

Capital régional et coopératif Desjardins

Interim Financial Statements
June 30, 2004

August 2, 2004

Auditors' Report

To the Shareholders of Capital régional et coopératif Desjardins

We have audited the balance sheets of **Capital régional et coopératif Desjardins** (the "Company") as at June 30, 2004 and December 31, 2003 and the statements of earnings (loss), shareholders' equity and cash flows for the six-month periods ended June 30, 2004 and 2003 and the schedule of investments impacting on the Quebec economy as at June 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2004 and December 31, 2003 and the results of its operations and its cash flows for the six-month periods ended June 30, 2004 and 2003 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Capital régional et coopératif Desjardins

Balance Sheets

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

	As at June 30, 2004 \$	As at December 31, 2003 \$
Assets		
Investments impacting on the Quebec economy		
Investments (see schedule)	93,295	61,438
Funds committed but not disbursed (see schedule)	33,201	29,623
	<u>126,496</u>	<u>91,061</u>
Investments (note 3)	272,096	279,527
Income taxes receivable	80	-
Accounts receivable (note 4)	4,236	3,611
Cash and cash equivalents	77,255	5,397
Software (net of accumulated amortization of \$1,105; December 31, 2003 – \$877)	2,135	2,363
Future income taxes (note 8)	385	-
	<u>482,683</u>	<u>381,959</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	1,455	1,377
Income taxes payable	-	185
Future income taxes (note 8)	-	244
	<u>1,455</u>	<u>1,806</u>
Net assets	<u>481,228</u>	<u>380,153</u>
Shareholders' Equity		
Share capital (note 7)	473,170	371,967
Retained earnings	14,034	11,627
Unrealized appreciation (depreciation)	(5,976)	(3,441)
	<u>481,228</u>	<u>380,153</u>
Number of outstanding common shares	46,957,853	37,085,339
Net value per common share	10.25	10.25

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

Approved by the Board of Directors

_____ Director

_____ Director

Capital régional et coopératif Desjardins

Statements of Shareholders' Equity

For the six-month periods ended June 30, 2004 and 2003

(in thousands of dollars)

	2004			
	Share capital \$	Retained earnings \$	Unrealized appreciation (depreciation) \$	Shareholders' equity \$
Balance – December 31, 2003	371,967	11,627	(3,441)	380,153
Operating activities				
Realized net earnings for the period	-	2,417	-	2,417
Change in unrealized appreciation (depreciation) for the period	-	-	(2,535)	(2,535)
Net loss for the period	-	2,417	(2,535)	(118)
Financing activities				
Shares issued	101,705	-	-	101,705
Redemption of shares	(502)	(10)	-	(512)
	101,203	(10)	-	101,193
Net change for the period	101,203	2,407	(2,535)	101,075
Balance – June 30, 2004	473,170	14,034	(5,976)	481,228
				2003
	Share capital \$	Retained earnings \$	Unrealized appreciation (depreciation) \$	Shareholders' equity \$
Balance – December 31, 2002	208,328	2,902	(491)	210,739
Operating activities				
Realized net earnings for the period	-	5,606	-	5,606
Change in unrealized appreciation (depreciation) for the period	-	-	(593)	(593)
Net earnings for the period	-	5,606	(593)	5,013
Financing activities				
Shares issued	129,449	-	-	129,449
Redemption of shares	(328)	(4)	-	(332)
	129,121	(4)	-	129,117
Net change for the period	129,121	5,602	(593)	134,130
Balance – June 30, 2003	337,449	8,504	(1,084)	344,869

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

Capital régional et coopératif Desjardins

Statements of Earnings (Loss)

