Capital régional et coopératif Desjardins

Consolidated Financial Statements
December 31, 2006 and 2005

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Shareholders of
Capital régional et coopératif Desjardins

We have audited the consolidated balance sheets of **Capital régional et coopératif Desjardins** (the "Company") as at December 31, 2006 and 2005 and the consolidated statements of earnings (loss), shareholders' equity and cash flows for the years then ended. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Capital régional et coopératif Desjardins

Consolidated Balance Sheets

As at December 31, 2006 and 2005

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

	2006 $	2005 $
Assets		
Investments impacting the Québec economy (note 5)	293,370	244,114
Investments (note 6)	333,285	352,319
Accounts receivable (note 7)	6,469	5,622
Cash and cash equivalents	40,590	10,581
Software (net of accumulated amortization of $2,902, December 31, 2005 – $2,167)	338	1,073
Income taxes	3,577	-
Future income taxes (note 10)	4,463	3,421
	682,092	617,130
Liabilities		
Accounts payable and accrued liabilities (note 8)	2,222	2,595
Income taxes	-	1,507
	2,222	4,102
Minority interest (note 4)	25,250	26,313
	27,472	30,415
Net assets	654,620	586,715
Shareholders' Equity		
Share capital (note 9)	650,197	572,032
Retained earnings	4,423	14,683
	654,620	586,715
Number of outstanding common shares	64,139,488	56,600,254
Net value per common share	10.21	10.37

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

Approved by the Board of Directors

______________________________ Director   ______________________________ Director

Capital régional et coopératif Desjardins

Consolidated Statements of Shareholders' Equity

For the years ended December 31, 2006 and 2005

(in thousands of dollars)

2006

		Retained earnings			
	Share capital $	**Realized $**	**Unrealized $**	**Total $**	**Shareholders' equity $**
Balance – December 31, 2005	572,032	25,803	(11,120)	14,683	586,715
Net loss					
Realized net loss for the year, net of income taxes of $26	-	(7,665)	-	(7,665)	(7,665)
Change in unrealized revenue for the year, net of income tax of ($590)	-	-	(2,573)	(2,573)	(2,573)
Net loss for the year	-	(7,665)	(2,573)	(10,238)	(10,238)
Share capital operations					
Shares issued	79,544	-	-	-	79,544
Redemption of shares	(1,379)	(22)	-	(22)	(1,401)
	78,165	(22)	-	(22)	78,143
Net change for the year	78,165	(7,687)	(2,573)	(10,260)	67,905
Balance – December 31, 2006	650,197	18,116	(13,693)	4,423	654,620

2005

		Retained earnings			
	Share capital $	**Realized $**	**Unrealized $**	**Total $**	**Shareholders' equity $**
Balance – December 31, 2004	472,641	17,595	(9,643)	7,952	480,593
Net earnings (loss)					
Realized net earnings for the year, net of income taxes of $3,109	-	8,228	-	8,228	8,228
Change in unrealized revenue for the year, net of income tax of ($433)	-	-	(1,477)	(1,477)	(1,477)
Net earnings (loss) for the year	-	8,228	(1,477)	6,751	6,751
Share capital operations					
Shares issued	100,605	-	-	-	100,605
Redemption of shares	(1,214)	(20)	-	(20)	(1,234)
	99,391	(20)	-	(20)	99,371
Net change for the year	99,391	8,208	(1,477)	6,731	106,122
Balance – December 31, 2005	572,032	25,803	(11,120)	14,683	586,715

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

Capital régional et coopératif Desjardins

Consolidated Statements of Earnings (Loss)

