

**Capital régional et coopératif
Desjardins**

Interim Financial Statements
June 30, 2003

August 7, 2003

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, 2003 and December 31, 2002 and the statements of earnings, shareholders' equity and cash flows for the six-month periods ended June 30, 2003 and 2002 and the schedule of unsecured investments impacting on the Quebec economy as at June 30, 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 June 30, 2003 and December 31, 2002 and the results of its operations and its cash flows for the six-month periods ended June 30, 2003 and 2002 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Capital régional et coopératif Desjardins

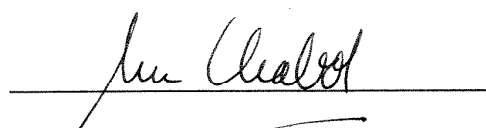
Balance Sheets

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

	As at June 30, 2003 \$	As at December 31, 2002 \$
Assets		
Unsecured investments impacting on Quebec economy		
Investments (see schedule)	41,730	23,910
Funds committed but not disbursed (see schedule)	25,576	9,819
	67,306	33,729
Other investments (note 3)	271,963	179,104
Accounts receivable (note 4)	5,055	4,292
Cash and cash equivalents	2,586	1,101
Software (net of accumulated amortization of \$648; December 31, 2002 – \$420)	2,192	2,080
Future income taxes (note 8)	267	998
	349,369	221,304
Liabilities		
Deferred non-refundable grants (note 5)	2,354	5,015
Accounts payable and accrued liabilities (note 6)	1,644	4,192
Income taxes	502	1,358
	4,500	10,565
Net assets	344,869	210,739
Shareholders' Equity		
Share capital (note 7)	337,449	208,328
Retained earnings	8,504	2,902
Unrealized appreciation (depreciation)	(1,084)	(491)
	344,869	210,739
Number of outstanding common shares	33,680,235	20,832,862
Net value per common share	10.24	10.12

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,

(in thousands of dollars)

	2003			
	Share capital \$	Retained earnings \$	Unrealized appreciation (depreciation) \$	Shareholders' equity \$
Balance – December 31, 2002	208,328	2,902	(491)	210,739
Operating activities				
Realized net earnings for the 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
Share redemption	(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
				2002
	Share capital \$	Retained earnings \$		Shareholders' equity \$
Balance – December 31, 2001	79,054	23		79,077
Operating activities				
Realized net earnings for the period	-	8		8
Net earnings for the period	-	8		8
Financing activities				
Shares issued	35,971	-		35,971
	35,971	-		35,971
Net change for the period	35,971	8		35,979
Balance – June 30, 2002	115,025	31		115,056

Capital régional et coopératif Desjardins

Statements of Earnings

For the six-month periods ended June 30,

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

	2003	2002
	\$	\$
Revenue		
Realized revenue		
Interest on other investments	5,817	977
Gain on disposal of other investments	4,205	-
Interest on debentures	447	17
Loss on disposal of unsecured investments impacting on Quebec economy	(736)	-
Negotiation fees	424	104
Membership dues	1,379	381
Change in unrealized appreciation (depreciation)	(593)	-
	<u>10,943</u>	<u>1,479</u>
Expenses		
Operating expenses	4,912	1,689
Shareholder services	1,151	600
Capital tax	466	93
Amortization of software	228	184
Non-refundable grants (note 5)	(2,661)	(1,283)
	<u>4,096</u>	<u>1,283</u>
Earnings before income taxes	6,847	196
Income taxes (note 8)	1,834	188
Net earnings for the period	<u>5,013</u>	<u>8</u>
Weighted average number of common shares	28,769,848	9,325,545
Net earnings per common share	0.17	0.00

Capital régional et coopératif Desjardins

Statements of Cash Flows

For the six-month periods ended June 30,

(in thousands of dollars)

	2003	2002
	\$	\$
Cash flows from		
Operating activities		
Net earnings for the period	5,013	8
Non-cash items		
Gain on disposal of other investments	(4,205)	-
Loss on disposal of unsecured investments impacting on Quebec economy	736	-
Change in unrealized appreciation (depreciation)	593	-
Amortization of software	228	184
Amortization of premiums and discounts on other investments	1,128	-
Non-refundable grants	(2,661)	(1,283)
Future income taxes	731	(1,764)
	1,563	(2,855)
Change in non-cash operating working capital balances (note 9)	(4,167)	18,231
	(2,604)	15,376
Investing activities		
Unsecured investments impacting on Quebec economy	(19,284)	(8,203)
Acquisition of other investments	(1,044,674)	(112,500)
Proceeds on disposal of unsecured investments impacting on Quebec economy	135	-
Proceeds on disposal of other investments	939,135	70,545
Software	(340)	(579)
	(125,028)	(50,737)
Financing activities		
Issuance of common shares	129,449	35,971
Share redemption expenses	(332)	-
	129,117	35,971
Net change in cash and cash equivalents during the period	1,485	610
Cash and cash equivalents – Beginning of period	1,101	5
Cash and cash equivalents – End of period	2,586	615
Supplementary information		
Income taxes paid	2,427	160

