Capital régional et coopératif Desjardins

Interim Separate Financial Statements
June 30, 2015
(in thousands of Canadian dollars)

August 19, 2015

Independent Auditor's Report

To the Shareholders of
Capital régional et coopératif Desjardins

We have audited the accompanying separate financial statements of Capital régional et coopératif Desjardins (the financial statements), which comprise the balance sheets as at June 30, 2015 and December 31, 2014 and the statements of comprehensive income, changes of net assets and cash flows for the six-month periods ended June 30, 2015 and 2014, 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 International Financial Reporting Standards, 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 audit 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.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Capital régional et coopératif Desjardins as at June 30, 2015 and December 31, 2014, its financial performance and its cash flows for the six-month periods ended June 30, 2015 and 2014 in accordance with International Financial Reporting Standards.

(signed) PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. [1]

[1] CPA auditor, CA, public accountancy permit N°. A111799

Capital régional et coopératif Desjardins

Separate Balance Sheets

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

	Note	As at June 30, 2015 $	As at December 31, 2014 $
Assets			
Investments impacting the Québec economy	7	737,351	710,923
Other investments	8	816,858	769,545
Income taxes	18	22,646	17,399
Accounts receivable	10	55,385	30,232
Cash	11	13,901	9,174
		1,646,141	1,537,273
Liabilities			
Notes payable and financial liabilities	12	22,718	22,148
Accounts payable	13	30,360	8,746
Income taxes	18	413	3,917
		53,491	34,811
Net assets	15	1,592,650	1,502,462
Number of common shares outstanding		130,540,525	124,664,633
Net asset value per common share		12.20	12.05

On behalf of the Board of Directors of Capital régional et coopératif Desjardins

(signed) Jacques Plante, Director

(signed) Chantal Bélanger, Director

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

Capital régional et coopératif Desjardins

Separate Statements of Comprehensive Income

For the six-month periods ended June 30, 2015 and 2014

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

	Note	2015 $	2014 $
Revenue			
Interest	7	15,403	18,811
Dividends		6,291	3,618
Administrative charges		569	216
		22,263	22,645
Gains (losses) on investments			
Realized		39,003	1,663
Unrealized		(23,024)	26,182
		15,979	27,845
Total revenue and gains (losses) on investments		38,242	50,490
Expenses			
Management fees		12,447	12,210
Other operating expenses	17	1,004	1,594
Shareholder services	17	1,017	1,018
		14,468	14,822
Earnings before income taxes		23,774	35,668
Income taxes	18	2,984	3,267
Net earnings for the period		20,790	32,401
Weighted average number of common shares		124,016,238	123,762,598
Net earnings per common share		0.17	0.26

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

Capital régional et coopératif Desjardins

Separate Statements of Changes in Net Assets

For the six-month periods ended June 30, 2015 and 2014

(in thousands of Canadian dollars)

	Share capital (note 15)		Retained earnings	Net assets
	Number	$	$	$
Balance – December 31, 2014	124,664,633	1,278,650	223,812	1,502,462
Net earnings for the period	-	-	20,790	20,790
Share capital transactions[1]				
Issuance of common shares	10,888,546	131,207	-	131,207
Share issue expenses, net of $1,006 in taxes	-	(1,516)	-	(1,516
Redemption of common shares	(5,012,654)	(50,121)	(10,172)	(60,293)
Balance – June 30, 2015	130,540,525	1,358,220	234,430	1,592,650
Balance – December 31, 2013	126,164,932	1,285,213	185,363	1,470,576
Net earnings for the period	-	-	32,401	32,401
Redemption of common shares	(3,732,564)	(37,980)	(5,367)	(43,347)
Balance – June 30, 2014	122,432,368	1,247,233	212,397	1,459,630

(1) These data do not include the redemption requests made within 30 days of subscription.

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

Capital régional et coopératif Desjardins

Separate Statements of Cash Flows

For the six-month periods ended June 30, 2015 and 2014

(in thousands of Canadian dollars)

	Note	2015 $	2014 $
Cash flows related to operating activities			
Net earnings for the period		20,790	32,401
Non-cash items:			
Losses (gains) on investments		(15,979)	(27,845)
Amortization of premiums and discounts on other investments		1,082	1,209
Deferred taxes		565	(6)
Capitalized interest and other non-cash items		(712)	(1,279)
Changes in operating assets and liabilities:			
Income taxes recoverable		(4,974)	(2,153)
Accounts receivable		804	(780)
Income taxes payable		(3,336)	-
Accounts payable		(991)	334
Acquisitions of investments impacting the Québec economy		(81,793)	(52,888)
Proceeds from disposals of investments impacting the Québec economy		65,160	40,540
Acquisitions of other investments		(645,154)	(287,238)
Proceeds on disposal of other investments		569,165	344,362
		(95,373)	46,657
Cash flows related to financing activities			
Issuance of common shares		131,207	-
Redemption of common shares		(60,293)	(43,347)
		70,914	(43,347)
Net change in cash and cash equivalents during the period		(24,459)	3,310
Cash and cash equivalents – beginning of the period		52,548	20,284
Cash and cash equivalents – end of the period		28,089	23,594
Supplemental information about cash flows from operating activities			
Interest received		15,819	18,516
Dividends received		6,279	3,738
Income taxes paid		10,729	5,426

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

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

1 Governing statute, administration and investments

Governing statute

Capital régional et coopératif Desjardins (the “Company”) is constituted by an Act of the National Assembly of Québec (C.Q.L.R. chapter C-6.1) (the “Act”) and is deemed to have been constituted by the filing of articles on July 1, 2001. The Company began its activities on November 5, 2001 and is a legal person with share capital. The Company has business offices at 2 Complexe Desjardins, East Tower, Suite 1717, Montréal, Québec, Canada, and its head office is located at 100 Rue des Commandeurs, Lévis, Québec, Canada.