For the years ended December 31, 2006 and 2005

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

	2006 $	2005 $
Revenue		
Realized revenue		
Interest and dividends on investments	16,692	15,295
Gain on disposal of investments	866	1,818
Interest on debentures and dividends	12,000	5,789
Gain (loss) on disposal of investments impacting the Québec economy	(13,696)	8,178
Negotiation fees	1,492	1,685
Membership dues	152	221
Changes in unrealized appreciation (depreciation) of		
Investments impacting the Québec economy	(3,219)	(2,812)
Investments	(212)	(615)
Initial effect of accounting for investments at fair value (note 3)	-	1,517
	14,075	31,076
Expenses		
Operating expenses	22,146	18,681
Shareholder services	1,978	1,884
Capital tax	286	536
Amortization of software	735	735
	25,145	21,836
Earnings (loss) before income taxes and minority interest	(11,070)	9,240
Income taxes (note 10)	(564)	2,676
Net earnings (loss) for the year before minority interest	(10,506)	6,564
Minority interest (note 4)	(268)	(187)
Net earnings (loss) for the year	(10,238)	6,751
Weighted average number of common shares	61,364,696	55,020,750
Net earnings (loss) per common share	(0.17)	0.12

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

Capital régional et coopératif Desjardins

Consolidated Statements of Cash Flows

For the years ended December 31, 2006 and 2005

(in thousands of dollars)

	2006 $	2005 $
Cash flows from		
Operating activities		
Net earnings (loss) for the year	(10,238)	6,751
Non-cash items		
Gain on disposal of investments	(866)	(1,818)
Loss (gain) on disposal of investments impacting the Québec economy	13,696	(8,178)
Changes in unrealized appreciation (depreciation) of		
Investments impacting the Québec economy	3,219	2,812
Investments	212	615
Initial effect of accounting for investments at fair value	-	(1,517)
Amortization of software	735	735
Amortization of premiums and discounts on investments	2,098	2,844
Future income taxes	(1,042)	(1,515)
Minority interest	(268)	(187)
Capitalized interest	(962)	(532)
	6,584	10
Changes in non-cash operating working capital balances (note 11)	(6,217)	(195)
	367	(185)
Investing activities		
Acquisition of investments impacting the Québec economy	(85,976)	(112,061)
Acquisition of investments	(148,334)	(185,062)
Proceeds on disposal of investments impacting the Québec economy	19,972	36,021
Proceeds on disposal of investments	165,924	167,299
Acquired cash (note 4)	-	1,535
	(48,414)	(92,268)
Financing activities		
Issuance of common shares	79,457	100,605
Redemption of shares	(1,401)	(1,234)
	78,056	99,371
Increase in cash and cash equivalents during the year	30,009	6,918
Cash and cash equivalents – Beginning of year	10,581	3,663
Cash and cash equivalents – End of year	40,590	10,581
Supplementary information		
Income taxes paid	5,847	4,875

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

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

1 Governing statutes, mission, administration and investments

Governing statutes and mission

Capital régional et coopératif Desjardins (the "Company") is constituted by an Act of the Québec National Assembly (R.S.Q., c.C-6.1) and is deemed to have been incorporated by the filing of statutes on July 1, 2001. The Company 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 typically composed of 13 members, as follows:

- eight persons appointed by the President of the Desjardins Group;

- two persons elected by the General Meeting of shareholders of the Company;

- two persons appointed by the above-mentioned ten members, selected from a group of persons whom they deem to be representative of eligible entities as described in the Act; and

- the General Manager of the Company.

Investments

The Company may acquire minority interests, mainly in eligible entities, with or without a guarantee or security. Eligible entities include eligible cooperatives and partnerships or a legal person actively operating an enterprise, the majority of whose employees are resident in Québec and with less than $100,000,000 of assets and net equity of not more than $50,000,000.

(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 Québec but which is not an eligible entity. In such case, the Company may, directly or indirectly, acquire or hold shares representing up to a maximum of 30% of the voting rights, which can be exercised in all circumstances.

Pursuant to the Act, other investments may qualify as eligible such as investments in certain investment funds if required specific conditions provided for in the Act are present.