For the six-month periods ended June 30, 2004 and 2003

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

	2004 \$	2003 \$
Revenue		
Realized revenue		
Interest on investments	7,393	5,817
Gain on disposal of investments	4,093	4,205
Interest on debentures	1,209	447
Loss on disposal of investments impacting on the Quebec economy	(1,760)	(736)
Negotiation fees	429	424
Membership dues	287	1,379
Change in unrealized appreciation (depreciation)	(2,535)	(593)
	<u>9,116</u>	<u>10,943</u>
Expenses		
Operating expenses	7,292	4,912
Shareholder services	1,245	1,151
Capital tax	219	466
Amortization of software	228	228
Non-refundable grants (note 5)	-	(2,661)
	<u>8,984</u>	<u>4,096</u>
Earnings before income taxes	132	6,847
Income taxes (note 8)	250	1,834
Net earnings (loss) for the period	<u>(118)</u>	<u>5,013</u>
Weighted average number of common shares	41,976,438	28,769,848
Net earnings (loss) per common share	0.00	0.17

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

Capital régional et coopératif Desjardins

Statements of Cash Flows

For the six-month periods ended June 30, 2004 and 2003

(in thousands of dollars)

	2004 \$	2003 \$
Cash flows from		
Operating activities		
Net earnings (loss) for the period	(118)	5,013
Non-cash items		
Gain on disposal of investments	(4,093)	(4,205)
Loss on disposal of investments impacting on the Quebec economy	1,760	736
Change in unrealized appreciation (depreciation)	2,535	593
Amortization of software	228	228
Amortization of premiums and discounts on investments	1,499	1,128
Non-refundable grants	-	(2,661)
Future income taxes	(629)	731
Capitalized interest	(270)	(5)
	<hr/>	<hr/>
	912	1,558
Changes in non-cash operating working capital balances (note 9)	(812)	(4,167)
	<hr/>	<hr/>
	100	(2,609)
	<hr/>	<hr/>
Investing activities		
Acquisition of investments impacting on the Quebec economy	(36,216)	(19,279)
Acquisition of investments	(331,116)	(1,024,169)
Proceeds on disposal of investments impacting on the Quebec economy	334	135
Proceeds on disposal of investments	337,563	939,135
Software	-	(340)
	<hr/>	<hr/>
	(29,435)	(104,518)
	<hr/>	<hr/>
Financing activities		
Issuance of common shares	101,705	129,449
Redemption of shares	(512)	(332)
	<hr/>	<hr/>
	101,193	129,117
	<hr/>	<hr/>
Net change in cash and cash equivalents during the period	71,858	21,990
Cash and cash equivalents – Beginning of period	5,397	2,818
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Cash and cash equivalents – End of period	77,255	24,808
	<hr/>	<hr/>
Supplementary information		
Income taxes paid	1,372	2,427

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

Capital régional et coopératif Desjardins

Schedule of Investments Impacting on the Quebec Economy

As at June 30, 2004

(in thousands of dollars)

