that took place in the past 12 months, if any;
- Based on a valuation method in other cases.

The valuation method in other cases is based on the nature of the company's operations, its development stage, its financial results and the qualitative progress of its operations.

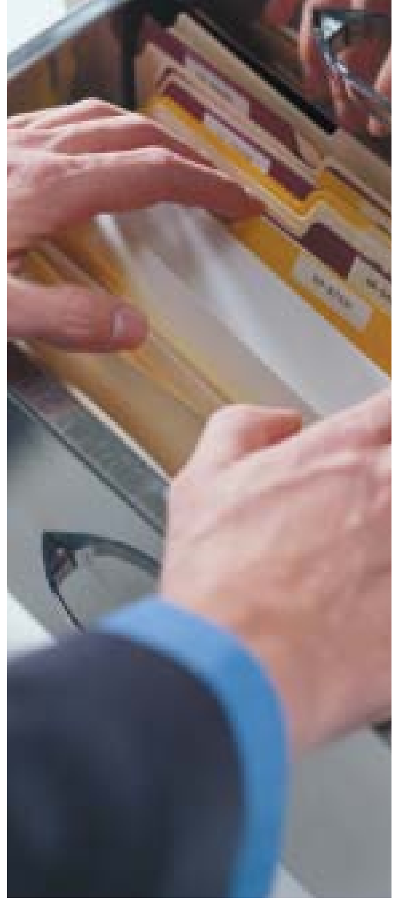
5.2 New Accounting Standards

In January 2004, the Canadian Institute of Chartered Accountants (CICA) issued a guideline on investment companies (AcG-18). This new standard is used to determine whether an enterprise is an investment company. Under this Guideline, an investment company is required to measure all of its investments at fair value. The Guideline is effective for fiscal years beginning on or after July 1, 2004, and may be applied prospectively or retroactively. Applying the Guideline earlier is encouraged, but the Company has decided not to do so in 2003. Based on our current understanding, the Company's investments in bonds should be measured at fair value and no longer at amortized cost.

The effects of the application of this Guideline on financial statements is being determined.

Section 1100 of the CICA Handbook, generally accepted accounting principles, which describes what constitutes Canadian GAAP and its sources, has been revised. The Section also provides guidance on sources to consult when a matter is not dealt with explicitly in the primary sources of GAAP. The Section significantly minimizes the relevance of industry practice as a reference source of GAAP. Special attention should be paid to industry practices currently included in the Company's accounting policies since these practices may no longer comply with GAAP. Section 1100 applies to fiscal years beginning on or after October 1, 2003.

The effects of the application of Section 1100 as revised cannot be determined at present.



6 ECONOMIC OUTLOOK

The Company enters the venture capital industry at a time when business valuation is experiencing a downward trend and the role of government is uncertain.

On the other hand, interest rates are at historic lows, thereby making it difficult to achieve the performance objectives anticipated for the liquid portfolio, which aims at generating the cash flows needed to cover the operating expenses in the upcoming years.

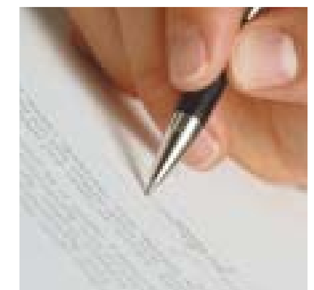
Although one of the Company's objectives is to reach maximum performance, maintaining the share value above the initial issue price of $10 per share and contributing to Québec economic development continue to be its priorities.

6.1 Review of 2003

The past year marked the beginning of the long-anticipated improvement in the global economy. The U.S. economy picked up steam late in the year, Japan is emerging from the doldrums that have overshadowed its economy for the past 10 years and Europe is showing clear signs of stabilization, even recovery. The stock markets registered significant gains (their first gains in 3 years), businesses began investing again, interest rates and inflation remained at historic lows and employment worldwide appeared to be steadying.

More specifically, 2003 proved to be a positive year in the U.S. Although its economy is not yet on the road to long-term growth without risk, the second half of the year points to economic growth. The year was one of uncertainty surrounding the war in Iraq and the geopolitical situation around the world, and was marked by the return to substantial government deficits, the U.S. current account deficit and, in particular, the sharp decline of the U.S. dollar in the currency markets. However, U.S. consumers, buoyed by a job situation that seems to be steadying as well as cash positions provided by significant tax cuts and mortgage refinancings, helped sustain the economy throughout the year.