During each fiscal year from the fiscal year beginning on January 1, 2006, the portion of the Company's investments in eligible entities, as well as other eligible investments which do not entail any security or hypothec and are made as first purchaser, must represent on average at least 60% of the average net assets of the Company for the preceding year. Furthermore, a portion representing at least 35% of that percentage must be invested in entities situated in resource regions of Québec or in eligible cooperatives. Investments made other than first purchaser for the acquisition of securities issued by an eligible entity may also be considered for the purpose of these calculations to the extent where they do not represent more than one third of the total investments made as first purchaser in that entity. These rules have been respected during the fiscal year ended December 31, 2006.

2 Significant accounting policies

Consolidation principle

These consolidated financial statements include the accounts of the Company and those of its subsidiaries.

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

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

Investments impacting the Québec economy

Listed shares

The investments in listed shares are recorded at their fair value. Fair value is established using the bid-side level at market closing on the balance sheet date when an active market is available. Otherwise, the fair value may be established using unlisted share valuation techniques. The value of the shares that are restricted in negotiability or transferability is adjusted by a discount. The Company determines the amount of this discount based on the nature and duration of the restriction, the relative volatility of the share's performance, as well as the importance of the interest held in the overall float of outstanding shares.

Unlisted shares, debentures and advances

Unlisted shares, 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.

Sureties

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

Investments

Investments consist of temporary investments, bonds and preferred shares recorded at fair value. Fair value is calculated according to the market value, which is the bid-side level at market closing on the balance sheet date.

Obligations related to securities sold short

Securities sold short as part of trading activities, which represent the Company's obligation to deliver securities sold which were not owned at the time of sale, are recorded as liabilities offsetting the investments and are carried at fair value. Realized and unrealized gains and losses thereon are recorded in revenue in "Interest on investments". As at December 31, 2006 and 2005, the Company has no securities sold short.

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

Securities purchased under resale agreements and securities sold under repurchase agreements

The Company enters into short-term purchases and sales of securities with simultaneous agreements to sell and buy back those securities at a specified price and on a specified date. Those agreements are accounted for as collateralized lending and borrowing transactions, and are recorded on the balance sheet at the selling or repurchase price specified under the agreement. The difference between the purchase price and specified selling price and the difference between the selling price and the specified repurchase price are recorded using the accrual method in “Interest on investments”. As at December 31, 2006 and 2005, the Company has no securities purchased under resale agreements or securities sold under repurchase agreements.

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

Interest and dividends

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

Gains and losses on disposal

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

Membership dues

Membership dues are recorded at the time of a shareholder’s initial subscription and on the closure of that shareholder’s account.

(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. Premiums and discounts are recorded in “Interest on investments”.

3 Changes in accounting policies

In January 2004, the Accounting Standards Board of the Canadian Institute of Chartered Accountants issued Accounting Guideline AcG-18, which requires investment companies to carry investments at fair value. The Company has decided to apply this standard prospectively starting January 1, 2005. Consequently, bonds previously carried at unamortized cost are carried at their fair value. This change in accounting policy increases both the investment and unrealized appreciation (depreciation) balances by $1,517,000 respectively, decreases future income taxes by $289,000, and increases net asset value per common share by $0.03 to $10.28 at January 1, 2005.

4 Business acquisition

On July 4, 2005, the Company took part in the creation of Desjardins – Innovatech S.E.C. (“DI”) through a cash contribution of $30,000,000 for units representing a 53.10% interest in the limited partnership. The second limited partner, Société Innovatech Régions ressources (“IRR”), has contributed to the creation through the transfer of a portfolio, including related commitments, for an amount of $26,500,000. Its units represent a 46.90% interest in the limited partnership. Desjardins Venture Capital Inc. has contributed $564 as the general partner.

The acquisition has been accounted for under the purchase method and the results of operations, cash flows, assets and liabilities are included in the consolidated financial statements since July 4, 2005. The Company completed its purchase price allocation using the estimated fair value of the net assets acquired based on information and valuations available as of July 4, 2005.