	Initial investment year	Industry segment	Unsecured investments			Secured investments	Total \$
			Common shares \$	Preferred shares \$	Debentures and advances \$	Debentures and advances \$	
Bas-Saint-Laurent							
Aqua-Biokem BSL inc.	2002	I	-	640	120	-	760
Boutique Le Pentagone inc.	2003	I	-	-	413	-	413
Coopérative funéraire du Bas-Saint-Laurent	2002	C	-	-	108	-	108
Gestion Arnold Gauthier inc.	2002	I	-	80	293	-	373
Les Diamants du Saint-Laurent inc.	2002	I	292	-	-	-	292
Les Industries Francis Pelletier inc.	2003	I	80	-	80	-	160
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	1,800	1,414	-	3,646
Capitale-Nationale							
Bio Max inc.	2003	I	200	-	120	-	320
Bioxalis Médica inc.	2003	H	-	920	-	-	920
Dupont Industries inc. (formerly DuponTrolley Industries inc.)	2002	I	-	-	280	-	280
Labcal Technologies inc.	2004	IT	-	1,840	460	-	2,300
Les Logiciels Dynagram inc.	2002	IT	-	364	-	-	364
Usital Canada inc.	2002	I	240	-	240	-	480
Viridis Biotech inc.	2002	H	-	-	-	362	362
Total Capitale-Nationale			440	3,124	1,100	362	5,026
Centre-du-Québec							
Rovibec inc.	2002	I	-	160	146	-	306
Total Centre-du-Québec			-	160	146	-	306
Chaudière-Appalaches							
Coopérative de Travail Trans-Groupe	2004	C	-	-	1,200	-	1,200
Groupe BOB inc.	2003	I	320	-	320	-	640
Les Fumets Sylvestre inc.	2003	I	-	-	160	-	160
Matiss inc.	2002	I	400	-	400	-	800
Portes Patio Résiver inc.	2003	I	-	-	297	-	297
Total Chaudière-Appalaches			720	-	2,377	-	3,097
Estrie							
9116-4509 Québec inc. (Plastiques Anchor Ltée and Les Plastiques TPI inc.)	2002	I	-	400	-	-	400
Camoplast inc.	2002	I	2,697	-	-	-	2,697
Gogiscan inc.	2002	IT	-	800	315	-	1,115
Coopérative des employés Laser AMP inc.	2004	C	-	-	500	-	500
Coopérative de Travailleurs actionnaires Filage Sherbrooke	2004	C	-	-	1,524	-	1,524
Crea Biopharma inc.	2003	H	-	-	16	170	186
FilSpec Inc. (9120-0782 Québec inc.)	2004	I	400	-	-	-	400
FilSpec Inc. (9139-4841 Québec)	2004	I	160	-	-	-	160
Fivetricks inc.	2002	I	-	120	320	-	440
Gestion Ferti-Val inc.	2003	I	24	536	-	-	560
IPS Thérapeutique inc.	2002	H	-	80	80	40	200
Laser AMP inc.	2004	I	10	74	-	-	84
Les Entreprises Michel Lapierre inc.	2004	I	-	1,414	1,886	-	3,300
Les Plastiques TPI inc.	2002	I	-	-	400	-	400
Les Tissages Sherbrooke inc.	2003	I	320	-	280	-	600
Neptune Technologies & Bioresources inc.	2003	H	800	-	886	-	1,686
NeXCell BioSciences inc.	2003	H	-	-	-	150	150
Tranzyme Pharma inc. (formerly Néokimia inc.)	2003	H	-	-	1,600	-	1,600
Uniflex Technologies inc.	2003	I	200	-	200	-	400
Total Estrie			4,611	3,424	8,007	360	16,402
Lanaudière							
Dessert & Passion inc.	2003	I	-	160	80	-	240
Total Lanaudière			-	160	80	-	240

Capital régional et coopératif Desjardins

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

As at June 30, 2004

(in thousands of dollars)