Administration

The affairs of the Company are administered by a Board of Directors consisting of 13 members:

- Eight persons appointed by the Chair of the Board, President and CEO of Desjardins Group;
- Two persons elected by the General Meeting of Shareholders;
- Two persons appointed by the aforementioned 10 members from among the persons considered by those members to be representative of the eligible entities described in the Act;
- The Chief Executive Officer of the Company.

Investments

The Company may make investments with or without a guarantee or security, mainly in eligible entities. 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 whose assets are less than $100 million or whose net equity is less than or equal to $50 million.

The Company may invest up to 5% of its assets (as established on the basis of the latest valuation by the chartered professional accountants) in the same eligible company or cooperative, and the investment is generally planned for a period of five to eight years. The percentage may be increased up to 10% to enable the Company to acquire securities in an entity carrying on business in Québec but that is not an eligible entity. In such a case, the Company may not, directly or indirectly, acquire or hold shares carrying more than 30% of the voting rights that may be exercised under any 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 adjusted 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 the resource regions of Québec or in eligible cooperatives. Failure to comply with those rules can expose the Company to penalties. As at December 31, 2014 and 2013, no amount was payable under those rules. Pursuant to the provincial budget in March 2015, beginning in 2016, changes will be made to the eligibility rules as discussed on page 14 of the Management Discussion and Analysis.

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

Investments made by the Company otherwise than as first purchaser for the acquisition of securities issued by an eligible entity can also be taken into account in the calculations for determining eligible investments. For investments made prior to November 10, 2007, those 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 otherwise 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 Basis of presentation

Statement of compliance

The Company has prepared its separate financial statements (the "financial statements") in accordance with IFRS as issued by the International Accounting Standard Board ("IASB"). These financial statements were approved by the Board of Directors on August 19, 2015.

Basis of measurement

These financial statements have been prepared on a fair value basis, except with respect to the financial instruments classified as loans and receivables and other financial liabilities, as well as taxes, which are measured at amortized cost and at cost.

Investment entity

The Company has several shareholders that are not related parties and holds a number of investments directly or indirectly in underlying funds. Ownership interests in the Company are in the form of redeemable shares, subject to certain conditions, which are reported in net assets, in accordance with the puttable instrument exemption under IAS 32, "Financial Instruments: Presentation".

The Company has concluded that it constitutes an investment entity within the meaning of IFRS 10, "Consolidated Financial Statements", as it obtains funds from multiple shareholders, commits to its shareholders to invest funds for returns from capital appreciation, and measures and evaluates the performance of its investments on a fair value basis. Accordingly, investments in subsidiaries and associates reported in investments impacting the Québec economy are measured at fair value.

3 Significant accounting policies

The significant accounting policies used in preparing these financial statements are set out below.

Financial instruments

The Company accounts for its financial instruments at fair value on initial recognition. Purchases and sales of financial assets are recognized at the trade date. Financial assets and liabilities are classified into various

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

categories based on their characteristics and the Company's intention upon their acquisition and issuance. Investments impacting the Québec economy, other investments, amounts receivable on disposal of investments impacting the Québec economy and notes payable and financial liabilities are designated as at fair value through profit or loss. Those financial instruments are part of a portfolio managed in accordance with a documented investment management strategy and whose performance is evaluated on a fair value basis. In addition, information about the portfolio is provided internally on that basis to the Company's key management personnel.

Cash and other accounts receivable are classified in loans and receivables, and accounts payable, in other financial liabilities. Those financial instruments are recognized at amortized cost, which approximates their fair value.

Financial liabilities are derecognized when the liability is extinguished, that is when the obligation specified in the contract is discharged or cancelled, or expires.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of assets and liabilities traded in a market

The fair value of assets and liabilities traded in a market considered as active is based on the quoted price within the bid-ask spread that is most representative of fair value in the circumstances. In certain cases, if the market is not considered an active market, the most recent quoted price between the bid-ask spread may be adjusted to adequately reflect fair value.

Fair value of assets and liabilities not traded in a market

When assets and liabilities are not market-traded, fair value is determined using valuation techniques chosen based on set criteria and prevailing market conditions at each reporting date. The principal financial instruments not traded in a market are included in investments impacting the Québec economy. The techniques used are based on valuation principles including guidelines generally used in the industry by business valuation professionals. Those valuation principles have been approved by the Company's Board of Directors. The valuation method for a financial instrument is generally consistent from period to period, except where a change will result in more accurate estimates of fair value. Given the evolving environment specific to each entity underlying the financial instruments, changes to valuation techniques occur in each reporting period.

Loans and advances, non-participating shares

The fair value of loans and advances and non-participating shares is determined by discounting the Company's expected contractual cash flows using a discount rate reflecting the return it would demand in light of entity-specific credit risk.

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

Participating shares

The main technique used to determine the fair value of participating shares is the capitalization of cash flows. Two key variables used in that technique are representative cash flow and the capitalization rate. To determine representative cash flow, recurring cash flows are estimated using the entity's historical results and/or financial forecasts. A risk weight is subsequently applied to each of the cash flows thus determined to reflect its probability of occurrence. The rate used to capitalize the representative cash flow thus obtained reflects the way in which the entity could fund its operations and the risks associated with the occurrence of that representative cash flow.

Where the price of a recent arm's length market transaction between knowledgeable, willing parties is available, this valuation technique is used. It may also be appropriate to use a technique based on a third-party purchase offer when deemed bona fide and credible. The use of judgment is required in determining whether the fair value of the recent transaction or purchase offer is the best evidence of fair value at the measurement date. The period during which it is deemed appropriate to refer to a past transaction or purchase offer depends on the circumstances specific to each investment.

Another valuation technique used is adjusted net assets, which consists in remeasuring all assets and liabilities on the Balance Sheet of the entity or fund at their fair value at the measurement date. The key adjustments made are related to the fair value of assets and liabilities, newly available information and significant events that occurred between the Balance Sheet date of the entity or the fund and the measurement date.

Guarantee

When it is probable that the Company is required to make a payment under guarantee it has provided, the liability to be recognized is estimated using an asset-based approach and a liquidation value method.

