

Capital régional et coopératif Desjardins

Financial Statements
December 31, 2011



February 16, 2012

Independent Auditor's Report

To the Shareholders of Capital régional et coopératif Desjardins

We have audited the accompanying financial statements of Capital régional et coopératif Desjardins, which comprise the balance sheets as at December 31, 2011 and December 31, 2010 and the statements of earnings, shareholder's equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP, Chartered Accountants
1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Quebec, Canada H3B 2G4
T: +1 514 205-5000, F: +1 514 205-5675, www.pwc.com/ca*



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Capital régional et coopératif Desjardins as at as at December 31, 2011 and December 31, 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP¹

Montréal, Canada

¹ Chartered accountant auditor permit No. 19653

Capital régional et coopératif Desjardins

Balance sheets

As at December 31, 2011 and 2010

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

	2011 \$	2010 \$
Assets		
Investments impacting the Quebec economy (note 4)	541,909	439,550
Other investments (note 5)	667,873	541,271
Cash	14,905	38,108
Accounts receivable (note 6)	16,820	10,180
Software (net of accumulated amortization of \$4,362; December 31, 2010 - \$4,049)	-	313
Income taxes receivable	-	7,273
Future income taxes (note 14)	437	3,991
	<hr/>	<hr/>
	1,241,944	1,040,686
Liabilities		
Accounts payable (note 8)	6,173	3,723
Notes payable (note 9)	14,335	17,117
Income taxes payable	1,009	-
	<hr/>	<hr/>
	21,517	20,840
Net assets	<hr/>	<hr/>
	1,220,427	1,019,846
Number of outstanding common shares	110,775,643	102,908,090
Net value per common share	11.02	9.91

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

Approved by the Board of Directors

(signed) André Lachapelle _____, Director

(signed) Jacques Plante _____, Director

Capital régional et coopératif Desjardins

Statements of Shareholders' Equity

For the years ended December 31, 2011 and 2010

(in thousands of dollars, except number of shares)

2011

	Number of shares	Share capital \$	Contributed surplus ** \$	Retained earnings (deficit)			Net assets \$
				Realized	Unrealized	Total	
				\$	\$	\$	
Balance – December 31, 2010	102,908,090	1,026,015	5,157	10,530	(21,856)	(11,326)	1,019,846
Results for the year							
Net earnings realized and unrealized, net of income taxes of \$4,074 and \$3,795 respectively	-	-	-	30,240	92,348	122,588	122,588
Share capital operations *							
Shares issued	15,525,561	153,955	-	-	-	-	153,955
Redemption of shares	(7,658,008)	(77,648)	1,686	-	-	-	(75,962)
	7,867,553	76,307	1,686	30,240	92,348	122,588	200,581
Balance – December 31, 2011	110,775,643	1,102,322	6,843	40,770	70,492	111,262	1,220,427

2010

	Number of shares	Share capital \$	Contributed surplus ** \$	Retained earnings (deficit)			Net assets \$
				Realized	Unrealized	Total	
				\$	\$	\$	
Balance – December 31, 2009	93,142,217	933,533	2,410	26,209	(56,231)	(30,022)	905,921
Results for the year							
Net earnings realized and unrealized, net of income taxes of (\$2,647) and \$8,567 respectively	-	-	-	(15,679)	34,375	18,696	18,696
Share capital operations *							
Shares issued	18,581,140	180,982	-	-	-	-	180,982
	(8,815,267)	(88,500)	2,747	-	-	-	(85,753)
	9,765,873	92,482	2,747	(15,679)	34,375	18,696	113,925
Balance – December 31, 2010	102,908,090	1,026,015	5,157	10,530	(21,856)	(11,326)	1,019,846

* These data do not include the redemption requests made within 30 days of subscription.

** The contributed surplus results from the excess of the shares' issuance price over the price payable for their repurchase.