	Initial investment year	Industry segment	Unsecured investments			Secured investments	Total \$
			Common shares \$	Preferred shares \$	Debentures and advances \$	Debentures and advances \$	
Laurentides							
Coopérative Forestière des Hautes-Laurentides	2002	C	-	-	678	-	678
Triton Électronique inc.	2003	I	-	2,000	-	-	2,000
Total Laurentides			-	2,000	678	-	2,678
Laval							
Datacom Wireless Corporation inc.	2003	TC	-	1,600	-	-	1,600
Meubles Fly America inc.	2003	I	-	6,400	-	-	6,400
Neks Technologies inc.	2002	I	248	667	-	-	915
Technique d'usinage Sinlab inc.	2002	I	-	511	-	-	511
Technologies 20-20 inc.	2002	IT	-	-	1,000	-	1,000
Total Laval			248	9,178	1,000	-	10,426
Mauricie							
Cilys 53 inc.	2003	TC	-	945	-	-	945
Matériaux Spécialisés Louiseville inc.	2004	I	-	-	8,200	-	8,200
Total Mauricie			-	945	8,200	-	9,145
Montérégie							
AudiSoft Technologies inc.	2003	TC	-	217	531	-	748
Coencorp Consultant Corporation	2002	IT	-	112	-	-	112
Distech Contrôles inc.	2003	IT	-	718	280	-	998
Plante Snack Foods (3523454 Canada inc.)	2003	I	48	-	40	-	88
Total Montérégie			48	1,047	851	-	1,946
Montréal							
Aegera Therapeutics Inc.	2002	H	-	1,334	2,496	-	3,830
Artificial Mind & Movement inc.	2002	IT	694	-	875	-	1,569
Aurelium BioPharma Inc.	2003	H	-	1,602	-	-	1,602
Avance Pharma inc. (formerly Phytobiotech)	2002	H	2,000	-	-	-	2,000
Bioaxone Thérapeutique inc.	2002	H	-	2,000	-	-	2,000
Cardianove inc.	2003	H	-	640	-	-	640
Chronogen inc.	2003	H	-	1,977	-	-	1,977
Coradiant inc.	2004	IT	-	3,140	-	-	3,140
Fonds d'investissement MSBI, société en commandite	2004	F	460	-	-	-	460
Gestion MSBI inc.	2004	F	154	-	-	-	154
IndustryHub inc.	2002	IT	-	400	-	50	450
Invidex inc.	2003	IT	-	2,800	-	-	2,800
ISAC Technologies inc.	2003	IT	1,536	-	-	-	1,536
Les Reproductions BLB inc.	2004	I	-	100	300	-	400
Lipso Systems inc.	2002	TC	-	800	-	-	800
LxSix Photonics inc.	2002	TC	-	1,867	-	-	1,867
Nextal Biotechnologies inc.	2003	H	-	521	-	-	521
Nstein Technologies inc.	2004	IT	192	-	-	-	192
Original Solutions inc.	2003	I	-	800	-	-	800
Osprey Pharmaceuticals Limited	2003	H	-	321	224	-	545
PainCeptor Pharma Corporation	2004	H	-	2,162	-	-	2,162
Polyplan Technologies inc.	2003	IT	-	2,000	-	-	2,000
Procyon Biopharma inc.	2003	H	1,600	-	-	-	1,600
Resonant Medical inc.	2004	H	-	2,800	-	-	2,800
Ryshco Media inc.	2002	IT	-	-	-	200	200
SDP Components inc.	2002	I	-	1,778	-	-	1,778
StormMaker Software inc.	2002	IT	-	534	-	-	534
Technologies Miranda inc.	2002	TC	-	2,036	-	-	2,036
Timespring Software Corporation	2003	IT	-	2,800	-	-	2,800
Total Montréal			6,636	32,412	3,895	250	43,193
Outaouais							
Cactus Commerce inc.	2004	IT	-	800	-	-	800
Total Outaouais			-	800	-	-	800

Capital régional et coopératif Desjardins

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

As at June 30, 2004

(in thousands of dollars)

	Initial investment year	Industry segment	Unsecured investments			Secured investments	Total \$
			Common shares \$	Preferred shares \$	Debentures and advances \$	Debentures and advances \$	
Saguenay-Lac-Saint-Jean							
Agricom inc.	2003	IT	-	80	-	-	80
Bois B.T. inc. (9131-9210 Québec inc.)	2003	I	50	-	150	-	200
Champi-Lac (9124-0598 Québec inc.)	2004	I	-	80	120	-	200
C.R.O.I. (9068-6767 Québec inc.)	2004	I	80	-	80	-	160
Groupe Nova inc.	2002	I	320	-	200	-	520
Institut d'échafaudage du Québec (9020-4983 Qc inc.)	2002	I	236	-	80	-	316
Les Luzernes Belcan du Lac-St-Jean inc.	2002	C	226	-	120	-	346
Nature 3M inc.	2002	I	100	-	60	-	160
Noxent 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	-	68	-	100
Total Saguenay-Lac-Saint-Jean			1,048	178	1,140	-	2,366
Total at cost			14,183	55,228	28,888	972	99,271
Unrealized appreciation (depreciation)							<u>(5,976)</u>
Sub-total							93,295
Funds committed but not disbursed							<u>33,201</u>
Fair value							126,496

Industry segment legend

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

Capital régional et coopératif Desjardins

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

As at June 30, 2004

(in thousands of dollars)

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

The debentures and advances bear interest at a weighted average rate of 12.20% and have an average residual maturity of 4.4 years.

