FINANCIAL STATEMENTS

AS AT NOVEMBER 30, 2014

FONDS
de solidarité FTQ

INDEPENDENT AUDITORS' REPORT

To the Shareholders of the Fonds de solidarité des travailleurs du Québec (F.T.Q.)

We have audited the accompanying financial statements of the Fonds de solidarité des travailleurs du Québec (F.T.Q.), which comprise the balance sheets as at November 30, 2014, May 31, 2014 and June 1, 2013, and the statements of comprehensive income, changes in net assets and cash flows for the six-month periods ended November 30, 2014 and 2013, and 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 (IFRS) issued by the International Accounting Standards Board, 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.

Auditors' 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) as at November 30, 2014, May 31, 2014 and June 1, 2013, and its financial performance and its cash flows for the six-month periods ended November 30, 2014 and 2013 in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Deloitte LLP[1]

Raymond Chabot Grant Thornton LLP[2]

[1] CPA auditor, CA, public accountancy permit No. A110972

[2] CPA auditor, CA, public accountancy permit No. A125741

Montréal, December 23, 2014

BALANCE SHEETS

(in millions of Canadian dollars, except net assets per share)	Note	November 30, 2014	May 31, 2014	June 1, 2013
Assets				
Development capital investments	5	**5,634**	5,444	5,306
Other investments	6	**5,196**	5,075	4,380
Investment property	11	**31**	28	25
Accounts receivable	12	**164**	220	259
Cash		**25**	16	9
Other assets				
Deferred income taxes	24	**3**	–	1
Property and equipment	13	**48**	48	49
Intangible assets	14	**7**	7	5
Refundable taxes on hand	24	**–**	2	7
Income taxes		**4**	1	5
Securities purchased under reverse repurchase agreements		**216**	255	274
Financial instruments related to securities sold under repurchase agreements		**137**	101	149
		11,465	11,197	10,469
Liabilities				
Notes	15	**447**	452	396
Accounts payable	17	**109**	180	266
Other liabilities				
Net defined benefit liability	25	**52**	44	45
Share redemptions payable		**20**	34	30
Securities sold under repurchase agreements		**353**	356	423
		981	1,066	1,160
Net assets	18	**10,484**	10,131	9,309
Net assets per Class A share	28	**31.36**	30.31	28.00

Contingencies (Note 20)

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

On behalf of the Board of Directors,

(signed) "Robert Parizeau"

Robert Parizeau, Director

(signed) "Gaétan Morin"

Gaétan Morin, Director

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIODS ENDED NOVEMBER 30

(in millions of Canadian dollars, except net income per share)	Note	2014	2013
Revenues	21		
Interest		75	83
Dividends and distributions		71	119
Rental income, fees and other income		8	4
		154	206
Gains (losses) on development capital investments, other investments and investment property			
Realized		77	24
Unrealized		201	251
Transaction costs		(1)	(1)
		277	274
		431	480
Total operating expenses	22		
Corporate expenses		31	31
Development capital investment and other investment expenses		16	17
Shareholder Services and Economic Training development and administration expenses		19	20
		66	68
Income before income taxes		365	412
Income taxes	24	11	7
Net income		354	405
Item of other comprehensive income that will not be reclassified to net income			
Remeasurement of the net defined benefit liability	25	(3)	10
Comprehensive income		351	415
Supplemental information			
Net income per Class A share	18 and 28	1.06	1.22

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

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE SIX-MONTH PERIODS ENDED NOVEMBER 30