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

Capital régional et coopératif Desjardins

Statements of Earnings

For the years ended December 31, 2011 and 2010

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

	2011	2010
	\$	\$
Revenue		
Interest	41,142	36,898
Dividends	3,161	4,477
Negotiation fees	1,904	2,462
Administrative charges	687	1,133
	<hr/>	<hr/>
	46,894	44,970
	<hr/>	<hr/>
Expenses		
Management fee	27,283	23,948
Other operating expenses (note 13)	5,137	2,202
Shareholder services (note 13)	1,774	1,725
Capital tax	-	511
	<hr/>	<hr/>
	34,194	28,386
	<hr/>	<hr/>
Net investment income	12,700	16,584
	<hr/>	<hr/>
Gains and losses on investments		
Realized	21,614	(34,910)
Unrealized	96,143	42,942
	<hr/>	<hr/>
	117,757	8,032
	<hr/>	<hr/>
Income taxes (note 14)	7,869	5,920
	<hr/>	<hr/>
Net earnings for the year	122,588	18,696
	<hr/>	<hr/>
Weighted average number of common shares	107,059,998	97,930,424
	<hr/>	<hr/>
Net earnings per common share	1.15	0.19

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

Capital régional et coopératif Desjardins

Statements of Cash Flows

For the years ended December 31, 2011 and 2010

(in thousands of dollars)

	2011 \$	2010 \$
Cash flows from		
Operating activities		
Net earnings for the year	122,588	18,696
Adjustments for		
Realized losses (gains) on investments	(21,614)	34,910
Unrealized gains on investments	(96,143)	(42,942)
Amortization of software	313	374
Amortization of premiums and discounts on investments	3,059	2,649
Future income taxes	3,554	8,351
Capitalized interest and other non-cash items	(3,179)	(1,866)
	8,578	20,172
Changes in non-cash operating working capital balances (note 15)	10,796	(10,876)
	19,374	9,296
Investing activities		
Acquisition of investments impacting the Québec economy	(138,404)	(67,559)
Acquisition of other investments	(725,891)	(536,523)
Proceeds on disposal of investments impacting the Québec economy	122,460	43,666
Proceeds on disposal of other investments	588,851	520,551
	(152,984)	(39,865)
Financing activities		
Issuance of common shares	153,955	180,982
Redemption of shares	(75,962)	(85,753)
	77,993	95,229
Net changes in cash and cash equivalents during the year	(55,617)	64,660
Cash and cash equivalents – Beginning of the year	88,108	23,448
Cash and cash equivalents – End of the year (note 12)	32,491	88,108
Supplementary information		
Income taxes paid (received)	(3,826)	10,554

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

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

(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) (the “Act”) and is deemed to have been incorporated by the filing of statutes on July 1, 2001. The Company began its activities on November 5, 2001 and is a legal person with share capital. In November 2011, the Board of Directors revised the Company’s vision and mission statements, opting for a more compelling and inspiring approach. The new vision statement is:

- Making our economic future take root, here and now. That's capital.

Going forward, the Company’s mission will be to:

- Energize our entrepreneurship. Prioritize Québec ownership. Grow our collective wealth and make it last for generations to come.
- By crossing over our walkways to tomorrow, together we can contribute to the vitality of an entire economy.

In other words, Capital régional et coopératif Desjardins strives to value and nurture the best of Québec entrepreneurship as part of the collective wealth that is ours to have and to hold.

Administration

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

- Eight people appointed by the President of the Desjardins Group;
- Two people elected by the General Meeting of shareholders of the Company;
- Two people appointed by the above-mentioned ten members, selected from a group of people 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 million of assets or net equity of not more than \$50 million.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

(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, such as investments in certain investment funds, provided the required specific conditions set out in the Act have been met.

At the end of each fiscal year, 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 adjusted 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. If these criteria were not met, the Company could be subject to penalties. As at December 31, 2011 and 2010, no amount was owing by the Company under these rules.

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.

2 Significant accounting policies

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and contingent 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 in the year in which they are known.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

Comprehensive income

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

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. The value of the shares with trading or transfer restrictions 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 and the volume of trades. Otherwise, the fair value may be established using unlisted share valuation techniques.

Unlisted shares, debentures and advances

Unlisted shares, debentures and advances are valued at their fair value, determined in accordance with appropriate methods of valuation, primarily including 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 likely that an amount will be disbursed by the Company in relation to a pledged surety, the amount to be recognized in liabilities is estimated using an asset-based approach and a liquidation value method.