Allocation of investments by industry segment:

Industry segment	2004			Total \$
	Unsecured investments \$	Secured investments \$	Funds committed but not disbursed \$	
Cooperatives	4,356	-	-	4,356
Industrial	38,094	-	3,416	41,510
Health and Biotechnology	24,059	722	11,498	36,279
Telecommunications	7,996	-	7,004	15,000
Information Technology	23,180	250	1,733	25,163
Investment Funds	614	-	9,550	10,164
Total at cost	98,299	972	33,201	132,472
Unrealized appreciation (depreciation)	(5,826)	(150)	-	(5,976)
Fair value	92,473	822	33,201	126,496

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2004

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

1 Governing statutes, mission, administration and investments

Governing statutes and mission

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

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

Administration

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

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

Investments

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

Capital régional et coopératif Desjardins

Notes to Financial Statements

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

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

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

2 Significant accounting policies

Use of estimates

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

Investments impacting on the Quebec economy

Listed shares

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

Unlisted shares and debentures and advances

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

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

Capital régional et coopératif Desjardins

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June 30, 2004

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

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 period.

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. Fair value is calculated according to the market value, presented in note 3, which is the stock quotation closing price at the balance sheet date.

Cash and cash equivalents

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

Software

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

Income taxes

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

Revenue recognition

Gains and losses on disposal

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

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.

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

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.

3 Investments

a) Investments include the following:

	As at June 30, 2004 \$	As at December 31, 2003 \$
Bonds	305,297	309,150
Less: Funds committed but not disbursed	33,201	29,623
	<u>272,096</u>	<u>279,527</u>

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June 30, 2004

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

b) Allocation of investments by maturity date

Bonds	As at June 30, 2004			
Maturity	Less than 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
Unamortized cost	-	27,046	278,251	305,297
Par value	-	26,310	251,231	277,541
Fair value	-	26,731	274,229	300,960
Average effective rate	-	3.86%	4.77%	4.69%
Average nominal rate	-	4.74%	6.47%	6.31%

Bonds	As at December 31, 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%

4 Accounts receivable

	As at June 30, 2004 \$	As at December 31, 2003 \$
Interest receivable on investments	3,272	2,979
Sales taxes receivable	213	283
Other accounts receivable	751	349
	<hr/> 4,236	<hr/> 3,611

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2004

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

5 Non-refundable grants

To accelerate the start-up of the Company and the development of its activities in various regions of Quebec, the ministère de l'Industrie et du Commerce du Québec and the Mouvement des caisses Desjardins granted the Company, in equal shares, non-refundable grants totalling \$10,000,000. These grants allowed the Company to pay its organization and start-up costs and set up a sectoral know-how allowing for the support of the companies and cooperatives in their start-up phase and with their development. As at December 31, 2003, all the non-refundable grants were recognized. For the six-month period ended June 30, 2003, \$2,661,000 of these grants had been recognized.

6 Accounts payable and accrued liabilities

	As at June 30, 2004 \$	As at December 31, 2003 \$
Entity members of the Mouvement des caisses Desjardins		
Management fees	9	79
Other operating expenses	-	63
Shareholder services	1,136	959
	<hr/>	<hr/>
	1,145	1,101
Other	310	276
	<hr/>	<hr/>
	1,455	1,377
	<hr/>	<hr/>

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

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

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2004

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

Issued and fully paid

	As at June 30, 2004 \$	As at December 31, 2003 \$
46,957,853 Common shares (2003 – 37,085,339)	473,170	371,967

During the period, the Company issued 9,922,488 common shares (during the year 2003 – 16,334,855) for a cash consideration of \$101,704,908 (during the year 2003 – \$164,467,150).