	Share capital – Class A shares (Note 18)			Con-tributed surplus (Note 18)	Retained earnings	Accumu-lated other compre-hensive income	Net assets (Note 18)
(in millions of Canadian dollars)	Series 1	Series 2	Sub-scribed				
2014							
Balance at beginning of period	**7,793**	**78**	**1**	**841**	**1,417**	**1**	**10,131**
Net income					**354**		**354**
Other comprehensive income						**(3)**	**(3)**
Share issues	**253**	**4**					**257**
Net change in share subscriptions			**–**				**–**
Share redemptions	**(204)**	**(3)**		**(21)**	**(36)**		**(264)**
Change in outstanding redemptions	**8**			**1**	**–**		**9**
Transfer (Note 18)	**75**				**(75)**		**–**
Balance at end of period	**7,925**	**79**	**1**	**821**	**1,660**	**(2)**	**10,484**
2013							
Balance at beginning of period	7,509	80	1	910	809	–	9,309
Net income					405		405
Other comprehensive income						10	10
Share issues	253	3					256
Net change in share subscriptions			–				–
Share redemptions	(220)	(4)		(27)	(21)		(272)
Change in outstanding redemptions	(7)			(1)	(1)		(9)
Transfer (Note 18)	70				(70)		–
Balance at end of period	7,605	79	1	882	1,122	10	9,699

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

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED NOVEMBER 30

(in millions of Canadian dollars)	2014	2013
Operating activities		
Net income	354	405
Non-cash items		
Interest capitalized on development capital investments	(2)	(1)
Interest capitalized on notes	9	10
Amortization of premiums and discounts	4	5
Gains (losses) on development capital investments, other investments and investment property		
Realized	(77)	(24)
Unrealized	(201)	(251)
Post-employment benefits	4	–
Depreciation of property and equipment and amortization of intangible assets	3	3
Deferred income taxes	(2)	–
	92	147
Changes in non-cash items		
Accounts receivable	6	35
Refundable taxes on hand	2	1
Income taxes	(3)	–
Accounts payable	(1)	(32)
Other	2	2
	98	153
Acquisition of development capital investments	(188)	(315)
Proceeds of disposal of development capital investments	92	367
Acquisition of other investments	(3,917)	(4,737)
Proceeds of disposal of other investments	3,957	4,545
Acquisition of investment property	(3)	–
	39	13
Financing activities		
Shares issued and subscribed	257	256
Shares redeemed	(269)	(276)
Issuance of notes	56	124
Repayment of notes	(70)	(84)
	(26)	20
Investing activity		
Acquisition of property and equipment and intangible assets	(4)	(4)
Increase in cash	9	29
Cash at beginning of period	16	9
Cash at end of period	25	38

Supplemental information (amounts included in operating activities)		
Interest received	92	103
Dividends and distributions received	70	121
Taxes paid	15	8

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

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE FONDS

STATUTES AND OBJECTIVES OF THE FONDS

The Fonds de solidarité des travailleurs du Québec (F.T.Q.) (the "Fonds"), incorporated by an Act of the Québec National Assembly, is a joint-stock company whose principal office is located at 545 Crémazie Boulevard East, Suite 200, Montréal, Québec, Canada and whose objectives are:

- to invest in Québec business entreprises and provide them with services in order to create, maintain or protect jobs;
- to promote the training of workers in economic matters to enable them to increase their influence on Québec's economic development;
- to stimulate the Québec economy by making strategic investments that will be of benefit to Québec workers and business entreprises;
- to promote the development of qualified business enterprises by inviting workers to participate in that development by purchasing the Fonds' shares.

To this end, the Fonds endeavours to concentrate most of its development capital investments in unsecured investments, mainly in small and medium-sized enterprises ("SMEs") located in Québec. As a general rule, the Fonds will take a minority interest in the projects in which it invests.

2. SIGNIFICANT ACCOUNTING POLICIES

1. IFRS ADOPTION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Fonds adopted this accounting framework for the year beginning June 1, 2014, as required by Canadian securities laws and the Accounting Standards Board of Canada. Previously, the Fonds prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook — Accounting ("Canadian GAAP" – Part V). The Fonds used the same accounting policies to prepare its opening IFRS balance sheet as at June 1, 2013 and throughout all the periods presented, as if such policies had always been effective. Note 28 discloses the impact of the transition to IFRS on the financial position, financial performance and cash flows reported by the Fonds. It also presents the nature and impact of the significant changes in accounting policies from the accounting policies used to prepare the financial statements of the Fonds in accordance with Canadian GAAP – Part V for the period ended November 30, 2013.

