Capital régional et coopératif Desjardins

Financial Statements
December 31, 2007

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Shareholders of
Capital régional et coopératif Desjardins

We have audited the balance sheets of **Capital régional et coopératif Desjardins** (the "Company") as at December 31, 2007 and 2006 and the statements of earnings, 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 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

Balance Sheets

As at December 31, 2007 and 2006

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

	2007 $	2006 Restated (note 3) $
Assets		
Investments impacting the Québec economy (note 5)	360,782	315,700
Investments (note 6)	315,550	305,345
Accounts receivable (note 7)	7,062	5,756
Cash and cash equivalents	38,122	20,600
Software (net of accumulated amortization $3,240; December 31, 2006 – $2,902)	80	338
Income taxes	4,010	3,577
Future income taxes (note 10)	8,172	4,463
	733,778	655,779
Liabilities		
Accounts payable and accrued liabilities (note 8)	1,249	1,159
	1,249	1,159
Net assets	732,529	654,620
Shareholders' Equity		
Share capital (note 9)	750,345	650,197
Retained earnings (deficit)	(17,816)	4,423
	732,529	654,620
Number of outstanding common shares	74,097,440	64,139,488
Net value per common share	9.89	10.21

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 years ended December 31, 2007 and 2006

(in thousands of dollars)

	2007				
		Retained earnings (deficit)			
	Share capital $	Realized $	Unrealized $	Total $	Shareholders' equity $
Balance – December 31, 2006	650,197	16,982	(12,559)	4,423	654,620
Net loss					
Realized net loss for the year, net of income taxes of ($3,011)	-	(5,687)	-	(5,687)	(5,687)
Change in unrealized revenue for the year, net of income taxes of ($4,120)	-	-	(16,556)	(16,556)	(16,556)
Net loss for the year	-	(5,687)	(16,556)	(22,243)	(22,243)
Share capital operations					
Shares issued	101,763	-	-	-	101,763
Redemption of shares	(1,615)	4	-	4	(1,611)
	100,148	4	-	4	100,152
Net change for the year	100,148	(5,683)	(16,556)	(22,239)	77,909
Balance – December 31, 2007	750,345	11,299	(29,115)	(17,816)	732,529

	2006 Restated (note 3)				
		Retained earnings (deficit)			
	Share capital $	Realized $	Unrealized $	Total $	Shareholders' equity $
Balance – December 31, 2005	572,032	25,187	(10,504)	14,683	586,715
Net loss					
Realized net loss for the year, net of income taxes of $36	-	(8,183)	-	(8,183)	(8,183)
Change in unrealized revenue for the year, net of income taxes of ($600)	-	-	(2,055)	(2,055)	(2,055)
Net loss for the year	-	(8,183)	(2,055)	(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	(8,205)	(2,055)	(10,260)	67,905
Balance – December 31, 2006	650,197	16,982	(12,559)	4,423	654,620

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

Capital régional et coopératif Desjardins

Statements of Earnings (Loss)

For the years ended December 31, 2007 and 2006

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

	2007 $	**2006 Restated (note 3)** $
Revenue		
Realized revenue		
Interest and dividends on investments	13,556	15,415
Gain (loss) on disposal of investments	(445)	863
Interest on debentures and dividends	16,505	10,464
Loss on disposal of investments impacting the Québec economy	(15,562)	(13,505)
Negotiation fees	1,813	1,356
Membership dues	141	151
Changes in unrealized appreciation (depreciation) of		
Investments impacting the Québec economy	(18,510)	(2,265)
Investments	(2,166)	(380)
	(4,668)	12,099
Expenses		
Operating expenses	21,819	19,902
Shareholder services	2,022	1,978
Capital tax	527	286
Amortization of software	338	735
	24,706	22,901
Loss before income taxes	(29,374)	(10,802)
Recovery of income taxes (note 10)	(7,131)	(564)
Net loss for the year	(22,243)	(10,238)
Weighted average number of common shares	68,320,868	61,364,696
Net loss per common share	(0.33)	(0.17)