Capital régional et coopératif Desjardins

Schedule of Unsecured Investments Impacting on the Quebec Economy

As at June 30, 2003

(in thousands of dollars)

			Unsecured investments			
	Initial investment year	Industry segment	Common shares \$	Preferred shares \$	Debentures and advances \$	Total \$
Bas-Saint-Laurent						
Aqua-Biokem BSL inc.	2002	I	-	200	40	240
Coopérative funéraire du Bas-Saint-Laurent	2002	C	-	-	158	158
Gestion Arnold Gauthier inc.	2002	I	-	80	320	400
Les Diamants du Saint-Laurent inc.	2002	I	292	-	-	292
Total Bas-Saint-Laurent			292	280	518	1,090
Estrie						
9116-4509 Québec inc. (Plastiques Anchor Ltée)	2002	I	-	400	-	400
Bois BissBeau inc. (Groupe Beaudry)	2002	I	-	240	240	480
Camoplast inc.	2002	I	2,698	-	-	2,698
Crea Biopharma inc.	2003	S	-	-	140	140
Fivettracks inc.	2002	I	-	120	320	440
IPS Thérapeutique inc.	2002	S	-	80	120	200
TPI Plastics Inc.	2002	I	-	-	400	400
Les Tissages Sherbrooke inc.	2003	I	320	-	-	320
Neptune Technologies & Bioressources inc.	2003	S	800	-	-	800
NeXCell BioSciences inc.	2003	S	-	-	85	85
Uniflex Technologies inc.	2003	I	200	-	200	400
Total Estrie			4,018	840	1,505	6,363
Montréal						
Aégera Thérapeutiques inc.	2002	H	-	1,000	-	1,000
Artificial Mind & Movement Inc.	2002	IT	694	-	972	1,666
Audisoft Technologies inc	2003	TC	-	200	-	200
Aurelium BioPharma Inc.	2003	H	-	521	-	521
BioAxone Thérapeutique inc.	2002	H	-	1,000	-	1,000
Coencorp Consultant Corporation Inc.	2002	IT	-	112	-	112
Coopérative Forestière des Hautes-Laurentides	2002	C	-	-	848	848
Datacom Wireless Corporation Inc.	2003	TC	-	960	-	960
Groupe Documens inc.	2002	IT	-	667	200	867
IndustryHub Inc.	2002	IT	-	400	-	400
KM Technologies inc.	2002	IT	-	-	267	267
Lipso Systems Inc.	2002	TC	-	300	-	300
LxSix Photonics Inc. (formerly Vlamode Photoniques inc.)	2002	TC	-	1,867	-	1,867
Meubles FLY America inc.	2003	I	-	6,400	-	6,400
Neks Technologies Inc.	2002	I	248	533	-	781
Opendesk Inc.	2002	IT	-	-	12	12
Original Solutions Inc.	2003	I	-	800	-	800
Osprey Pharmaceuticals Limited	2003	H	-	321	-	321
Phytobiotech inc.	2002	H	2,000	-	-	2,000
Polyplan Technologies Inc.	2003	IT	-	2,000	-	2,000
Procyon Diopharma inc.	2003	H	1,600	-	-	1,600
Ryschco Média inc.	2002	IT	-	-	200	200
SDP Components Inc.	2002	I	-	1,778	-	1,778
Silonex inc.	2002	IT	800	-	-	800
StormMaker Software Inc.	2002	IT	-	533	-	533
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	-	833
Total Montréal			5,342	20,736	3,499	29,577

Capital régional et coopératif Desjardins

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

As at June 30, 2003

(in thousands of dollars)