In Canada, 2003 did not bring on the long-awaited growth. A number of shocks ranging from SARS and mad-cow disease to forest fires in British Columbia and power failures in Ontario together with the lingering softwood lumber dispute as well as the rapid and sharp rise of the Canadian dollar all put a damper on Canadian economic growth. However, thanks to strong domestic demand sustained by solid job creation and a hot real estate market, the year ended on a positive note.



6.2 2004 Outlook

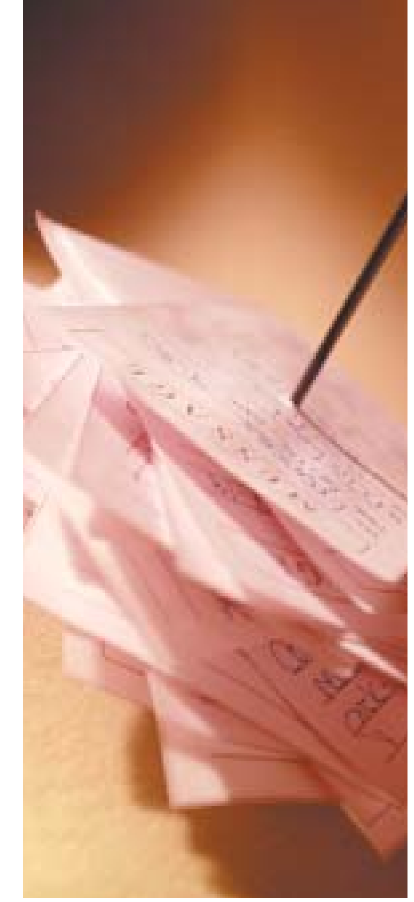
For 2004, the primary theme remains the uncertainty surrounding the sustainability and worldwide ripple effect of U.S. economic growth. Nonetheless, the consensus forecast indicates that the global economy will surge ahead with real GDP growth in excess of 4% and worldwide inflation hovering around 2%. In the past few months, signs of such growth have already appeared throughout the world, with a few central banks even raising their key rates for the first time in several years. With respect to inflation, it remains tame, and this might postpone the need for sizeable rate hikes.

In Canada, uncertainty seems even more present at the start of the new year. Highly exposed to the ups and downs of the U.S. economy, the performance south of the border will be key. In the U.S., an election year, an economy that seems to be growing with little job creation and faced with growing government deficits that limit additional stimulus opportunities, coupled with the high-flying Canadian loonie whose impact has yet to be determined, are the main factors for consideration. In contrast, the Canadian economy is expected to grow almost 3% in 2004, and this should trigger a hike in market interest rates late in the year.

6.3 Venture Capital

Québec accounts for 50% of Canadian funds available for investment and is a major player in the venture capital industry. The information technology and biotechnology segments represent the engines of growth for the venture capital industry. However, after a decade of strong growth, investments have declined sharply since 2002.

The stock market correction, a struggling economy and a tepid market for IPOs and mergers/acquisitions are postponing divestitures (exits) and affecting business portfolio valuations.



The regions represent a critical portion of the activities carried out by Capital régional et coopératif Desjardins in the upcoming years because of its mission to promote regional economic development. Because of the slowdown in investment activities by a number of development funds, syndication (investment involving more than one venture capital firm) has often become more difficult and it will increasingly be so. However, funds are easily available except in riskier and less promising industries such as recreational tourism and mining.

The venture capital industry in Québec is undergoing major changes and the involvement of the Québec government will certainly emphasize this development.

7 ANALYSIS OF RISKS AND UNCERTAINTIES

7.1 Regulatory Matters

The Company is subject to provincial and federal laws, rules, standards, regulations and policies as well as internal rules, by-laws and policies that provide a framework for its operations. The risk is in the ability of the Company to adapt to any regulatory amendment or tightening of policies already in effect.

7.2 Financial Risk

The value of the shares changes based on fluctuations in the value of investments in eligible entities and investments made by the Company.

Interest rates are a significant risk factor for the Company. They have an impact on the anticipated income generated by the investment and liquid portfolios as well as the structure of the transactions.

Management's Report

January 23, 2004

The financial statements and all the information contained in this annual report are the responsibility of management.