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

Capital régional et coopératif Desjardins

Statements of Cash Flows

For the years ended December 31, 2007 and 2006

(in thousands of dollars)

	2007 $	2006 Restated (note 3) $
Cash flows from		
Operating activities		
Net loss for the year	(22,243)	(10,238)
Adjustments for		
Loss (gain) on disposal of investments	445	(863)
Loss on disposal of investments impacting the Québec economy	15,562	13,505
Changes in unrealized appreciation (depreciation) of		
Investments impacting the Québec economy	18,510	2,265
Investments	2,166	380
Amortization of software	338	735
Amortization of premiums and discounts on investments	570	1,706
Future income taxes	(3,709)	(1,041)
Capitalized interest and other non-cash items	(557)	(920)
	11,082	5,529
Changes in non-cash operating working capital balances (note 11)	(1,831)	(5,733)
	9,251	(204)
Investing activities		
Acquisition of investments impacting the Québec economy	(115,325)	(97,082)
Acquisition of investments	(110,550)	(128,908)
Proceeds on disposal of investments impacting the Québec economy	36,728	17,548
Proceeds on disposal of investments	97,164	144,499
	(91,983)	(63,943)
Financing activities		
Issuance of common shares	101,850	79,457
Redemption of shares	(1,596)	(1,401)
	100,254	78,056
Net changes in cash and cash equivalents during the year	17,522	13,909
Cash and cash equivalents – Beginning of the year	20,600	6,691
Cash and cash equivalents – End of the year	38,122	20,600
Supplementary information		
Income taxes paid	987	5,847

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

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

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

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

These rules have been respected as at December 31, 2007.

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

Comprehensive income

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

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

Investments impacting the Québec economy

Listed shares

The investments in listed shares are recorded at their fair value. Fair value is established using the bid-side level at market closing on the balance sheet date when an active market is available. Otherwise, the fair value may be established using unlisted share valuation techniques. The value of the shares 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 the discount or capitalization rate, the rate of return and the weighting of forecasted earnings.

Sureties

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

Investments

Investments consist of temporary investments, bonds, preferred shares and units of funds of hedge funds recorded at fair value. Units of funds of hedge funds are recorded at fair value estimated by their respective managers at the balance sheet date. For all other investments, fair value is calculated according to the market value, which is the bid-side level at market closing on the balance sheet date.

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

Obligations related to securities sold short

Securities sold short as part of trading activities, which represent the Company's obligation to deliver securities sold which were not owned at the time of sale, are recorded as liabilities offsetting the investments and are carried at fair value. Realized and unrealized gains and losses thereon are recorded in revenue in "Interest and dividends on investments". As at December 31, 2007 and December 31, 2006, the Company has no securities sold short.

Securities purchased under resale agreements and securities sold under repurchase agreements

The Company enters into short-term purchases and sales of securities with simultaneous agreements to sell and buy back those securities at a specified price and on a specified date. Those agreements are accounted for as collateralized lending and borrowing transactions, and are recorded on the balance sheet at the selling or repurchase price specified under the agreement. The difference between the purchase price and specified selling price and the difference between the selling price and the specified repurchase price are recorded using the accrual method in "Interest and dividends on investments". As at December 31, 2007 and December 31, 2006, 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 bank balances and short-term deposits with original terms to maturity of three months or less.

Software

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

Foreign currency translation

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

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

Income taxes

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

Revenue recognition

Interest and dividends

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

Gains and losses on disposal

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

Membership dues

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

Negotiation fees

Negotiation fees are recorded when the service is performed and when collection is considered probable.

Premiums and discounts

Premiums and discounts on 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 and dividends on investments".

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

3 Changes in accounting policies

Accounting changes

On January 1, 2007, the Company adopted a new section of the Canadian Institute of Chartered Accountants (CICA) Handbook, Section 1506, "Accounting Changes". This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors.

Consolidation of interests in investment companies

In April 2007, the Accounting Standards Board (AcSB) agreed to propose a modification to Accounting Guideline No. 18, "Investment Companies" (AcG-18). This amendment changes the criteria for determining if interests in investment companies must be consolidated or presented at fair value. The Company early adopted the amendment of AcG-18.