Assets and liabilities described below were transferred by IRR:

Assets and liabilities	**$**
Investments	26,265
Cash	1,535
Provision for surety	(1,300)
Net assets acquired	26,500

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

The purchase agreement with IRR includes adjustment clauses related to certain assets and to the provision for surety. These adjustments would be settled by the issuance of units to IRR or the cancellation of certain units held by IRR.

One of these adjustment clauses was exercised during the year ended December 31, 2006, resulting in an $800,000 decrease in the cost and the value of DI's investments and the cancellation of 800,000 of its units. Following this adjustment, the value of IRR's contribution dropped to $25,700,000 and the units held by the Company and IRR respectively represented a 53.86% and 46.14% interest in the limited partnership.

Another adjustment clause is still in force and could reduce the Company's interest by a maximum of 1.11%.

On November 2, 2006, the Company made an additional cash contribution of $20,000,000 for 20,115,867 units. Following this new contribution, the units held by the Company and IRR respectively represent a 66.10% and 33.90% interest in the limited partnership.

5 Investments impacting the Québec economy

a)

	2006		2005	
	Cost **$**	**Fair value** **$**	**Cost** **$**	**Fair value** **$**
Unsecured				
Common shares	57,116	61,317	59,468	65,441
Preferred shares	119,589	102,317	94,597	79,545
Debentures and advances	122,988	118,395	94,296	91,262
	299,693	282,029	248,361	236,248
Secured				
Debentures and advances	12,177	11,341	11,038	7,866
	311,870	293,370	259,399	244,114

Agreements related to investments impacting 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 10.2% (December 31, 2005 – 10.8%) and have an average residual maturity of 4.51 years (December 31, 2005 – 5.33 years).

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

b) Allocation of investments and funds committed by industry segment:

						2006
Industry segment	**Investments at cost $**	**Unrealized appreciation (depreciation) $**	**Fair value $**	**Funds committed but not disbursed* $**	**Sureties* $**	**Total commitment $**
Cooperatives	37,494	(2,242)	35,252	1,316	775	37,343
Industrial	147,865	(5,583)	142,282	30,812	-	173,094
Health and biotechnology	52,144	(10,306)	41,838	9,383	-	51,221
Telecommunications	34,340	2,996	37,336	4,558	-	41,894
Information technology	36,966	(2,710)	34,256	6,602	92	40,950
Investment funds	3,061	(655)	2,406	52,103	-	54,509
Total	311,870	(18,500)	293,370	104,774	867	399,011

						2005
Industry segment	**Investments at cost $**	**Unrealized appreciation (depreciation) $**	**Fair value $**	**Funds committed but not disbursed* $**	**Sureties* $**	**Total commitment $**
Cooperatives	34,374	(373)	34,001	13,366	-	47,367
Industrial	115,624	(4,001)	111,623	4,992	-	116,615
Health and biotechnology	51,449	(6,949)	44,500	8,143	-	52,643
Telecommunications	19,731	2,136	21,867	3,920	-	25,787
Information technology	37,454	(6,270)	31,184	180	-	31,364
Investment funds	767	172	939	34,398	-	35,337
Total	259,399	(15,285)	244,114	64,999	-	309,113

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

c) Funds committed but not disbursed represent investments that have been agreed upon and which have been committed but not disbursed at the end of the year. Future disbursements are subject to certain conditions. Assuming that the conditions will be respected, the estimated installments for the next five years ended December 31 are as follows:

	$
2007	66,651
2008	20,365
2009	9,848
2010	4,000
2011	4,000

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

6 Investments

a) Allocation of investments by instrument

	2006		2005	
	Unamortized cost $	**Fair value $**	**Unamortized cost $**	**Fair value $**
Bonds				
Federal	79,514	79,274	84,583	84,811
Provincial and guaranteed	153,817	153,759	187,309	187,059
Financial institutions	57,187	57,616	57,163	57,906
Companies	31,466	31,936	21,753	21,932
	321,984	322,585	350,808	351,708
Preferred shares	10,611	10,700	609	611
Total	332,595	333,285	351,417	352,319

b) Allocation of bonds by maturity date

				2006
Maturity	**Less than 1 year $**	**1 to 5 years $**	**More than 5 years $**	**Total $**
Unamortized cost	16,233	164,273	141,478	321,984
Par value	16,050	160,642	141,480	318,172
Fair value	16,245	164,137	142,203	322,585
Average nominal rate	6.05%	4.95%	4.38%	4.75%
Average effective rate	4.35%	4.22%	4.37%	4.30%

				2005
Maturity	**Less than 1 year $**	**1 to 5 years $**	**More than 5 years $**	**Total $**
Unamortized cost	12,137	110,618	228,053	350,808
Par value	12,000	105,665	220,522	338,187
Fair value	12,128	110,389	229,191	351,708
Average nominal rate	6.30%	5.42%	5.00%	5.04%
Average effective rate	3.51%	3.95%	4.29%	4.13%

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

7 Accounts receivable

	2006 $	2005 $
Interest receivable on investments	3,215	2,947
Interest receivable on investments impacting the Québec economy	1,588	965
Sales taxes receivable	249	416
Subscriptions receivable	87	-
Other accounts receivable	1,330	1,294
	6,469	5,622

8 Accounts payable and accrued liabilities

a)

	2006 $	2005 $
Entities of the Desjardins Group		
Shareholder services	505	493
Provision for surety (note 8(b))	1,300	1,300
Other	417	802
	2,222	2,595

b) The provision consists of a surety on commitments of a portfolio entity to one of its lenders. The surety which was first granted by IRR is now assumed by Desjardins – Innovatech S.E.C. following the business acquisition (note 4).

9 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, redeemable subject to certain conditions provided under the Act, so that its capital increases by a maximum of $150 million annually to a maximum of $1.325 million by February 28, 2011, the date of the end of the final capitalization period. However, during the last three capitalization periods, in order to reach its authorized capital, the Company may issue shares for amounts greater than $150 million since it has to redeem shares issued at least seven years previously from shareholders who so request. Each capitalization period, which lasts twelve months, will begin on March 1 of each year.

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

In an announcement of the Québec Minister of Finance on March 11, 2005, the annual limit of capital increase for the year 2005 was reduced to $100 million. This reduction as well as previous years' reductions result in a cumulative limit of $725 million as at February 28, 2007.

Issued and fully paid

	2006 **$**	**2005** **$**
64,139,488 Common shares (2005 – 56,600,254)	650,197	572,032

During the year, the Company issued 7,675,384 common shares (2005 – 9,815,116) for a cash consideration of $79,543,500 (2005 – $100,605,101).

During the year, the Company redeemed 136,150 common shares (2005 – 120,122) for a cash consideration of $1,401,258 (2005 – $1,233,514).

These data do 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.

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

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

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

10 Income taxes

The Company is subject to Federal income taxes and provincial income tax.

a) The income tax expense is detailed as follows:

	2006 $	2005 $
Current income taxes	478	4,191
Future income taxes	(1,042)	(1,515)
	(564)	2,676

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

	2006 $	2005 $
Income taxes by applying the combined income tax rate of 39.02% (2005 – 38.02%)	(4,320)	3,513
Large corporations tax*	(105)	477
Permanent differences between earnings before income taxes and taxable income and other	3,861	(1,314)
	(564)	2,676

* Until 2005, the large corporations tax was based on capital employed in Canada by the Company. This tax was abolished in 2006.

c) Future income taxes relate to the following items:

	2006 $	2005 $
Future income tax assets		
Unrealized appreciation (depreciation)	3,934	3,203
Amortization of premiums on bonds	595	558
Other	54	55
	4,583	3,816
Future income tax liabilities		
Software	(120)	(395)
Future income tax assets, net	4,463	3,421

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

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 35% (50% – before March 24, 2006) of the amount invested annually, up to a tax credit of $875 (before March 24, 2006 – $1,250).