Notes payable and financial liabilities

Notes payable and financial liabilities are related to acquisitions of certain investments impacting the Québec economy and are recognized at fair value, which represents the amount payable by the Company under the notes and financial liabilities' underlying contractual agreements at the reporting date.

Obligations related to securities sold short

Securities sold short as part of trading activities, which represent the Company's obligation to deliver securities which were not owned at the time of sale, are recorded as liabilities and measured at fair value using the quoted price within the bid-ask spread that is most representative of fair value in the circumstances at the reporting date. Realized and unrealized gains and losses thereon are recorded in profit or loss under "Interest". Due to regulatory changes, the Company's manager decided to discontinue as of December 22, 2014 the use of securities sold short.

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

Securities purchased under reverse repurchase agreements and securities sold under repurchase agreements

The Company enters into short-term purchases and sales of securities with simultaneous commitments to sell and buy back those securities at a specified price and on a specified date. Those reverse repurchase agreements and repurchase agreements are accounted for as collateralized lending and borrowing transactions, and are recorded on the Balance Sheets 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". Due to regulatory changes, the Company's manager decided to discontinue as of December 22, 2014 the use of securities purchased under reverse repurchase agreements and securities sold under repurchase agreements.

Amounts receivable on disposal of investments impacting the Québec economy

The fair value of amounts receivable on disposal of investments impacting the Québec economy is determined by discounting contractual cash flows. Typically, estimating the amounts receivable and the timing of their collection depends on whether specified future events occur or conditions are met.

Cash and cash equivalents

Cash and cash equivalents consist of cash and money market instruments with purchased maturities of less than 90 days.

Share capital

The shares of the Company are redeemable at the holder's option subject to certain conditions and therefore constitute financial liabilities. However, they are reported in net assets, as they have all of the following features:

- They entitle the shareholder to a pro rata share of the Company's net assets in the event of the Company's liquidation;
- They are in the class of instruments that is subordinate to all other classes of instruments of the Company;
- They have identical features to all other instruments in that class;
- Apart from the contractual obligation for the Company to repurchase or redeem the instrument for cash or another financial asset, they do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, and it is not a contract that will or may be settled in the Company's shares;
- The total expected cash flows attributable to the shares over their life are based substantially on net earnings, the change in recognized net assets or the change in fair value of the recognized and unrecognized net assets of the Company over the life of the shares (excluding any effects of the shares).

Share issuance costs, net of taxes, are reported in the Statements of Changes in Net Assets.

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

Revenue recognition

Interest and dividends

For investments impacting the Québec economy, interest is recognized at the contractual rate, as collection is reasonably assured. For other investments, interest is recognized using the effective interest method. Amortization of premiums and discounts, calculated using the effective interest method, is recognized in profit or loss under "Interest."

Dividends are recognized as at the holder-of-record date and when they are declared by the issuing companies.

Administrative charges

Administrative charges are recognized at the time of a shareholder's initial subscription and on the closure of that account by the shareholder.

Gains and losses

Realized gains and losses on investments are recognized at the time of sale and represent the difference between sale proceeds and cost. Variations in the fair value of amounts receivable on disposal of investments are considered adjustments to sale proceeds and are therefore recorded as realized gains and losses. Realized gains and losses on a note payable or financial liability are recognized when paid and represent the difference between the amount the Company paid to settle the note or financial liability and its initial value. The realized gains and losses do not take into account the unrealized gains and losses recognized in previous years, which are reversed and reported in unrealized gains and losses for the current year.

Functional currency and foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars, the Company's functional currency, at the exchange rate prevailing at the end of the reporting period. Revenues and expenses are translated at the exchange rate prevailing on the transaction date. Realized and unrealized gains and losses on investments arising from those translations are accounted for in the Statements of Comprehensive Income under "Gains (losses) on investments". For the other monetary assets and liabilities denominated in foreign currencies, changes related to foreign currency translation are reported under "Other operating expenses" in the Statements of Comprehensive Income. The Company uses foreign exchange contracts that aim to systematically hedge currency risk for assets valued in foreign currency. The Company has decided not to apply hedge accounting.

Taxes

The income tax expense comprises current taxes and deferred taxes. Income taxes are recognized in the Statements of Comprehensive Income, unless they relate to items that were recognized outside earnings directly in the Statements of Changes in Net Assets. In such cases, income taxes are also recognized outside profit or loss directly in net assets.

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

Current tax is the tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for deferred tax on unrealized gains, discussed in the following paragraph. Deferred tax is calculated on an undiscounted basis using enacted or substantively enacted tax rates and legislation at the end of the reporting period that are expected to apply in the period in which the deferred tax asset will be realized and the deferred tax liability will be settled. Deferred tax assets are generally recognized only to the extent that it is probable that future taxable income will be available against which temporary differences can be utilized.

The Company is subject to federal and Québec income taxes. It is also subject to the tax rules applicable to mutual fund corporations. For federal tax purposes, the Company may, in particular, obtain a refund of its tax paid on capital gains through the redemption of its shares. The Company considers it is, in substance, exempt from federal income tax related to capital gains (losses) for the purposes of applying IFRS and, accordingly, does not recognize any deferred taxes relating to unrealized gains (losses) on investments or deferred taxes related to unrealized recoveries resulting from tax mechanisms related to refundable capital gains tax on hand. For Québec tax purposes, realized capital gains (losses) are not taxable (deductible).

Net earnings per common share

Net earnings per common share are computed by dividing net earnings by the weighted average number of common shares outstanding during the period.

4 Significant judgments, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenue and expenses and the related disclosures. Changes in assumptions can have a material effect on the financial statements for the period in which those assumptions were changed. The Company considers the assumptions used to be appropriate and accordingly that its financial statements present fairly its financial position and its results.

The significant accounting policy that required the Company to make subjective or complex judgments, often about matters that are inherently uncertain, pertains to the fair value measurement of assets and liabilities not traded in an active market.