2. BASIS OF PREPARATION

These financial statements have been prepared on a fair value basis, except for property and equipment and intangible assets, which are measured on the historical cost basis, as well as certain financial instruments, as mentioned in Note 2.5. These separate financial statements are the only financial statements presented by the Fonds. They have been approved for issue on December 23, 2014 by the Board of Directors.

3. INVESTMENT ENTITY

The Fonds meets the definition of investment entity set out in IFRS 10 *Consolidated Financial Statements*, as the following conditions are met:

- the Fonds obtains capital from many investors for the purpose of managing their savings;
- the Fonds commits to its investors that the purpose of its investments activities is to generate a return and provide investment income, in accordance with its mission; and
- the Fonds measures and evaluates the performance of its investments on a fair value basis.

Consequently, the Fonds does not prepare consolidated financial statements.

4. SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are recognized at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. FINANCIAL INSTRUMENTS – RECOGNITION AND CLASSIFICATION

Financial instruments are recognized at fair value at the transaction date, when the Fonds becomes a party to the contractual provisions of the instrument. The cost presented for development capital investments and other investments corresponds to the amount paid and is determined based on average cost, excluding transaction costs. Transaction costs are recognized in net income when incurred. A financial asset is derecognized when the Fonds no longer has the contractual rights to the cash flows from this asset.

Financial assets and liabilities are classified in various categories based on their characteristics and the Fonds' intention upon their acquisition and their issuance. Development capital investments, other investments, accounts receivable relating to development capital investments and other investments sold, loans included in accounts receivable – other, cash, securities purchased under reverse repurchase agreements, financial instruments related to securities sold under repurchase agreements, accounts payable relating to development capital investments and other investments purchased, derivative financial instruments and securities sold under repurchase agreements are all financial instruments designated as at fair value through profit or loss. These financial instruments are part of a managed portfolio whose performance is evaluated on a fair value basis, in accordance with a documented financial asset integrated management strategy, and information is provided internally on that basis to the Fonds' key management personnel.

Other accounts receivable are classified in loans and receivables. Notes and other accounts payable are classified in other financial liabilities. These financial instruments are recognized at amortized cost, which approximates their fair value given their nature and short-term maturity.

Financial liabilities are derecognized when the obligation is extinguished, which is when the obligation is discharged or cancelled or expires.

6. FINANCIAL INSTRUMENTS – 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 reporting date.

a) Fair value of assets and liabilities traded on active markets

To determine the fair value of financial assets and liabilities that are quoted in an active market, such as listed shares, bonds, money market instruments and listed derivative financial instruments, the Fonds uses the price within the bid-ask spread that is most representative of fair value, given the relevant facts and circumstances, at the reporting date.

b) Fair value of assets and liabilities that are not traded on active markets

The fair value of financial assets and liabilities that are not traded on active markets (including unlisted derivative financial instruments) is determined using valuation techniques selected based on certain specified criteria and market conditions prevailing at each reporting date. The valuation techniques used are based on valuation principles derived from the guidelines that are generally used in the industry by business valuation professionals. These valuation principles are approved every six months by the Fonds' Audit Committee. The valuation technique used for a financial instrument is generally the same from one period to the next, except when a change in valuation technique results in a more accurate estimate of fair value.

i) Unlisted shares and units

When a yield method is used, the fair value of unlisted shares is mainly determined using the capitalized cash flow technique. The two main variables used in this technique are maintainable cash flows and the capitalization rate. To determine maintainable cash flows, recurring cash flows are estimated based on the entity's historical results and/or financial forecasts. A weighting factor is applied to each of the cash flows used to reflect its probability of occurrence. The capitalization rate used to capitalize maintainable cash flows reflects how the investee could finance its operations and the risks associated with the materialization of these maintainable cash flows.