			Unsecured investments			
	Initial investment year	Industry segment	Common shares \$	Preferred shares \$	Debentures and advances \$	Total \$
Québec						
Biomax inc.	2003	I	200	-	40	240
Bioxalis Medica inc. (formerly Gelkem)	2003	H	-	720	-	720
CO2 Solution inc.	2002	I	-	-	80	80
DuponTrolley Industries inc.	2002	I	-	-	280	280
Les Fumets Sylvestre inc.	2003	I	-	-	80	80
Les Logiciels Dynagram inc.	2002	IT	-	364	-	364
Matiss inc.	2002	I	400	-	240	640
Portes Patio Résiver	2003	I	-	-	280	280
Produit forestiers BOB	2003	I	320	-	-	320
Usital Canada inc.	2002	I	-	240	-	240
Viridis Biotech inc.	2002	H	-	-	120	120
Total Québec			920	1,324	1,120	3,364
Richelieu-Yamaska						
Cogiscan inc.	2002	IT	-	800	-	800
Rovibec inc.	2002	I	-	160	160	320
Total Richelieu-Yamaska			-	960	160	1,120
Saguenay-Lac-Saint-Jean						
9020-4983 Québec inc. (Institut d'échafaudage du Québec)	2002	I	236	-	80	316
Agricom inc.	2003	IT	-	-	20	20
Groupe Nova inc.	2002	I	320	-	200	520
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
Total Saguenay-Lac-Saint-Jean			820	-	480	1,300
Total at cost			11,392	24,140	7,292	42,814
Unrealized appreciation (depreciation)						(1,084)
Funds committed but not disbursed						41,730
Fair value						25,576

Industry segment legend

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

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

As at June 30, 2003

(in thousands of dollars)

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

The debentures and advances bear interest at a weighted average rate of 14.1% and have an average residual term of 3.76 years.

Allocation of investments by industry segment:

Industry segment	Unsecured investments \$	Funds committed but not disbursed \$	Total \$
Cooperatives	1,286	-	1,286
Industrial	19,820	3,933	23,753
Health and Biotechnology	8,507	11,899	20,406
Telecommunications	4,160	2,140	6,300
Information Technology	9,041	7,604	16,645
Total at cost	42,814	25,576	68,390
Unrealized appreciation (depreciation)	(1,084)	-	(1,084)
Fair value	41,730	25,576	67,306

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

1 Governing statutes, mission, administration and investments

Governing statutes and mission

Capital régional et coopératif Desjardins (the "Company") is constituted by an Act of the Quebec National Assembly (S.Q. 2001, c. 36) 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 regions of Quebec.

Administration

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

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

Investments

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

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

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

1 Governing statutes, mission, administration and investments *(continued)*

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 fair value of unsecured investments impacting on the Quebec economy. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, are reported in earnings in the period in which they become known.

Unsecured investments impacting on the Quebec economy

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 period.

Other investments

Other 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.

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

2 Significant accounting policies *(continued)*

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 other 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 of investments

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

Gains and losses on disposal of other 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 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.

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

2 Significant accounting policies *(continued)*

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 allocated to net earnings when the related expenses are committed.

3 Other investments

a) Other investments include the following:

	As at June 30, 2003 \$	As at December 31, 2002 \$
Bonds	275,317	187,206
Temporary investments		
Term deposit	6,250	500
Bankers' acceptance	15,972	1,217
	<hr/> 297,539	<hr/> 188,923
Less: Funds committed but not disbursed	25,576	9,819
	<hr/> 271,963	<hr/> 179,104

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

3 Other investments (continued)

b) Allocation of investments by maturity date

Bonds				As at June 30, 2003
	Less than 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
Unamortized cost	20,268	83,448	171,601	275,317
Par value	20,500	79,550	158,351	258,401
Fair value	20,753	84,463	175,375	280,591
Average effective rate	3.53%	4.24%	4.97%	4.63%
Average nominal rate	6.25%	5.38%	6.31%	6.02%

Maturity			As at December 31, 2002
	1 to 5 years \$	More than 5 years \$	Total \$
Unamortized cost	103,130	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%

The term deposit and bankers' acceptance mature in 2003 and bear interest at a rate of 3.23% (2.7% and 2.77% respectively as at December 31, 2002)

The fair value of temporary investments as at June 30, 2003 and December 31, 2002 was approximately equal to their book value.

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

4 Accounts receivable

	As at June 30, 2003 \$	As at December 31, 2002 \$
Subscriptions and membership dues receivable	1,692	1,450
Interest receivable on other investments	2,631	1,879
Sales taxes receivable	405	481
Other accounts receivable	327	482
	5,055	4,292

5 Non-refundable grants

To accelerate the start-up of the Company and the development of its activities in various regions of Quebec, the ministère de l'Industrie et du Commerce du Québec and the Mouvement des caisses Desjardins granted the Company, in equal shares, non-refundable grants totalling \$10,000,000. These grants will allow the Company to pay its organization and start-up costs and set up a sectoral know-how allowing the support of the companies and cooperatives in their start-up phase and with their development. For the six-month period ended June 30, 2003, \$2,661,000 (\$1,283,000 for the same period in 2002) of these grants has been used. The balance of \$2,354,000 (\$5,015,000 as at December 31, 2002) has been deferred and presented in liabilities on the balance sheet.