Other investments

Other investments consist of temporary investments, bonds, preferred shares, foreign exchange contracts 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. The foreign exchange contracts are measured using the difference between the contract's rate and the rate of an identical contract (same maturity and notional amount) that would have been agreed to at the balance sheet date. For all other investments, fair value is calculated according to market value, which is the bid-side level at market closing on the balance sheet date.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

(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 and are carried at fair value measured using the sell-side level at market closing on the balance sheet date. Realized and unrealized gains and losses thereon are recorded in revenue in Interest. As at December 31, 2011 and 2010, the Company had 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 resale and repurchase agreements are accounted for as collateralized lending and borrowing transactions, and are recorded on the balance sheet at the reselling or repurchase price specified under the agreement. The difference between the purchase price and specified reselling price and the difference between the selling price and the specified repurchase price are recorded using the accrual method in Interest. As at December 31, 2011 and 2010, the Company had no securities purchased under resale agreements or securities sold under repurchase agreements.

Cash, cash and cash equivalents, accounts receivable and accounts payable

The cash consist of bank balances. Cash and cash equivalents consist of cash and short-term deposits with original terms to maturity of less than ninety days.

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

Software

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

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. In the statement of earnings, realized or unrealized gains or losses on investments are presented under Gains and losses on investments.

For the other assets and liabilities denominated in foreign currencies, the changes related to foreign exchange rates are presented under Other operating expenses.

Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

Notes payable

Notes payable are recorded at their fair value, which represents the amount that the Company would have to pay in accordance with the underlying contractual agreements to these notes at the balance sheet date. In the statements of earnings, changes in fair value are presented under Gains and losses on investments – Unrealized. When a note is settled, the gain or loss realized is recognized under Gains and losses on investments – Realized in the statements of earnings.

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.

Administrative charges

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.

Gains and losses on investments

Gains and losses on disposal of investments 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 gains (losses) recorded in previous years, which are reversed and taken into account in change in unrealized gains (losses) for the year.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

Gains and losses on notes payable

Gains and losses on notes payable are recorded at the date of payment and represent the difference between the amount the Company paid to settle a note and its initial value, without taking into consideration the unrealized gains (losses) recorded in previous years, which are reversed and taken into account in unrealized gains (losses) in the current year.

Premiums and discounts

Premiums and discounts on fixed-term maturity of other investments are amortized using the internal rate of return method up to the maturity date of these investments. Amortization of premiums and discounts are recorded in Interest.

3 Future changes in accounting policies

As an investment company, the Company will cease to prepare its financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook – Accounting effective prior to the changeover for the periods beginning on January 1, 2014. At that time, the Company will start to apply IFRS as set out in Part I of the CICA Handbook – IFRS as its primary basis of accounting.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

4 Investments impacting the Québec economy

The *Schedule of cost of investments impacting the Québec economy* is available at the Company's head office, on its Web site at capitalregional.com and on SEDAR at www.sedar.com. The Schedule does not form an integral part of the financial statements.

	2011		
	Cost	Unrealized	Fair value
	\$	gain (loss)	\$
Unsecured			
Common shares	216,820	(3,649)	213,171
Preferred shares	66,845	61,477	128,322
Debentures and advances	208,438	(14,640)	193,798
Secured			
Debentures and advances	6,881	(263)	6,618
	498,984	42,925	541,909
	2010		
	Cost	Unrealized	Fair value
	\$	loss	\$
Unsecured			
Common shares	166,743	(17,270)	149,473
Preferred shares	109,479	(7,075)	102,404
Debentures and advances	193,785	(9,285)	184,500
Secured			
Debentures and advances	3,324	(151)	3,173
	473,331	(33,781)	439,550

Investments impacting the Québec economy included investments valued in foreign currencies for a fair value of \$150.9 million (December 31, 2010 – \$68.7 million).