When the price of a recent transaction negotiated between unrelated parties on an arm's-length basis is available, this valuation technique is used under certain conditions. It may also be appropriate to use a valuation technique based on a bid from a third party. Using judgment is necessary to determine whether the price in such recent transaction or bid represents the best evidence of fair value at the reporting date. The period during which referring to a past transaction or bid is deemed appropriate depends on the circumstances specific to each situation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT (CONTINUED)

b) Fair value of assets and liabilities that are not traded on active markets (CONTINUED)

i) Unlisted shares and units (CONTINUED)
In certain circumstances or depending on the nature of operations, the future earning potential is better reflected by the value of the assets, and the adjusted net asset method is used. This method is also used to determine the fair value of unlisted investment fund units held. In such case, this method entails using the share of all assets and liabilities appearing on the balance sheet of the investee at their fair value and adjusting it as necessary. The main adjustments made are related to the fair value of the assets and liabilities, new information available and significant events that occurred between the investee's reporting date and the Fonds' reporting date.

The fair value of certain unlisted units is determined using the price established by their respective manager.

ii) Hedge fund units
The fair value of hedge fund units is determined using the price established by their respective manager.

iii) Loans and advances
The fair value of secured and unsecured loans and advances is determined by discounting the contractual cash flows expected to be received by the Fonds using a discount rate that reflects the return that the Fonds would require given the credit risk of the investee. Certain loans and advances to a wholly-owned company are considered as quasi-equity, and their fair value is determined using the adjusted net asset technique.

iv) Guarantees and suretyships
When it is likely that the Fonds will have to disburse an amount on a guarantee or a suretyship it granted, an asset-based approach and a liquidation value technique are used to estimate the amount of the liability to be recognized.

v) Derivative financial instruments
The fair value of unlisted derivative financial instruments is determined using appropriate valuation techniques, including discounting future cash flows at the current rate of return.

vi) Accounts receivable relating to development capital investments and other investments sold
The fair value of accounts receivable relating to development capital investments sold that are not traded on active markets is determined by discounting contractual cash flows. Generally, the estimated amounts to be received and timing of their collection depend on future events or the satisfaction of certain conditions.

7. SECURITIES LENDING, SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

To generate additional revenues, the Fonds participates in the securities lending program put in place by its depositary for securities of which it is the custodian. Under this program, the Fonds can enter into securities lending transactions, as well as short-term purchases and sales of securities with a simultaneous commitment to resell and repurchase them at a specified price and date. Reverse repurchase agreements and repurchase agreements are recognized as secured lending and borrowing transactions. Reverse repurchase agreements are recorded on the Balance Sheet at their fair value, while repurchase agreements are recorded on the Balance Sheet at the repurchase price determined by the commitment, which approximates their fair value. The revenues resulting from the Fonds' participation in this program are recorded through net income under Interest.

8. INVESTMENT PROPERTY

Investment property is property held by the Fonds for renting or value appreciation purposes, or both, or for sale. The investment property is occupied by several tenants. The Fonds presents its investment property using the fair value model. Fair value is measured at each reporting date, and any change in fair value is recognized in net income.

The fair value used is determined using the discounted cash flow technique, whereby fair value represents the aggregate of the present value of projected cash flows and the reversion value at the end of the projection period. To ensure that such fair value is appropriate, the result is compared with other techniques, such as the direct discounting technique, under which an overall discount rate is applied to normalized net operating income, and the direct comparison method, under which the most likely selling price is estimated by comparing and analyzing real estate transactions involving similar properties.

9. CASH

Cash includes bank accounts used in operating and managing development capital investments and other investments.