As a result, all of the Company's interests in investment companies are no longer subject to consolidation and are presented at fair value. All the interests which were presented previously at fair value remain as such.

The comparative figures for the year ended December 31, 2006 were restated in consequence. The restatement had the following impact: Investments impacting the Québec economy increased by $22.3M, Investments decreased by $27.9M, Cash and cash equivalents decreased by $20.0M and the Minority interest of $25.3M was eliminated.

This change had no impact on shareholders' equity and net value per common share as of December 31, 2006, nor on net loss and net loss per common share for the year ended December 31, 2006.

Financial instruments

On January 1, 2007, the Company adopted, without retroactive application, Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook. Since the Company is an investment company, the changes in accounting policies arising from the application of this Section apply only to certain items.

This change had no impact on net loss and net loss per common share for the year nor on net value per common share as at December 31, 2007.

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

4 Future accounting changes

In December 2006, the CICA issued new accounting standards: Handbook Section 1535, "Capital Disclosures", Handbook Section 3862, "Financial Instruments – Disclosures", and Handbook Section 3863, "Financial Instruments – Presentation". These new standards will be effective for the year beginning on January 1, 2008. Section 1535 specifies the disclosure of an entity's objectives, policies and processes for managing capital. Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

These new standards focus on the information to provide and will not have any impact on the results and on the financial position of the Company.

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

5 Investments impacting the Québec economy

a)

	As at December 31, 2007		As at December 31, 2006 Restated (note 3)	
	Cost $	**Fair value** $	**Cost** $	**Fair value** $
Unsecured				
Common shares	123,352	117,211	99,802	105,136
Preferred shares	110,271	89,135	114,815	96,563
Debentures and advances	155,788	148,144	110,594	107,406
	389,411	354,490	325,211	309,105
Secured				
Debentures and advances	6,725	6,292	7,333	6,595
	396,136	360,782	332,544	315,700

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

The debentures and advances bear interest at a weighted average rate of 10.1% (December 31, 2006 – 10.1%) and have an average residual maturity of 4.55 years (December 31, 2006 – 4.60 years). For substantially all the interest-bearing debentures and advances, the interest rate is fixed.

b) Allocation of investments and funds committed by industry segment

As at December 31, 2007

Industry segment	**Investments at cost** $	**Unrealized appreciation (depreciation)** $	**Fair value** $	**Funds committed but not disbursed*** $	**Sureties*** $	**Total commitment** $
Cooperatives	34,923	(5,587)	29,336	3,225	-	32,561
Industrial	173,783	(5,991)	167,792	8,952	-	176,744
Health and biotechnology	61,390	(21,330)	40,060	10,043	-	50,103
Telecommunications	31,457	(183)	31,274	4,822	-	36,096
Information technology	38,400	2,473	40,873	287	-	41,160
Investment funds	56,183	(4,736)	51,447	46,295	-	97,742
Total	396,136	(35,354)	360,782	73,624	-	434,406

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

As at December 31, 2006
Restated (note 3)

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	118,904	(3,566)	115,338	29,162	-	144,500
Health and biotechnology	51,734	(9,896)	41,838	9,263	-	51,101
Telecommunications	34,386	2,960	37,346	4,558	-	41,904
Information technology	36,966	(2,710)	34,256	6,602	92	40,950
Investment funds	53,060	(1,390)	51,670	52,103	-	103,773
Total	332,544	(16,844)	315,700	103,004	867	419,571

* 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 over the coming years ended December 31 are as follows:

	$
2008	46,937
2009	16,772
2010	4,000
2011	5,915
	73,624

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

6 Investments

a) Allocation of investments by instrument

	As at December 31, 2007		As at December 31, 2006 Restated (note 3)	
	Unamortized cost $	Fair value $	Unamortized cost $	Fair value $
Bonds				
Federal	87,196	87,179	79,514	79,274
Provincial and guaranteed	102,049	102,026	125,949	125,819
Financial institutions	60,546	59,815	57,187	57,616
Companies	34,974	34,948	31,466	31,936
Supranational entities	2,012	1,995	-	-
	286,777	285,963	294,116	294,645
Preferred shares	15,321	13,959	10,611	10,700
Units of funds of hedge funds	15,000	15,628	-	-
Total	317,098	315,550	304,727	305,345

b) Allocation of bonds by maturity date

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

	As at December 31, 2006 Restated (note 3)			
Maturity	**Less than 1 year $**	**1 to 5 years $**	**More than 5 years $**	**Total $**
Unamortized cost	5,085	147,553	141,478	294,116
Par value	5,050	144,367	141,480	290,897
Fair value	5,081	147,361	142,203	294,645
Average nominal rate *	5.48%	4.91%	4.38%	4.66%
Average effective rate	4.30%	4.23%	4.37%	4.30%

* Substantially all bonds are fixed-interest rate issues.

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

7 Accounts receivable

	As at December 31, 2007 $	As at December 31, 2006 Restated (note 3) $
Interest receivable on investments	2,880	2,971
Interest receivable on investments impacting the Québec economy	2,042	1,311
Sales taxes receivable	468	195
Subscriptions and membership dues receivable	-	87
Other accounts receivable	1,672	1,192
	7,062	5,756

8 Accounts payable and accrued liabilities

	As at December 31, 2007 $	As at December 31, 2006 Restated (note 3) $
Entities of the Desjardins Group		
Shareholder services	674	505
Other entities of the Group	233	392
Redeemed shares payable	15	-
Other accounts payable and accrued liabilities	327	262
	1,249	1,159

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

9 Share capital

Authorized

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

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

Each capitalization period, which lasts twelve months, will begin on March 1 of each year. The maximum the Company can raise in the capitalization period ending on February 29, 2008 is $100 million. The Company does not expect to make any further share capital issuances during the current capitalization period.

Issued and fully paid	**As at December 31, 2007 $**	**As at December 31, 2006 $**
74,097,440 Common shares (December 31, 2006 – 64,139,488)	750,345	650,197

During the year, the Company issued 10,117,487 common shares (December 31, 2006 – 7,675,384) for a cash consideration of $101,763,099 (December 31, 2006 – $79,543,500).

During the year, the Company redeemed 159,535 common shares (December 31, 2006 – 136,150) for a cash consideration of $1,611,237 (December 31, 2006 – $1,401,258).

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

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

- at the request of a person to whom it has been devolved by succession;
- at the request of the person who acquired it from the Company if the person applies to the Company therefor in writing within 30 days of subscribing it;
- 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.

Tax credit

The purchase of shares of the Company entitles the investor to receive a non-refundable tax credit, for Québec tax purposes only, for an amount equal to:
For purchases prior to March 24, 2006: 50% tax credit, $1,250 maximum.
For purchases from March 24, 2006 to November 10, 2007: 35% tax credit, $875 maximum.
For purchases subsequent to November 10, 2007: 50% tax credit, $2,500 maximum.

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

10 Income taxes

The Company is subject to Federal and provincial income taxes.

a) The income tax expense is detailed as follows:

	December 31, 2007 $	December 31, 2006 $
Current income taxes	(3,422)	477
Future income taxes	(3,709)	(1,041)
	(7,131)	(564)

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

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

	December 31, 2007 $	**December 31, 2006 $**
Income taxes by applying the combined income tax rate of 39.02%	(11,462)	(4,444)
Permanent differences between earnings before income taxes and taxable income and other items	4,331	3,880
	(7,131)	(564)

c) Future income taxes relate to the following items:

	As at December 31, 2007 $	**As at December 31, 2006 $**
Future income tax assets		
Unrealized depreciation	7,498	3,934
Amortization of premiums on bonds	494	595
Taxes losses carried over	140	-
Other	61	54
	8,193	4,583
Future income tax liabilities		
Software	(21)	(120)
Future income tax assets, net	8,172	4,463

11 Cash flows

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

	December 31, 2007 $	**December 31, 2006 Restated (note 3) $**
Increase in accounts receivable	(1,393)	(541)
Increase in income taxes	(433)	(5,084)
Decrease in accounts payable and accrued liabilities	(5)	(108)
	(1,831)	(5,733)

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

12 Related party transactions

Major agreements with the Company and the 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"), in accordance with the strategies and objectives approved by the Board of Directors. The management contract signed by DVC and the Company is in effect for an initial ten-year period, unless the parties agree to terminate the contract by mutual agreement. Thereafter, the contract shall be automatically renewed for a five-year period unless either party decides to terminate the contract by giving written notice of at least 18 months.