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

A significant judgment is made in the assumptions used in the valuation techniques. While those techniques make as much use as possible of observable inputs, fair value is also determined based on internal inputs and estimates (unobservable inputs) that take into account the features specific to the financial instrument and any relevant measurement factor. The use of unobservable inputs requires the Company to exercise judgment to ensure that those inputs reflect the assumptions that market participants would use to determine fair value based on the best information available in the circumstances. The Company considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Fair value reflects market conditions on a given date and, for that reason, may not be representative of future fair values.

In accordance with the requirements contained in the *Regulation respecting development capital investment fund continuous disclosure* issued by the Autorité des marchés financiers, the Company has implemented various controls and procedures to ensure that financial instruments are appropriately and reliably measured. The valuations have been prepared by a team of qualified valuators relying on a structured process composed of several validation and review stages. The Portfolio Valuation Committee, whose members consist mainly of independent qualified valuators, monitors operational risk related to non-compliance with the portfolio valuation methodology and reports to the Board of Directors semi-annually. More specifically, its role consists in performing semi-annual reviews of all relevant information regarding the valuations of the Company's investments impacting the Québec economy portfolio to provide reasonable assurance that the valuation process meets regulatory requirements.

5 Accounting standards issued but not yet adopted

The accounting standards to be applied by the Company that have been issued by the IASB but were not yet effective on June 30, 2015 are discussed below.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers," which establishes a single comprehensive accounting model for all contracts with customers except for contracts within the scope of other standards, such as insurance contracts and financial instruments. IFRS 15 supersedes the two main revenue recognition standards, IAS 18, "Revenues", and IAS 11, "Construction Contracts", as well as the related interpretations. The core principle of this new standard is that revenue recognition should depict the transfer of goods or services in an amount that reflects the value of the consideration received or expected to be received in exchange for those goods or services. The new standard also provides more guidance on certain types of transactions and will result in enhanced revenue disclosures.

The Company is currently assessing the impact of adopting IFRS 15, which will be effective for annual periods beginning on or after January 1, 2018.

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

IFRS 9, "Financial Instruments"

In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments", which replaces IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 covers requirements related to the classification and measurement of financial assets and liabilities, the impairment of financial assets, and hedge accounting.

IFRS 9 establishes a new classification and measurement model for financial assets to determine whether a financial asset must be classified as measured at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income. This model is based on the characteristics of the contractual cash flows of the financial asset and on the business model under which it is held. For the classification and measurement of financial liabilities, the new standard essentially follows the current requirements under IAS 39.

The standard also introduces a single impairment model for financial assets that requires recognizing expected credit losses instead of incurred losses, which is the requirement under the current impairment model. The model provides for a multi-phase approach based on changes in credit quality since initial recognition.

Lastly, IFRS 9 includes a new hedge accounting model to align hedge accounting more closely with risk management activities.

The effective date of IFRS 9 was set for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of adopting this standard.

6 Risks associated with financial instruments

The risks associated with financial instruments that affect the Company's financial position are discussed in detail in the audited sections "Market Risks," "Credit and Counterparty Risk" and "Liquidity Risk" of the Company's Management's Discussion and Analysis on pages 11 to 13 and are an integral part of these audited financial statements.

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

7 Investments impacting the Québec economy

The *Audited Schedule of Cost of Investments Impacting the Québec Economy* is available at the Company's head office, on its website at capitalregional.com and on SEDAR at www.sedar.com. The Schedule does not form an integral part of the financial statements.

	Cost $	Unrealized gain (loss) $	Fair value $
			As at June 30, 2015
Unsecured			
Common shares	263,651	1,894	265,545
Preferred shares	137,223	5,923	143,146
Fund units	192,169	16,126	208,295
Loans and advances	120,956	(3,991)	116,965
Secured			
Loans and advances	4,144	(744)	3,400
	718,143	19,208	737,351

	Cost $	Unrealized gain (loss) $	Fair value $
			As at December 31, 2014
Unsecured			
Common shares	227,529	26,302	253,831
Preferred shares	137,712	3,818	141,530
Fund units	188,864	10,548	199,412
Loans and advances	116,999	(4,502)	112,497
Secured			
Loans and advances	4,251	(598)	3,653
	675,355	35,568	710,923

Investments impacting the Québec economy include investments measured in U.S. dollars with a fair value of $32.7 million ($58.2 million as at December 31, 2014).

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

Loans and advances bear interest at a weighted average rate of 10.9% (10.9% as at December 31, 2014). The interest rate is fixed for substantially all interest-bearing loans and advances. For the six-month period ended June 30, 2015, interest income recognized at the contractual rate amounted to $7.2 million (10.0 M$ for the six-month period ended June 30, 2014. Substantially all of the change in the fair value of loans and advances resulted from changes in credit risk.

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

Loans and advances have an annual residual maturity of 3.5 years (4.0 years as at December 31, 2014) and the fair market value of the current portion is $17.5 million ($11.8 million as at December 31, 2014)

Allocation of investments and funds committed by segment

Investments and funds committed are allocated by segment as follows:

Segment	Investments at cost $	Unrealized gain (loss) $	Fair value $	Funds committed but not disbursed[(1)] $	Total commitment $
					As at June 30, 2015
Manufacturing	293,907	47,158	341,065	3,462	344,527
Services	205,138	(20,411)	184,727	10,500	195,227
Technological innovations	26,929	(23,665)	3,264	-	3,264
Funds	192,169	16,126	208,295	130,783	339,078
Total	718,143	19,208	737,351	144,745	882,096

Segment	Investments at cost $	Unrealized gain (loss) $	Fair value $	Funds committed but not disbursed[(1)] $	Total commitment $
					As at December 31, 2014
Manufacturing	268,718	41,551	310,269	3,216	313,485
Services	183,510	(10,484)	173,026	39,941	212,967
Technological innovations	34,264	(6,048)	28,216	-	28,216
Funds	188,863	10,549	199,412	150,607	350,019
Total	675,355	35,568	710,923	193,764	904,687

(1) Funds committed but not disbursed are not included in the Company's assets.