NOTES TO FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment and intangible assets are stated at cost less any accumulated depreciation or amortization and accumulated impairment losses. Cost includes items that are directly attributable to the acquisition of the item of property and equipment or intangible asset. Subsequent costs for an item of property and equipment or an intangible asset are recognized only if it is probable that future economic benefits associated with it will flow to the Fonds and the cost can be measured reliably. Repair and maintenance expenses are recognized in total operating expenses through net income when incurred.

The main property and equipment and intangible asset categories are depreciated or amortized over their estimated useful life using the following methods, periods and annual rates:

	Methods	Periods/rates
Property and equipment		
Buildings	Straight-line	15 to 60 years
Office furniture and equipment	Diminishing balance	20.0%
Computer hardware	Straight-line	4 years
Intangible assets		
Information systems development	Straight-line	3 years

The Fonds allocates the amount initially recognized in respect of an item of property and equipment or intangible assets to its significant parts and depreciates or amortizes them separately. The carrying amount of a replaced part is derecognized upon replacement. Residual values, depreciation or amortization method and useful life of assets are reviewed at each reporting date and adjusted if needed.

At each reporting date, property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. To determine the recoverable amount, items of property and equipment and intangible assets are aggregated at the lowest level for which identifiable cash flows are independent from the cash flows from other groups of items of property and equipment or intangible assets. The Fonds assesses possible reversals when events or circumstances warrant it.

11. POST-EMPLOYMENT BENEFITS

The cost of earned pension benefits and other employee post-retirement benefits is recognized through net income and comprises current service cost and net interest on the net defined benefit plan liability.

Remeasurements of the net defined benefit liability are recognized in Other comprehensive income. They are not reclassified subsequently to net income and are presented separately in the Statement of Changes in Net Assets. Remeasurements of the net defined benefit liability comprise actuarial gains and losses as well as the return on plan assets, excluding interest income. Actuarial gains and losses result from changes in the actuarial assumptions used to determine the defined benefit obligation and from experience gains and losses on such obligation.

The net defined benefit liability corresponds to the present value of the post-employment benefit plan obligation less the fair value of plan assets.

12. SHARE CAPITAL

The Fonds' Class A shares are puttable (redeemable at the option of the holder), subject to certain conditions, and are classified in net assets as they have all the following features:

- they entitle the holder to a pro rata share of the Fonds' net assets in the event of the Fonds' liquidation;
- they are in a class of instruments that is subordinate to all other classes of instruments of the Fonds;
- they have features that are identical to those of all the other instruments of this class;
- apart from the contractual obligation for the Fonds 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 entity, and they are not a contract that will or may be settled in the Fonds' own equity instruments;
- the total expected cash flows attributable to the shares over their life are based substantially on the change in net assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. SHARE CAPITAL (CONTINUED)

Share issues and redemptions are recognized as transactions on net assets. The consideration received for share issues is included in share capital. Share redemptions are recognized when the requests are approved under redemption criteria at the current redemption value, and shares are derecognized based on average cost.

13. FUNCTIONAL CURRENCY AND FOREIGN CURRENCY TRANSLATION

The Canadian dollar is the functional currency and the reporting currency of the Fonds. Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the transaction date. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the reporting date. Translation differences related to cash are presented as translation differences on cash, and other translation differences are presented in net income under Gains (losses) on development capital investments, other investments and investment property.

14. REVENUE RECOGNITION

a) Interest

Interest revenue is recognized on an accrual basis using the effective rate method. Amortization of premiums and discounts under this method is recognized under Interest.

b) Dividends and distributions

Non-cumulative dividends are recognized when they are declared, while cumulative dividends are recognized on an accrual basis. Distributions are recognized when they are received.

c) Rental income, fees and other income

Rental income is recognized on a straight-line basis over the term of the lease, while fees and other income are recognized on an accrual basis.

d) Gains and losses on development capital investments, other investments and investment property

Realized gains and losses on disposals of development capital investments, other investments and investment property, including derivative financial instruments, are recognized at the time of sale and presented under Gains (losses) on development capital investments, other investments and investment property. The amount of such gains and losses is the difference between the proceeds of disposal and average cost. All unrealized gains and losses on the measurement to fair value of financial instruments are recognized in net income at the time of measurement to fair value and presented under unrealized gains (losses).