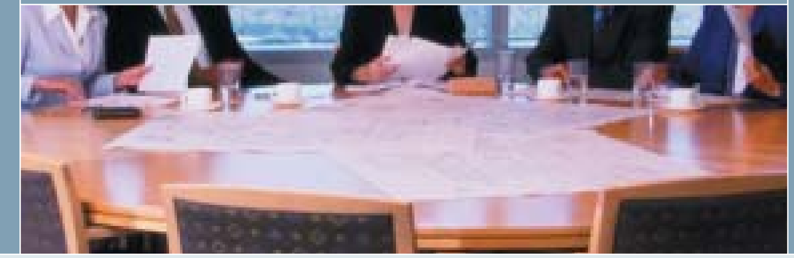
The financial statements have been prepared by management according to Canadian generally accepted accounting principles. While it was possible to apply other accounting methods, management chose those which were judged most appropriate for the circumstances. The financial statements include amounts based on the use of best estimates and judgments. Management has established these amounts in a reasonable manner in order to ensure that the financial statements are fairly presented in all material respects. Management has also prepared the financial information presented elsewhere in the annual report and has ensured that it agrees with the financial statements. The Company maintains control systems for internal accounting and administration. The objective of these systems is to provide a reasonable assurance that the financial information is pertinent, reliable and accurate and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors is entrusted with ensuring that management assumes its responsibilities with regard to the presentation of financial information and is ultimately responsible for the examination and approval of the financial statements. The Board discharges this responsibility principally through its Audit Committee whose members are external directors. This Committee meets periodically with management and the external auditors to discuss the internal controls exercised over the process of presentation of the financial information, questions of auditing and questions on the presentation of financial information in order to assure themselves that each party properly fulfills its function and also to examine the financial statements and the external auditors' report.

The financial statements have been audited on behalf of the shareholders by the external auditors, PricewaterhouseCoopers LLP. The auditors have free and full access to the Audit Committee.

(signed) Sherley Gough, CA
Chief Financial Officer

CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS



Auditors' Report

January 23, 2004

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 Québec 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.

(signed) PricewaterhouseCoopers LLP.
Chartered Accountants

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 Québec economy		
Investments (see schedule)	61,438	23,910
Funds committed but not disbursed (see schedule)	29,623	9,819
	91,061	33,729
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
	381,959	221,304
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	-
	1,806	10,565
Net assets	380,153	210,739
Shareholders' Equity		
Share capital (note 7)	371,967	208,328
Retained earnings	11,627	2,902
Unrealized appreciation (depreciation)	(3,441)	(491)
	380,153	210,739
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,

(signed) Luc Chabot
Director

(signed) Serges Chamberland
Director

Statements of Shareholders' Equity

For the years ended December 31, 2003 and 2002

(in thousands of dollars)	Share capital $	Retained earnings $	Unrealized appreciation (depreciation) $	2003 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

	Share capital $	Retained earnings $	Unrealized appreciation (depreciation) $	2002 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.

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 Québec economy	(1,221)	-
Negotiation fees	840	497
Membership dues	1,471	1,589
Change in unrealized appreciation (depreciation)	(2,950)	(491)
	16,706	7,908
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)
	7,853	4,439
Earnings before income taxes	8,853	3,469
Income taxes (note 8)	3,065	1,081
Net earnings for the year	5,788	2,388
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 Flow
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 Québec 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 Québec economy	(41,998)	(24,401)
Acquisition of investments	(621,064)	(1,349,346)
Proceeds on disposal of unsecured investments impacting on the Québec 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.

Schedule of Unsecured Investments
Impacting on the Québec Economy
As at December 31, 2003

(in thousands of dollars)

	Initial investment year	Industry segment	Unsecured investments: 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 inc.	2003	IT	1,260	-	-	1,260
KM Technologies inc.	2002	IT	-	660	-	660
Lipso Systems inc.	2002	TC	-	800	-	800

(in thousands of dollars)

	Initial investment year	Industry segment	Unsecured investments: Common shares $	Preferred shares $	Debentures and advances $	Total $
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
Opendesk Inc.	2002	IT	-	-	12	12
Original Solutions Inc.	2003	I	-	800	-	800
Osprey Pharmaceuticals Limited	2003	H	-	321	224	545
Phytobiotech 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
Ryshco 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
Technique d'usinage Sinlab inc.	2002	I	-	511	-	511
Technologies Miranda inc.	2002	TC	-	833	400	1,233
Timespring Software Corporation inc.	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						
Cilys 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

Schedule of Unsecured Investments
Impacting on the Québec Economy (continued)
As at December 31, 2003

(in thousands of dollars)

	Initial investment year	Industry segment	Unsecured investments: Common shares $	Preferred shares $	Debentures and advances $	Total $
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)
						61,438
Funds committed but not disbursed						29,623
Fair value						91,061

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

Agreements related to unsecured investments impacting on the Québec 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	Unsecured investments $	Funds committed but not disbursed $	2003 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

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 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 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 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; and
- 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 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 Québec 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 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.