Funds committed but not disbursed

Funds committed but not disbursed represent investments that have already been agreed upon and for which amounts have been committed but not disbursed by the Company at the reporting 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:

2015 (6 months) $	2016 $	2017 $	2018 $	2019 and thereafter $	Total $
33,955	50,778	16,133	8,948	34,931	144,745

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

Investments in subsidiaries and associates

Subsequent to quantitative and qualitative analyses, the Company has determined that it has control (subsidiaries) or exercises significant influence (associates) over the following number of entities:

	As at June 30, 2015		As at December 31, 2014	
	Number	Fair value $	Number	Fair value $
Subsidiaries				
Partner companies	11	207,933	10	165,582
Associates				
Partner companies	16	132,341	16	127,610
Funds	7	182,605	6	173,785

The principal place of business of these entities is in Québec and the country of incorporation is Canada. As at June 30, 2015, an associate became a subsidiary following an increase in equity securities. The Company also invested in a new associate.

Interests in the share capital of these partner companies comprise common shares and preferred shares. The percentage of equity securities held by the Company in each of the partner companies is equal to or over 50% for the subsidiaries, and between 15% and 49% for associates. Except for a subsidiary (one subsidiary as at December 31, 2014) and an associate (one associate as at December 31, 2014), the voting rights for these partner companies are equivalent to the proportion of interests held.

As sponsor, the Company has invested in certain funds over which it exercises significant influence. The interests are made up of units and the holding percentage varies from 20% to 90.9% (20% to 90.9% as at December 31, 2014).

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

8 Other investments

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

			As at June 30, 2015
	Cost $	**Unrealized gain (loss) $**	**Fair value $**
Bonds			
Federal or guaranteed	333,497	3,283	336,780
Provincial, municipal or guaranteed	137,158	4,358	141,516
Financial institutions	150,395	3,314	153,709
Companies	60,992	1,567	62,559
	682,042	12,522	694,564
Preferred shares	81,965	(5,677)	76,288
Money market instruments(1)	43,703	-	43,703
Real estate funds	2,936	84	3,020
Foreign exchange contracts(2)	-	(717)	(717)
Total	810,646	6,212	816,858

Breakdown of bonds by maturity date

				As at June 30, 2015
	Under 1 year $	**1 to 5 years $**	**Over 5 years $**	**Total $**
Cost	12,871	368,518	300,653	682,042
Par value	12,750	362,516	286,802	662,068
Fair value	12,881	374,863	306,820	694,564
Average nominal rate(3)	3.25%	2.58%	3.16%	2.84%
Average effective rate	1.73%	2.02%	2.39%	2.18%

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

			As at December 31, 2014
	Cost $	Unrealized gain (loss) $	Fair value $
Bonds			
Federal or guaranteed	266,507	2,814	269,321
Provincial, municipal or guaranteed	171,456	5,313	176,769
Financial institutions	146,086	3,882	149,968
Companies	50,325	1,690	52,015
	634,374	13,699	648,073
Preferred shares	72,948	(859)	72,089
Money market instruments[1]	46,361	-	46,361
Real estate funds	2,977	9	2,986
Foreign exchange contracts[2]	-	36	36
Total	756,660	12,885	769,545

Breakdown of bonds by maturity date

				As at December 31, 2014
	Under 1 year $	1 to 5 years $	Over 5 years $	Total $
Cost	31,881	422,342	180,151	634,374
Par value	31,806	416,776	173,562	622,144
Fair value	31,898	429,486	186,689	648,073
Average nominal rate[3]	1.59%	2.78%	3.59%	2.94%
Average effective rate	1.28%	2.35%	2.94%	2.47%

(1) Money market instruments consist of term deposits, Treasury bills and strip bonds with an original maturity of less than a year. As at June 30, 2015, all money market instruments had an original maturity of one to twelve months (one to twelve months as at December 31, 2014.

(2) Foreign exchange contracts to sell US$45.7 million have three-month maturities (US$70.5 million as at December 31, 2014).

(3) Substantially all bonds bear interest at a fixed rate.

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

Funds committed but not disbursed

Funds committed but not disbursed represent investments in the real estate funds that have been agreed upon and for which amounts have been committed by the Company but not yet disbursed at the reporting date. The estimated installments over the coming years ended December 31 are as follows:

2015 (6 months) $	2016 $	2017 $	2018 $	2019 and thereafter $	Total $
16,750	20,250	-	-	-	37,000

9 Fair value of financial instruments

Hierarchy levels of financial instruments measured at fair value

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 or liabilities;
- Level 2 – Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the breakdown by level of the fair value measurements of financial instruments recognized at fair value in the Balance Sheets.

				As at June 30, 2015
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Investments impacting the Québec economy	710	-	736,641	737,351
Other investments	534,701	279,137	3,020	816,858
Amount receivable on disposal of investments impacting the Québec economy	-	-	30,784	30,784
Total financial assets	535,411	279,137	770,445	1,584,993
Financial liabilities				
Notes payable and financial liabilities	-	-	22,718	22,718

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

	As at December 31, 2014			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Investments impacting the Québec economy	894	-	710,029	710,923
Other investments	500,269	266,290	2,986	769,545
Amount receivable on disposal of investments impacting the Québec economy	-	-	22,134	22,134
Total financial assets	501,163	266,290	735,149	1,502,602
Financial liabilities				
Notes payable and financial liabilities	-	-	22,148	22,148

Transfers between hierarchy levels of financial instruments measured at fair value are made at the reporting date. No transfers between hierarchy levels took place during the six-month period ended June 30, 2015 and during the year ended December 31, 2014.