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

Debentures and advances bear interest at a weighted average rate of 11.6% (December 31, 2010 – 11.5%) and have an average residual maturity of 4.3 years (December 31, 2010 – 4.5 years). For substantially all the interest-bearing debentures and advances, the interest rate is fixed.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

a) Allocation of investments and funds committed by asset class

							2011
Asset class	Investments at cost \$	Unrealized gain (loss) \$	Fair value \$	Funds committed but not disbursed¹ \$	Sureties¹ \$	Total commitment \$	
Development Capital	154,340	(5,954)	148,386	5,250	-	153,636	
Company buyouts and Major Investments	169,776	18,907	188,683	24,096	-	212,779	
Technological Innovations	38,233	(14,238)	23,995	-	-	23,995	
Venture Capital - Health Funds	34,482	50,593	85,075	-	-	85,075	
	102,153	(6,383)	95,770	122,476	-	218,246	
Total	498,984	42,925	541,909	151,822	-	693,731	

							2010
Asset class	Investments at cost \$	Unrealized gain (loss) \$	Fair value \$	Funds committed but not disbursed¹ \$	Sureties¹ \$	Total commitment \$	
Development Capital	175,353	(5,888)	169,465	7,751	-	177,216	
Company buyouts and Major Investments	104,038	10,254	114,292	47,100	-	161,392	
Technological Innovations	76,141	(17,391)	58,750	-	-	58,750	
Venture Capital - Health Funds	42,999	(11,132)	31,867	-	-	31,867	
	74,800	(9,624)	65,176	145,634	-	210,810	
Total	473,331	(33,781)	439,550	200,485	-	640,035	

¹ Funds committed but not disbursed and sureties are not included in the Company's assets.

b) Funds committed but not disbursed represent investments that have been agreed upon and which have been committed but not disbursed at the balance sheet date. Future disbursements are subject to certain conditions. Assuming that the conditions are met, the estimated instalments over the coming years ended December 31 will be as follows:

2012	2013	2014	2015	2016 and after	Total
\$76,305	\$35,774	\$11,410	\$8,000	\$20,333	\$151,822

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

5 Other investments

The unaudited *Statement of other investments* is available at the Company's head office, on its Web site at capitalregional.com and on SEDAR at www.sedar.com. The Statement does not form an integral part of the financial statements.

	2011		
	Cost	Unrealized	Fair value
	\$	gain	\$
		\$	
Bonds			
Federal	179,559	8,538	188,097
Provincial and guaranteed	195,181	8,503	203,684
Financial institutions	133,952	3,270	137,222
Companies	31,294	1,832	33,126
	539,986	22,143	562,129
Money market instruments ¹	63,355	-	63,355
Foreign exchange contracts ²	-	296	296
Preferred shares	41,648	445	42,093
Total	644,989	22,884	667,873

Allocation of bonds by maturity date

	2011			
Maturity	Less than	1 to	More than	Total
	1 year	5 years	5 years	
	\$	\$	\$	\$
Unamortized cost	-	215,579	324,407	539,986
Par value	-	212,372	308,123	520,495
Fair value	-	218,994	343,135	562,129
Average nominal rate ⁴	-	2.94 %	4.41 %	3.81 %
Average effective rate	-	2.25 %	3.58 %	3.05 %

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

	2010		
	Cost	Unrealized	Fair value
	\$	gain (loss)	\$
		\$	
Bonds			
Federal	144,233	3,677	147,910
Provincial and guaranteed	153,270	2,627	155,897
Financial institutions	101,559	1,552	103,111
Companies	21,530	442	21,972
	420,592	8,298	428,890
Money market instruments ¹	85,900	-	85,900
Foreign exchange contracts ²	-	1,358	1,358
Preferred shares	25,483	(640)	24,843
Units of fund of hedge funds ³	3,943	(3,663)	280
Total	535,918	5,353	541,271

Allocation of bonds by maturity date

	2010			
Maturity	Less than	1 to	More than	Total
	1 year	5 years	5 years	\$
	\$	\$	\$	
Unamortized cost	-	272,624	147,968	420,592
Par value	-	266,340	142,864	409,204
Fair value	-	277,474	151,416	428,890
Average nominal rate ⁴	-	3.97 %	4.55 %	4.17 %
Average effective rate	-	3.07 %	3.98 %	3.39 %

¹ Money market instruments consist of term deposits, Treasury bills or strip bonds with an original maturity of less than a year. As at December 31, 2011, all money market instruments have an original maturity of zero to eleven months while as at December 31, 2010, they all had an original maturity of zero to four months.