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 Québec or in eligible cooperatives.

Notes to Financial Statements
(continued)

December 31, 2003 and 2002

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

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 Québec 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 Québec 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.

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.

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

2 Significant accounting policies (continued)

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 Québec 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.

Notes to Financial Statements
(continued)

December 31, 2003 and 2002

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

3 Investments

a) Investments include the following:

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

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%

2002 Maturity	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.

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

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
	3,611	4,292

5 Non-refundable grants

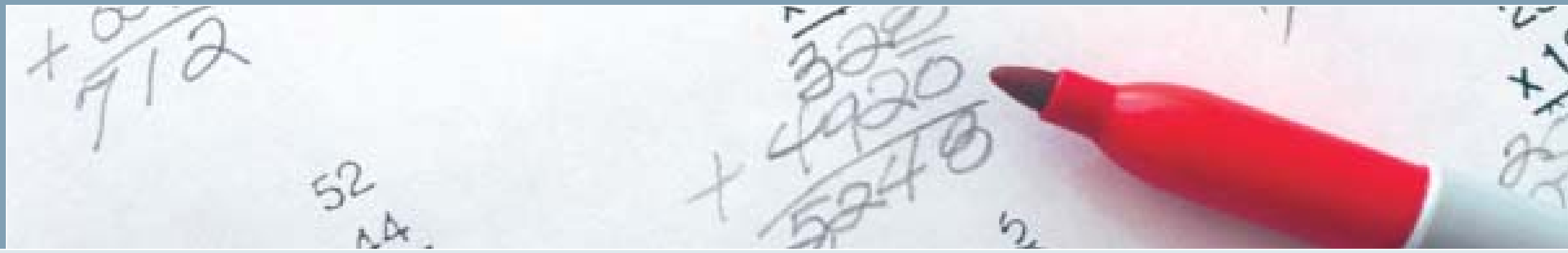
To accelerate the start-up of the Company and the development of its activities in various regions of Québec, the ministère de l'Industrie et du Commerce du Québec and the Mouvement des caisses Desjardins granted the Company, in equal shares, non-refundable grants totalling $10,000,000. These grants 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).

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
	1,101	4,062
Other	276	130
	1,377	4,192

Notes to Financial Statements
(continued)

December 31, 2003 and 2002



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

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 Québec 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)	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.

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 Québec 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.

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

8 Income taxes

For purposes of calculating taxable income in Québec, 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 Québec income taxes. Since June 13, 2003, the Company is subject to Québec 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)
	3,065	1,081

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
Québec, 8.9%	788	-
First 163 days of the period not subject to Québec income taxes	(352)	-
Large corporations tax*	159	88
Permanent differences between earnings before income taxes and taxable income and other	(108)	(25)
	3,065	1,081

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

Notes to Financial Statements
(continued)

December 31, 2003 and 2002

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

8 Income taxes (continued)

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
	654	1,603
Future income tax liabilities		
Software	(898)	(605)
Future income tax assets (liabilities), net	(244)	998

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

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
	(3,307)	16,211

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

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
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

Notes to Financial Statements
(continued)

December 31, 2003 and 2002

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

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.

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.

Shareholder Information

3RD ANNUAL GENERAL MEETING OF
CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

CENTRE DES CONGRÈS DE QUÉBEC
FRIDAY, MARCH 26, 2004 AT 2 P.M., ROOM 200

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AUDITORS
PricewaterhouseCoopers LLP.
Chartered Accountants

FINANCIAL INSTITUTIONS
Caisse centrale Desjardins
Valeurs mobilières Desjardins

SALES OF SHARES IN CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS
Desjardins caisses network in Québec

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Des exemplaires de la version française de ce rapport annuel sont disponibles sur demande.