6 Accounts payable and accrued liabilities

	As at June 30, 2003 \$	As at December 31, 2002 \$
Entity members of the Mouvement des caisses Desjardins		
Management fees	100	2,015
Other operating expenses	53	556
Shareholder services	1,266	1,178
Software	-	313
	1,419	4,062
Other	225	130
	1,644	4,192

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

(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 Quebec Minister of Finance, 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 28, 2004.

Issued and fully paid

	As at June 30, 2003 \$	As at December 31, 2002 \$
33,680,235 Common shares (2002 – 20,832,862)	337,449	208,328

During the period, the Company issued 12,879,820 common shares (2002 – 12,927,412) for a cash consideration of \$129,448,650 (2002 – \$129,274,120).

During the period, the Company redeemed 32,447 common shares (2002 – nil) for a cash consideration of \$328,270 (2002 – nil).

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

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 to 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.

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

7 Share capital *(continued)*

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.

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 not exceeding its taxable income for the year. Accordingly, the Company's income was exempt from Quebec income tax. Since June 12, 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, 2003 \$	June 30, 2002 \$
Current income taxes	1,103	1,952
Future income taxes	731	(1,764)
	<hr/> 1,834	<hr/> 188

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

8 Income taxes (continued)

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

	June 30, 2003 \$	June 30, 2002 \$
Income taxes by applying the income tax rate:		
Canada, 29.12%	1,994	57
Quebec, 8.9%	609	-
163 first days of the period not subject to Quebec income taxes	(548)	-
Large corporations tax*	243	131
Permanent differences between earnings before income taxes and taxable income and other	(464)	-
	<u>1,834</u>	<u>188</u>

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

c) Future income taxes relate to the following items:

	As at June 30, 2003 \$	As at December 31, 2002 \$
Future income tax assets		
Deferred non-refundable grants	895	1,460
Other items	205	143
	<u>1,100</u>	<u>1,603</u>
Future income tax liabilities		
Software	(833)	(605)
	<u>267</u>	<u>998</u>
Future income tax assets, net		

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.

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

9 Cash flows

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

	June 30, 2003	June 30, 2002
	\$	\$
Decrease (increase) in accounts receivable	(763)	18,099
Decrease in accounts payable and accrued liabilities	(2,548)	(1,683)
Increase (decrease) in income taxes	(856)	1,815
	<u>(4,167)</u>	<u>18,231</u>

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, 2003	June 30, 2002
	\$	\$
Earnings		
Caisse centrale Desjardins		
Interest on term deposits	139	977
Capital Desjardins inc.		
Interest on other investments	521	-
Gain on disposal of other investments	414	-
Fédération des caisses Desjardins du Québec		
Operating expenses	175	145
Desjardins Trust Inc.		
Shareholder services	962	316
Investissement Desjardins inc.		
Management fees	4,529	1,489
Other operating expenses	73	-
Mouvement des caisses Desjardins		
Non-refundable grant	1,331	642

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

10 Related party transactions (continued)

	As at June 30, 2003 \$	As at December 31, 2002 \$
Balance sheet		
Caisse centrale Desjardins		
Bankers' acceptance	15,972	1,217
Term deposit	6,250	500
Cash	197	1,018
Capital Desjardins inc.		
Bonds	27,344	15,485
Accounts receivable	123	78
Fédération des caisses Desjardins du Québec		
Software	980	701
Accounts payable and accrued liabilities	53	742
Desjardins Trust Inc.		
Accounts receivable	1,692	1,450
Software	1,212	1,379
Accounts payable and accrued liabilities	1,266	1,204
Fonds d'investissement Desjardins régionaux		
Accounts receivable	82	223
Investissement Desjardins inc.		
Accounts receivable	-	117
Accounts payable and accrued liabilities	100	2,116
Investissement Desjardins, société en commandite		
Accounts receivable	77	-
Mouvement des caisses Desjardins		
Deferred non-refundable grant	1,177	2,508
Valeurs mobilières Desjardins		
Cash	2,255	-

11 Commitments

The Company has entrusted the management of its operations, including management of its portfolio, to 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 Investissement Desjardins inc. 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.

Capital régional et coopératif Desjardins

Notes to Financial Statements

June 30, 2003

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

11 Commitments *(continued)*

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 other 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.

13 Comparative figures

Grouping and presentation of comparative figures may vary from the prior period in order to conform with the presentation adopted for the current period.