Level 3 financial instruments

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

	For the six-month period ended June 30, 2015			
	Investments impacting the Québec economy $	**Other investments $**	**Amounts receivable on disposal of investments impacting the Québec economy $**	**Notes payable and financial liabilities $**
Fair value as at December 31, 2014	710,029	2,986	22,134	(22,148)
Realized gains (losses)	34,092	-	4,193	-
Unrealized gains (losses)	(16,176)	75	-	(570)
Acquisitions/issuances	82,506	108	5,073	-
Disposals/repayments	(73,810)	(149)	(616)	-
Fair value as at June 30, 2015	736,641	3,020	30,784	(22,718)
Unrealized gains (losses) in comprehensive income on investments, notes payable and financial liabilities as at June 30, 2015	9,806	75	-	(570)

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

	For the six-month period ended June 30, 2014			
	Investments impacting the Québec economy $	**Other investments $**	**Amounts receivable on disposal of investments impacting the Québec economy $**	**Notes payable and financial liabilities $**
Fair value as at December 31, 2013	732,372	-	15,234	(15,000)
Realized gains (losses)	(3,263)	-	356	(121)
Unrealized gains (losses)	19,117	-	-	(1,321)
Acquisitions/issuances	54,167	-	-	-
Disposals/repayments	(41,220)	-	(157)	1,077
Fair value as at June 30, 2014	761,173	-	15,433	(15,365)
Unrealized gains (losses) in comprehensive income on investments, notes payable and financial liabilities as at June 30, 2014	16,852	-	-	(1,448)

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

The following tables present the main techniques and inputs used to measure the fair value of level 3 financial instruments:

				As at June 30, 2015
	Fair value $	**Main valuation techniques**	**Unobservable inputs**	**Input value range (weighted average)**
Investments impacting the Québec economy				
Loans and advances	50,670	Discounted cash flows	Required return	3.0%–26.6% (11.2%)
Non-participating shares	95,392	Discounted cash flows	Required return	5.2%–30.0% (5.8%)
Participating controlling shares	165,352	Capitalized cash flows	Capitalization rate	8.7%–12.3% (10.0%)
			% of representative cash flows[1]	7.6%–22.3% (11.7%)
	41,905	Recent transactions and bids	Paid/bid price	-
Autres	684	Autres[3]	-	-
Participating non-controlling shares	123,085	Capitalized cash flows	Capitalization rate	8.0%–16.3% (9.8%)
			% of representative cash flows[1]	1.3%–21.9% (12.6%)
	33,090	Recent transactions and bids	Paid/bid price	-
	18,105	Restated net assets	Entity's net assets	-[2]
	63	Other[3]	-	-
Fund units	208,295	Restated net assets	Fund's net assets	-[2]
	736,641			
Amounts receivable on disposal of investments impacting the Québec economy	30,784	Discounted cash flows	Required return	0.5%–12.0% (5.9%)
Notes payable and financial liabilities	(22,718)	Miscellaneous	-	-

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

				As at December 31, 2014
Investments impacting the Québec economy	**Fair value $**	**Main valuation techniques**	**Unobservable inputs**	**Input value range (weighted average)**
Loans and advances	58,181	Discounted cash flows	Required return	3.9%–26.1% (11.9%)
Non-participating shares	95,180	Discounted cash flows	Required return	5.5%–30.0% (7.0%)
Participating controlling shares	159,155	Capitalized cash flows	Capitalization rate	9.1%–12.5% (10.3%)
			% of representative cash flows(1)	7.5%–23.1% (12.2%)
	-	Recent transactions and bids	Paid/bid price	-
Autres	6,427	Autres(3)	-	-
Participating non-controlling shares	124,802	Capitalized cash flows	Capitalization rate	7.8%–16.7% (9.8%)
			% of representative cash flows(1)	1.3%–20.1% (13.3%)
	40,481	Recent transactions and bids	Paid/bid price	-
	25,708	Restated net assets	Entity's net assets	-(2)
	683	Other(3)	-	-
Fund units	199,412	Restated net assets	Fund's net assets	-(2)
	710,029			
Amounts receivable on disposal of investments impacting the Québec economy	22,134	Discounted cash flows	Required return	0.9%–14.0% (7.4%)
Notes payable and financial liabilities	(22,148)	Miscellaneous	-	-

(1) As the entities comprising the portfolio vary widely in size, representative cash flows are presented as a percentage of sales.

(2) As the entities and funds comprising the portfolio vary widely in size, no input value range is provided for the net assets of the entity/fund.

(3) Other valuation techniques include discounted transaction value, redemption value and liquidation value methods.

The main valuation techniques used for participating shares take into account investments made in a single entity in the form of loans and advances, and non-participating shares. Accordingly, the fair value of participating shares includes these mixed investments.

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

Sensitivity of fair value to unobservable inputs

Although the Company considers that fair value estimates made for the financial statements are appropriate, if different assumptions were used for unobservable inputs, the results could be different.

Loans and advances, non-participating shares – Discounted cash flows

An increase (decrease) in the required return, all other factors remaining constant, generally results in a decrease (increase) in fair value. According to the Company, changing one or more reasonably possible assumptions could result in a change in the required return of about 0.5%. However, such a change in the required return would not have a direct material impact on the fair value of loans and advances, and non-participating shares.

Participating shares – Capitalized cash flows

If different assumptions were used for the two unobservable inputs, namely representative cash flows and capitalization rate, to measure a given investment, the fair value of the investment could increase or decrease. However, since these two unobservable inputs are inter-related, the use of different assumptions for one of these inputs generally leads to a revised assumption for the other input, thereby limiting the impact on fair value.

Typically, the Company determines a range of acceptable fair values for each investment measured and uses the mid-point of the range for financial statement reporting purposes. If all the ranges are summed up, the cumulative difference between the top and bottom acceptable fair values and the investment fair value expressed as a percentage of the Company's net assets is approximately:

	As at June 30, 2015	As at December 31, 2014
Participating controlling shares	+/- 0.4%	+/- 0.6%
Participating non-controlling shares	+/- 0.3%	+/- 0.4%

According to the Company, for each investment subject to measurement, the impact of a change in the two unobservable inputs to reflect other reasonably possible assumptions, should be less than this percentage on the net assets of the Company.