² Foreign exchange contracts to sell USD 153.6 M and AUD 1.1 M (australian dollar) have three-month maturities. (USD 67.5 M and AUD 3.8 M as at December 31, 2010.)

³ The balance of the interest in the fund of hedge funds was sold during the fiscal year ended December 31, 2011.

⁴ Substantially all bonds are fixed-interest rate issues.

All portfolio securities of other investments are denominated in Canadian dollars except foreign exchange contracts.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

6 Accounts receivable

	2011	2010
	\$	\$
Interest and dividends receivable on investments	4,921	6,226
Sales taxes receivable	737	518
Amounts receivable on disposal of investments	10,565	3,037
Other accounts receivable	597	399
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	16,820	10,180
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Accounts receivable include amounts receivable on disposal of investments valued in foreign currencies of \$6.4 million (\$1.8 million as at December 31, 2010).

7 Line of credit

The Company has had an authorized line of credit of \$10 million. This bank credit bears interest at the operating credit rate of Caisse centrale Desjardins plus 0.5%. This line of credit is guaranteed by a portion of the money market instruments and bonds recorded in Other investments and is renewable on an annual basis. As at December 31, 2011 and 2010, no drawings had been made on the line of credit.

8 Accounts payable

	2011	2010
	\$	\$
Suppliers and accrued liabilities	4,669	956
Other accounts payable	1,504	2,767
	<hr/>	<hr/>
	6,173	3,723
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Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

9 Notes payable

On November 30, 2010, the Company acquired from Desjardins Venture Capital L.P., a subsidiary of Fédération des Caisses Desjardins du Québec, investments with a fair value of \$17.6 million as consideration for notes of equal initial value. Each note payable is related to one of the acquired investments and contains a provision under which the amount payable shall be adjusted based on the amounts received by the Company on the sale of the related investment. If the amount received by the Company at the time of sale is less than the initial cost of the investment, the amount of the note will be adjusted to the amount received. However, if the amount received by the Company at the time of sale is more than the initial cost of the investment, the amount of the note will be increased by 70% of the realized gain. Management fees paid by the Company in respect of investments between their dates of acquisition and their dates of sale are deducted from the amount of the related notes.

As at December 31, 2011, notes payable with a fair value of \$9.6 million were related to investments valued in foreign currencies (\$10.8 million as at December 31, 2010).

Notes payable have an initial maturity of three years. Notes not settled by that time must be renegotiated by Desjardins Venture Capital L.P. and the Company.

10 Shareholders' equity

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.

At the Fund's inception, its capitalization limit was \$1 billion. During the capitalization period ended February 28, 2011, that initially authorized limit was reached. Pursuant to the tabling of the new 2011-2012 Québec budget on March 17, 2011, that limit was raised to \$1.25 billion.

As of the capitalization period following the one at the end of which the Company first reaches capitalization of at least \$1.25 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, begins on March 1 of each year. The maximum the Company can raise in the capitalization period ending on February 28, 2012 is \$150 million. As at December 31, 2011 and 2010, the Company is in compliance with this limit.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

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 therefore 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 to be 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 9, 2007: 35 % tax credit, \$875 maximum.

For purchases subsequent to November 9, 2007: 50 % tax credit, \$2,500 maximum.

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.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

11 Capital disclosures

The Company's objective with respect to capital management is to ensure the availability of sufficient cash resources to fund investments in line with its mission and meet shareholders' demands for share repurchases. The Company's capital consists of shareholders' equity.

The Company is not subject to any external capital requirements other than those governing the issuance and repurchase of its shares, as indicated in note 10.

The Company's policy is to reinvest the annual revenue generated by its operations and not to pay dividends to its shareholders, with a view to increasing the capital available for investment and enhancing share valuations.