During the period, the Company redeemed 49,974 common shares (during the year 2003 – 82,378) for a cash consideration of \$512,154 (during the year 2003 – \$841,006).

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

Redemption criteria

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

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

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

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

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2004

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

8 Income taxes

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

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

a) The income tax expense is detailed as follows:

	June 30, 2004	June 30, 2003
	\$	\$
Current income taxes	879	1,103
Future income taxes	(629)	731
	<hr/>	<hr/>
	250	1,834
	<hr/>	<hr/>

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

	June 30, 2004	June 30, 2003
	\$	\$
Income taxes by applying the income tax rate:		
Canada, 29.12%	39	1,994
Quebec, 8.9%	12	609
First 163 days of 2003 not subject to Quebec income taxes	-	(548)
Large corporations tax*	216	243
Permanent differences between earnings before income taxes and taxable income and other	(17)	(464)
	<hr/>	<hr/>
	250	1,834
	<hr/>	<hr/>

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

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2004

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

c) Future income taxes relate to the following items:

	June 30, 2004	June 30, 2003
	\$	\$
Future income tax assets		
Unrealized appreciation	1,136	654
Others	62	-
	<hr/>	<hr/>
	1,198	654
Future income tax liabilities		
Software	(813)	(898)
	<hr/>	<hr/>
Future income tax assets (liabilities), net	<hr/>	<hr/>
	385	(244)

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

9 Cash flows

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

	June 30, 2004	June 30, 2003
	\$	\$
Increase in accounts receivable	(625)	(763)
Increase (decrease) in accounts payable and accrued liabilities	78	(2,548)
Decrease in income taxes	(265)	(856)
	<hr/>	<hr/>
	(812)	(4,167)

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2004

(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:

	June 30, 2004	June 30, 2003
	\$	\$
Earnings		
Caisse centrale Desjardins		
Interest on term deposits	380	139
Capital Desjardins inc.		
Interest on investments	824	521
Gain on disposal of investments	252	414
Desjardins Trust Inc.		
Shareholder services	1,050	962
Desjardins Venture Capital Inc.		
Management fees	6,942	4,529
Other operating expenses	77	73
Fédération des caisses Desjardins du Québec		
Operating expenses	116	175
Mouvement des caisses Desjardins		
Non-refundable grant	-	1,331

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2004

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

	As at June 30, 2004 \$	As at December 31, 2003 \$
Balance sheets		
Caisse centrale Desjardins		
Term deposits	72,000	4,000
Cash	2,367	362
Capital Desjardins inc.		
Bonds	32,179	29,389
Desjardins Securities		
Cash	1,868	236
Accounts payable and accrued liabilities	-	36
Desjardins Trust Inc.		
Software	877	1,044
Accounts payable and accrued liabilities	1,136	959
Desjardins Venture Capital Inc.		
Accounts payable and accrued liabilities	9	79
Desjardins Venture Capital, Limited Partnership		
Accounts receivable	12	86
Fédération des caisses Desjardins du Québec		
Software	1,258	1,319
Accounts payable and accrued liabilities	131	27
Fonds Desjardins capital de développement		
Accounts receivable	216	56

11 Commitments

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

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2004

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

12 Financial instruments

Fair value

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

Credit risk

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

Interest rate risk

Cash and cash equivalents, except for a short-term deposit, accounts receivable and accounts payable and accrued liabilities are non-interest bearing. The short-term deposit, amounting to \$72,000,000 (December 31, 2003 – \$4,000,000), bears interest at an annual rate of 2% (2003 – 2.75%) and matures July 5, 2004.

The Company does not hold any derivative financial instruments.

13 Comparative figures

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