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

Participating shares – Recent transactions and bids

According to these techniques, the fair value of participating shares is based on an observable input, namely the price of a recent transaction negotiated between unrelated parties or the price of a bid received. The Company must use judgment to determine whether the recent transaction is still representative of the fair value as at the measurement date or whether the bid is serious and credible. The Company may also, if necessary, make any adjustments considered required, and include unobservable inputs in the fair value measurement. The amount of the adjustments is generally immaterial compared with the related transaction or bid price used. The Company considers that the fair value it could have obtained by using unobservable inputs based on different reasonably possible assumptions would not be materially different from the fair value used.

Fund units – Restated net assets

According to this technique, the fair value of fund units is based on an observable input, namely the net assets reported in the most recent audited financial statements of each fund held and adjusted if necessary to reflect the acquisitions or disposals of fund units made by the Company between the financial statement reporting date for each fund and the valuation date. In certain circumstances, the Company must make certain other adjustments that are more judgmental in nature. The Company considers that the fair value it could have obtained by using unobservable inputs based on different reasonably possible assumptions would not have been materially different from the fair value used.

Other valuation techniques

Since the fair value of assets measured using other techniques is not significant, the Company considers that the fair value it could have obtained by using unobservable inputs based on different reasonably possible assumptions would not have been materially different from the fair value used.

10 Accounts receivable

	As at June 30, 2015 $	As at December 31, 2014 $
Interest, dividends and distributions receivable on investments	7,294	8,098
Amounts receivable on disposal of investments impacting the Québec economy	30,784	22,134
Amounts receivable on disposal of other investments	17,307	-
	55,385	30,232

Amounts receivable on disposal of investments impacting the Québec economy include amounts denominated in U.S. dollars for $25.2 million ($20.3 million as at December 31, 2014).

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

11 Cash and cash equivalents

	As at June 30, 2015 $	As at December 31, 2014 $
Cash	13,901	9,174
Money market instruments	14,188	43,374
	28,089	52,548

12 Notes payable and financial liabilities

On November 30, 2010, the Company acquired from Desjardins Venture Capital L.P., a subsidiary of Fédération des Caisses Desjardins du Québec, investments impacting the Quebec economy with a fair value of $17.6 million as consideration for notes of an 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 based on the amount received. However, if the amount received by the Company at the time of disposal 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 assumed by the Company in respect of investments between their dates of acquisition and their dates of disposal are deducted from the amount of the related note.

Notes payable had an initial maturity of three years and were renewed up to May 31, 2017.

Financial liabilities are amounts that the Company would have to pay under contractual agreements and whose fair value is determined according to changes in fair value of certain underlying investments impacting the Québec economy.

As at June 30, 2015, notes payable and financial liabilities with a fair value of $17.9 million were related to investments impacting the Québec economy measured in U.S. dollars ($17.9 million as at December 31, 2014).

13 Accounts payable

	As at June 30, 2015 $	As at December 31, 2014 $
Trade payables and accrued liabilities	4,264	3,220
Amount payable on acquisitions of other investments	23,415	3,397
Other	2,681	2,129
	30,360	8,746

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

14 Line of credit

The Company has an authorized line of credit of $10 million with Caisse centrale Desjardins, bearing interest at the operating credit rate of Caisse centrale Desjardins plus 0.5%. This line of credit is secured by a portion of the money market instruments and bonds recorded in other investments and is renewable annually. As at June 30, 2015 and December 31, 2014, the line of credit was undrawn. The line of credit was not used during the first six months of 2015 or during fiscal 2014.

15 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 prescribed by the Act, so that its capital increases by a maximum of $150 million annually.

According to the Act, 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 raise, 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 12 months, begins on March 1st of each year. A special tax is payable by the Company if it fails to comply with these limits, and control mechanisms have been implemented by the Company to ensure compliance.

On February 28, 2014, the Company reached its capitalization limit. Despite the provisions of its constituting act in respect of the Company's capitalization, the Minister of Finance of Québec in his Budget Speech of June 4, 2014, authorized the Company exceptionally to raise a maximum of $150 million for the 2015 issue and simultaneously set the provincial tax credit granted for purchasing shares at 45%.

To allow as many shareholders as possible to buy Company shares, purchases will be capped at $3,000 per investor for each of the 2014 and 2015 issues.

The Company is required to pay share issuance costs. For the six-month period ended June 30, 2015, share issuance costs amounted to $1.5 million ($0.0 million for the six-month period ended June 30, 2014), net of taxes, and are presented as a deduction from share capital.

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

Issued

The net assets of the Company as at June 30, 2015 totalled $1,592.7 million broken down by issue as follows:

Issue	Issue price $	Balance* $M	Eligible for redemption
2001	10.00	27.9	2008
2002	10.00	77.8	2009
2003	10.12 and 10.24	39.0	2010
2004	10.25	48.4	2011
2005	10.25	53.6	2012
2006	10.37 and 10.21	52.4	2013
2007	10.21 and 9.92	75.7	2014
2008	9.89 9.83 and 9.54	141.0	2015
2009	9.54 9.62 and 9.73	187.8	2016
2010	9.73 and 9.80	185.1	2017
2011	9.91 and 10.02	182.9	2018
2012	11.02	165.1	2019
2013	11.47	158.9	2020
2014	11.92	64.3	2021
2015	12.05	132.8	2022
Net assets		1,592.7	

*Calculated at net asset value per share as at June 30, 2015.

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;

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

- At the request of the person who acquired it from the Company if that person applies to the Company in writing within 30 days of subscription date;
- 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 that makes him/her incapable of working.

Moreover, the Company may purchase a common share or a fraction of a 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 is 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, determined as follows:

- For purchases prior to March 24, 2006: 50% tax credit;
- For purchases from March 24, 2006 to November 9, 2007: 35% tax credit;
- For purchases from November 10, 2007 to February 28, 2014: 50% tax credit;
- For purchases from March 1rst, 2014: 45% tax credit.

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 current or subsequent taxation years.