11 Cash flows

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

	2006 $	2005 $
Increase in accounts receivable	(760)	(343)
Decrease in accounts payable and accrued liabilities	(373)	(32)
Increase (decrease) in income taxes	(5,084)	180
	(6,217)	(195)

12 Related party transactions

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

- The Company has entrusted the management of its operations, including management of its portfolio, to Desjardins Venture Capital Inc. (DVC), an entity of the Desjardins Group, 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 written notice of at least 18 months.

  Under this contract, the Company is required to pay an annual management fee equal to 3% of its annual non-consolidated average assets' net value reduced by any amount payable for the acquisition of investments. In order to avoid double billing on the Company's investment in Desjardins – Innovatech S.E.C., an adjustment to the management fee was made. 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.

  Desjardins – Innovatech S.E.C., the Company's subsidiary (note 4), is managed and operated by its general partner, DVC, as established by the limited partnership agreement dated July 4, 2005. This agreement is effective for an initial term of ten years and may be extended for a maximum of three years. The limited partners may decide to dismiss the general partner before the expiry date of the agreement. In accordance with the agreement, Desjardins – Innovatech S.E.C. has committed to disburse annual management fees representing 3% of the average assets' net value reduced by any amount payable for the acquisition of investments and by the amount attributable to the provision for surety. Additional compensation equivalent to 20% of the return attributable to the limited partners in excess of an annual average return of 7.5% is payable upon the partnership's liquidation.

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

- The Company has appointed Desjardins Trust Inc., an entity of the Desjardins Group, to act as its registrar and transfer agent with respect to shareholder transactions. This contract is for a period of three years starting on January 1, 2005.

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

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

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

	2006 $	2005 $
Earnings		
Caisse centrale Desjardins		
Interest on investments	474	1,115
Capital Desjardins inc.		
Gain (loss) on sale of investments	(3)	35
Interest on investments	1,150	1,369
Desjardins Financial Security		
Operating expenses	-	22
Desjardins Securities		
Interest on deposits	225	43
Desjardins Trust Inc.		
Shareholder services	1,713	1,690
Desjardins Venture Capital Inc.		
Management fees	20,709	17,637
Fédération des caisses Desjardins du Québec		
Operating expenses	401	486
Balance sheets		
Caisse centrale Desjardins		
Cash and cash equivalents	20,266	8,525
Capital Desjardins inc.		
Bonds	23,680	29,300
Desjardins Capital de développement		
Accounts receivable	199	65
Desjardins Securities		
Cash and cash equivalents	17,147	942
Desjardins Trust Inc.		
Accounts receivable	505	493
Cash and cash equivalents	47	14
Desjardins Venture Capital Inc.		
Accounts receivable	264	36
Accounts payable and accrued liabilities	-	280
Desjardins Venture Capital L.P.		
Investments impacting the Québec economy	-	13,038
Fédération des caisses Desjardins du Québec		
Accounts payable and accrued liabilities	62	291

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

13 Financial instruments

Fair value

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

Credit risk

Credit risk of investments relates to the possibility that the counterparty to the transaction does not meet its obligations. The Company reduces this risk by dealing solely with high-credit quality corporations; therefore, the Company considers the risk of non-performance and credit risk on these instruments to be remote.

Interest rate risk

Cash and cash equivalents bear interest at a weighted average rate of 3.86% (December 31, 2005 – prime rate less 2.25%). Accounts receivable and accounts payable and accrued liabilities are non-interest bearing.

The Company does not hold any derivative financial instruments.

14 Non-consolidated schedule of cost of investments impacting the Québec economy

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