  Under this contract, the Company is required to pay an annual management fee equal to 3% of its annual average assets net value reduced by any amount payable for the acquisition of investments. This percentage is reduced to 2.5% from the fiscal year following that in which the Company's net asset value reaches $750,000,000. An adjustment is made to the management fee charged to the Company to avoid double billing relative to the Company's interest in some funds.

- The Company has appointed Desjardins Trust Inc. to act as its registrar and transfer agent with respect to shareholder transactions. This contract was for a period of three years beginning January 1, 2005. The contract was renewed for a two-year period beginning January 1, 2008.

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

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

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

	As at December 31, 2007	**As at December 31, 2006 Restated (note 3)**
	$	**$**
Balance sheets		
Caisse centrale Desjardins		
Cash and cash equivalents	23,143	16,415
Capital Desjardins inc.		
Investments	19,652	23,788
Desjardins Capital de développement (Regional funds)		
Accounts receivable	8	318
Accounts payable and accrued liabilities	151	119
Desjardins Global Asset Management		
Investments	15,628	-
Desjardins – Innovatech S.E.C.		
Accounts payable and accrued liabilities	-	270
Desjardins Trust Inc.		
Cash and cash equivalents	1,321	47
Accounts payable and accrued liabilities	674	505
Desjardins Securities		
Cash and cash equivalents	13,658	1,007
Desjardins Venture Capital Inc.		
Accounts receivable	-	218
Accounts payable and accrued liabilities	77	-

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

	December 31, 2007	December 31, 2006 Restated (note 3)
	$	$
Statements of earnings		
Caisse centrale Desjardins		
Interest and dividends on investments	596	328
Capital Desjardins inc.		
Interest and dividends on investments	986	1,150
Loss on disposal of investments	(1)	(3)
Changes in unrealized appreciation (depreciation) of investments	(412)	(237)
Desjardins Global Asset Management		
Changes in unrealized appreciation (depreciation) of investments	628	-
Desjardins Securities		
Interest and dividends on investments	252	207
Desjardins Trust Inc.		
Shareholder services	1,770	1,713
Desjardins Venture Capital Inc.		
Management fees	20,613	18,623
Fédération des caisses Desjardins du Québec		
Operating expenses	455	316

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

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

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

Liquid portfolio risks are managed by diversification across numerous issuers with a BBB credit rating or higher. Counterparty risks arising from cash and repurchase agreement transactions are limited to the immediate short term.

Foreign exchange risk

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

Currency fluctuations impact the fair value of investments valued initially in foreign currencies and subsequently translated into Canadian dollars at the prevailing rate of exchange. These investments whose value varies in step with fluctuations in the value of the U.S. dollar represent a fair value of $38.1 million as at December 31, 2007, compared with $44.4 million as at December 31, 2006. In December 2007, the Company authorized the implementation of a systematic hedging strategy against the foreign exchange risk related to existing investments with exit horizons of more than 12 months, as well as for any new foreign exchange position. This strategy will be phased in during 2008.

Interest rate risk

Cash and cash equivalents bear interest at a weighted average rate of 4.11% (December 31, 2006 – 3.76%). Accounts receivable and accounts payable and accrued liabilities bear no interest.

The Company does not hold any derivative financial instruments.

14 Comparative amounts

Certain amounts of the last year were restated to reflect the new accounting policy relating to the criteria used to determine if an interest in an investment company must be consolidated or presented at its fair value (note 3).

15 Schedule of cost of investments impacting the Québec economy

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