12 Cash and cash equivalents

	2011	2010
	\$	\$
Cash	14,905	38,108
Money market instruments	17,586	50,000
	<hr/>	<hr/>
	32,491	88,108
	<hr/>	<hr/>

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

13 Expenses

	2011	2010
	\$	\$
Other operating expenses		
Audit fees	229	204
Directors' compensation	321	270
Professional fees	3,547	663
Financials expenses (revenues)	(25)	27
Custodial fees and trustees' fees	91	67
Other expenses	661	597
Amortization of software	313	374
	<hr/>	<hr/>
	5,137	2,202
	<hr/>	<hr/>
Shareholder services		
Trustee fees	1,500	1,244
Reporting to shareholders	138	125
Other expenses	136	356
	<hr/>	<hr/>
	1,774	1,725
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14 Income taxes

The Company is subject to federal and provincial income taxes.

a) Income tax expense is detailed as follows:

	2011	2010
	\$	\$
Current income taxes (recovery)	4,315	(2,431)
Future income taxes	3,554	8,351
	<hr/>	<hr/>
	7,869	5,920
	<hr/>	<hr/>

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

(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:

	2011	2010
	\$	\$
Income taxes by applying the combined basic tax rate of 39.90%	52,052	9,822
Permanent differences between earnings before income taxes and taxable income and other items		
Realized and unrealized gains on investments	(43,904)	(1,572)
Untaxable dividends	(1,821)	(2,135)
Other	3	-
Others discrepancies	1,539	(195)
	<hr/>	<hr/>
	7,869	5,920
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The Company is subject to the rules governing mutual fund corporations and, as such, federal income tax payable on capital gains will be recovered on repurchases of shares.

- c) Future income taxes relate to the following items:

	2011	2010
	\$	\$
Future income tax assets		
Unrealized losses on investments	-	4,067
Other	437	49
	<hr/>	<hr/>
	437	4,116
Future income tax liabilities		
Software	-	(125)
	<hr/>	<hr/>
Future income tax assets, net	437	3,991
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Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

15 Cash flows

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

	2011	2010
	\$	\$
Decrease (increase) in accounts receivable	888	(818)
Decrease (increase) in income taxes receivable	7,273	(7,273)
Increase (decrease) in income taxes payable	1,009	(5,636)
Increase in accounts payable	1,626	2,851
	<hr/>	<hr/>
	10,796	(10,876)
	<hr/>	<hr/>

16 Related party transactions

The Company is related to Desjardins Group. Major agreements with the Company and Desjardins Group entities 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 was effective for an initial term of ten years, ending December 31, 2011.

For the fiscal year ending December 31, 2012, the parties have agreed to renew the contract for one year on the same terms and conditions, except for the rate discussed below. The parties have agreed to review the terms and conditions of the contract prior to its next renewal.

Under this contract, the Company is required to pay management fees of 2.5% (2.25% for the fiscal year ending December 31, 2012) of its average annual assets’ net value reduced by any amount payable for the acquisition of investments. 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. The agreement has a three-year term starting on January 1, 2008. This agreement was renewed under the same terms and conditions until June 30, 2012.

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

- The Company has centralized custody services for its assets with Desjardins Trust. The custody and administration agreement became effective on May 1, 2009. Its term is indefinite unless one or the other of the parties, on prior written notice of at least 90 days, decides to terminate it. However, given the review of the terms and conditions of the management agreement between the Company and its manager, the terms of the agreement with Desjardins Trust could, by the same token, be revised.
- The Company has appointed Fédération des caisses Desjardins du Québec to distribute its shares through the Desjardins caisse network. This agreement is effective for one year and will be automatically renewed each year at market conditions unless one of the parties gives written notice to the contrary three months before the expiry date of the agreement.

The Company entered into transactions with other Desjardins Group entities in the normal course of business. All of these transactions are measured at the exchange amount. The transactions and balances are detailed as follows:

	2011	2010
	\$	\$
Balance sheets		
Caisse centrale Desjardins		
Cash	14,074	36,249
Other investments	26,071	87,258
Interest and dividends receivable on investments	87	-
Capital Desjardins inc.		
Other investments	9,955	8,317
Interest and dividends receivable on investments	83	100
Desjardins Global Asset Management		
Other investments	-	280
Desjardins Trust Inc.		
Cash	890	573
Accounts payable	483	370
Desjardins Venture Capital inc.		
Accounts payable	1,764	2,757
Desjardins Venture Capital L.P.		
Accounts receivable	-	98
Accounts payable	45	-
Notes payable	14,335	17,117