16 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 redemptions. The Company's capital consists of its net assets.

The Company is not subject to any external capital requirements other than those governing the issuance and redemption of its shares, as indicated in note 15.

The Company's policy is to reinvest the annual earnings 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.

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

17 Expenses

	For the six-month periods ended June 30, 2015 $	2014 $
Other operating expenses		
Audit fees	99	101
Compensation of members of the Board of Directors and its committees	325	274
Custodial and trustee fees	54	53
IT expenses	350	637
Other expenses	176	529
	1,004	1,594
Shareholder services		
Trustee fees	822	722
Reporting to shareholders	134	162
Other expenses	61	134
	1,017	1,018

18 Income taxes

Income tax expense

Income tax expense is detailed as follows:

	For the six-month periods ended June 30, 2015		2014	
	Statement of Comprehensive Income $	Statement of Changes in Net Assets $	Statement of Comprehensive Income $	Statement of Changes in Net Assets $
Current	2,419	(273)	3,273	(125)
Deferred	565	(733)	(6)	125
	2,984	(1,006)	3,267	-

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

Reconciliation of the income tax rate

The actual income tax rate differs from the basic income tax rate for the following reasons:

	For the six-month periods ended June 30, 2015 $	2014 $
Income taxes at the combined basic tax rate of 39.9%	9,486	14,232
Permanent differences between earnings before income taxes and taxable income and other items		
Realized and unrealized losses (gains) on investments	(3,982)	(9,816)
Non-taxable dividends	(2,510)	(1,444)
Other	(10)	295
	2,984	3,267

Income tax balance

Income tax expense recognized in the Balance Sheets is detailed as follows:

	As at June 30, 2015 $	As at December 31, 2014 $
Assets		
Refundable tax on hand	13,884	17,399
Income taxes recoverable	8,762	-
	22,646	17,399
Liabilities		
Deferred taxes - share issue expenses	(1,851)	(1,118)
Deferred taxes – other	2,264	1,699
Income taxes payable	-	3,336
	413	3,917

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

19 Related party transactions

Related parties include Desjardins Venture Capital ("DVC"), the Company's manager, which is a subsidiary of Fédération des caisses Desjardins du Québec and is part of Desjardins Group. The Company is therefore indirectly related to Desjardins Group. Related parties also include the Company's key management personnel.

- The Company has entrusted DVC with its management and operations, in accordance with the strategies and objectives approved by the Board of Directors. The five-year management agreement, effective January 1, 2013, provides for the invoicing of separate fees for the Desjardins caisse network's contribution in distributing the Company's shares. Under the management agreement, certain governance expenses are allocated to the Company. Negotiation fees are earned by DVC with a credit of an equal amount applied against the Company's management fees.

  Under this agreement, the Company is committed until December 31, 2015 to pay management fees equal to 2.02% of the Company's annual average asset value, less any amounts payable related to investments impacting the Québec economy and other investments. These fees will be renegotiated between the Company and its manager for fiscal 2016. An adjustment is made to the management fees charged to the Company to avoid double billing relative to the Company's interest in some funds.

- The Company has appointed Desjardins Trust Inc. ("Desjardins Trust") as shareholder registrar and share transfer agent. Desjardins Trust also acts as an intermediary for various shareholder support services. Since the Company began its operations, Desjardins Trust has represented the largest component of the Company's shareholder service expenses. This agreement, which expired on June 30, 2015 was renewed under the same conditions until December 31, 2015 except for the fee rate, which was adjusted on January 1, 2015 and will apply to any renewal and any new agreement until December 31, 2019.

- 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.

- 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, unless the parties agree to terminate it, will be automatically renewed each year unless one of the parties gives written notice to the contrary three months before the expiry date of the agreement.

- The Company has entrusted Caisse centrale Desjardins with the banking operations related to its day-to-day activities.

- The Company has appointed Desjardins Securities as its full service broker, to serve as an intermediary for buying and selling shares traded on public markets.

- The Company has entrusted Groupe Technologies Desjardins with the implementation of a new investment management software.

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

Related party transactions

The Company has entered into transactions with other Desjardins Group entities in the normal course of business and all these transactions are measured at the exchange amount. Unless otherwise indicated, none of the transactions incorporated special terms or conditions. The balances are generally settled in cash. The transactions and balances are detailed as follows:

			As at June 30, 2015			As at December 31, 2014
	DVC $	Other related parties(1) $	Total $	DVC $	Other related parties(1) $	Total $
Balance Sheets						
Assets						
Other investments	-	9,098	9,098	-	16,100	16,100
Interest and dividends receivable on investments	-	72	72	-	73	73
Cash	-	9,644	9,644	-	9,282	9,282
Liabilities						
Notes payable and financial liabilities	-	19,764	19,764	-	19,773	19,773
Accounts payable	2,631	465	3,096	1,034	405	2,384

			2015			For the six-month periods ended June 30,2014
	DVC $	Other related parties(1) $	Total $	DVC $	Other related parties(1) $	Total $
Statements of Comprehensive Income						
Revenue						
Interest	-	86	86	-	83	83
Gains (losses) on investments	-	(4,464)	(4,464)	-	(1,298)	(1,298)
Expenses						
Management fees	12,447	-	12,447	12,210	-	12,210
Other operating expenses	-	679	679	-	842	842
Shareholder services	-	822	822	-	722	722
Statement of changes in net assets						
Share issue expenses	-	2,490	2,490	-	-	-

(1) Other related parties include Fédération des caisses Desjardins du Québec and its subsidiaries, namely Caisse centrale Desjardins, Capital Desjardins Desjardins Securities, Desjardins Venture Capital L.P., and Desjardins Trust. They also include the Desjardins Group Pension Plan.

Key management personnel compensation

The Company's key management personnel are the members of the Board of Directors. For the six-month period ended June 30, 2015, compensation of key management personnel is comprised solely of short-term benefits in the amount of $238,000 ($202,000 for the six-month period ended June 30, 2014).