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

	2011	2010
	\$	\$
Statements of earnings		
Caisse centrale Desjardins		
Interest	591	176
Realized gains (losses) on investments	(56)	2,695
Unrealized gains (losses) on investments	(811)	718
Capital Desjardins inc.		
Interest	36	353
Realized gains on investments	173	95
Unrealized gains on investments	6	122
Desjardins Global Asset Management		
Realized losses on investments	(3,581)	-
Unrealized gains on investments	3,663	110
Desjardins Trust Inc.		
Shareholder services	1,500	1,244
Other operating expenses	120	67
Desjardins Venture Capital inc.		
Management fees	27,283	23,948
Desjardins Venture Capital L.P.		
Realized losses on investments	(691)	-
Unrealized gains on investments	1,980	476
Fédération des caisses Desjardins du Québec		
Other operating expenses	365	378

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

17 Financial instruments and associated risks

Financial instruments

The Company's financial instruments are recorded at their fair value. Fair value is used to determine the values at which these instruments could be traded in a current transaction between willing parties. When these financial instruments are not traded in public markets, their fair value is established based on a set of predetermined criteria, which minimizes the subjectivity of the valuation. The Company categorizes its financial instruments according to the three following hierarchical levels:

- Level 1 – Measurement based on quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – Valuation techniques based primarily on observable market data; and
- Level 3 – Valuation techniques not based primarily on observable market data.

The following table shows the breakdown of the fair-value valuation of the financial instruments among the three levels.

	2011			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments impacting the Québec economy	5,572	-	536,337	541,909
Other investments	472,431	195,442	-	667,873
Cash	14,905	-	-	14,905

	2010			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments impacting the Québec economy	5,791	-	433,759	439,550
Other investments	284,974	256,017	280	541,271
Cash	38,108	-	-	38,108

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

When fair-value valuations of interests in private companies are not entirely based on observable data, the estimates are qualified as Level 3. This takes into account that, beyond external variables such as interest rate levels, economic growth and income tax rates to name only a few, whose impacts are generally reflected in valuation, there are also internal variables which affect fair-value estimates. The valuation of interests is also dependent on information or factors that have a particular influence on a business (outlook, competition, human or financial resources, etc.).

While the goal of valuation is to rely as much as possible on observable data, the choice of relevant elements and their impact on establishing fair value is influenced by the judgment of the valuator. That being said, although another valuator looking at the same business might weigh certain specific factors differently, the impact on the overall portfolio will be marginal.

The following table presents the reconciliation between the beginning and ending balances of Level 3:

			2011
	Investments impacting the Québec economy	Other investments	Total
	\$	\$	\$
Balance – December 31, 2010	433,759	280	434,039
Realized gains (losses) on investments	18,524	(3,581)	14,943
Unrealized gains on investments	82,906	3,663	86,569
Acquisition	140,421	-	140,421
Proceeds on disposal	(127,032)	(362)	(127,394)
Transfer to Level 1	(12,241)	-	(12,241)
Balance – December 31, 2011	<u>536,337</u>	-	<u>536,337</u>
Unrealized gains on investments held as at December 31, 2011	<u>82,870</u>	-	<u>82,870</u>

Capital régional et coopératif Desjardins

Notes to Financial Statements

As at December 31, 2011 and December 31, 2010

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

			2010
	Investments impacting the Québec economy	Other investments	Total
	\$	\$	\$
Balance – December 31, 2009	397,731	738	398,469
Realized losses on investments	(42,463)	-	(42,463)
Unrealized gains on investments	39,037	110	39,147
Acquisition	85,153	-	85,153
Proceeds on disposal	(45,699)	(568)	(46,267)
	<hr/>		
Balance – December 31, 2010	433,759	280	434,039
	<hr/>		
Unrealized gains (losses) on investments held as at December 31, 2010	(2,498)	110	(2,388)

Financial instruments and associated risks

The risks associated with financial instruments that affect the Company's financial position are discussed in detail in the audited sections "Market Risk," "Credit and Counterparty Risk" and "Liquidity Risk" of the Company's MD&A on pages 9 to 10.

18 Comparative amounts

Certain comparative figures for 2010 have been reclassified to conform to current year presentation.