15. INCOME TAXES

The income tax expense comprises the current tax expense and the deferred tax expense. Income taxes are recognized in net income unless they relate to items that are recognized directly in Other comprehensive income or net assets; in such case, income taxes are also recognized directly in Other comprehensive income or net assets, respectively.

Current income tax is the amount of income tax payable in respect of the taxable income for the period, calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustments to income taxes related to prior periods.

Deferred income tax is recognized for the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is calculated on a non-discounted basis using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period and that are expected to apply to the period when the deferred tax asset is realized or the deferred tax liability is settled. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized.

The Fonds is subject to federal and Québec income taxes. It is also subject to the tax rules applicable to mutual fund corporations. For purposes of the federal income tax, the Fonds can, in particular, receive a refund of the income taxes paid on its capital gains by redeeming its shares or by transferring amounts from retained earnings to share capital. The Fonds considers itself, in substance, exempted from federal income tax related to capital gains for purposes of applying IFRS and, accordingly, does not recognize any deferred tax liability for unrealized net gains on development capital investments, other investments and investment property nor any corresponding deferred tax asset for unrealized recoveries resulting from the tax mechanisms related to refundable capital gains tax on hand.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. NET INCOME PER CLASS A SHARE

Net income per share is calculated by dividing net income by the weighted average number of Class A shares outstanding during the period.

17. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

As at the date of authorization of these financial statements, new standards and amendments to existing standards had been issued by the International Accounting Standards Board but were not effective. Information on those that might be relevant to the financial statements of the Fonds is provided below.

a) IFRS 9 Financial Instruments

The IASB issued the final version of the financial instrument standard dealing with classification, measurement, impairment and hedge accounting. This standard is effective for annual periods beginning on or after January 1, 2018. The Fonds is currently assessing the impact of applying this standard.

b) IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, which supersedes IAS 18 *Revenue* and IAS 11 *Construction Contracts*. This new standard establishes a single, comprehensive revenue recognition model for all contracts with customers other than those that are within the scope of other standards, such as financial instruments. 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 consideration received or expected to be received in exchange for these goods or services. The new standard also provides more guidance on certain types of transactions and will result in an increase in disclosures related to revenue. This standard is effective for annual periods beginning on or after January 1, 2017. The Fonds is currently assessing the impact of applying this standard.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires using accounting estimates and judgment when applying certain accounting policies. Changes to certain assumptions may have an impact on the financial statements for the period during which such changes are made. The Fonds believes that the underlying assumptions are appropriate and that, accordingly, its financial statements present fairly its financial position and performance. The following paragraphs present an analysis of the most significant critical accounting estimates and judgments made by the Fonds in preparing its financial statements.

1. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS THAT ARE NOT TRADED ON AN ACTIVE MARKET

The Fonds must make assumptions and use estimates in measuring the fair value of financial instruments that are not traded on an active market. Judgments are made with respect to selecting valuation techniques and with respect to the assumptions used in these valuation techniques.

Although these techniques use observable inputs to the extent practicable, fair value is also determined using unobservable market inputs that take into account the specific features of the financial instrument and any factor relevant to the measurement. Using unobservable inputs requires the Fonds' qualified valuators to make judgments so that these inputs reflect the assumptions that market participants would use to determine fair value using the best information possible in the circumstances.

The Fonds considers observable inputs 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, as such, may not be representative of future fair values.

In accordance with the *Regulation Respecting Development Capital Investment Fund Continuous Disclosure* issued by the Autorité des marchés financiers, the Fonds implemented various controls and procedures to ensure that financial instruments are appropriately and reliably measured. To measure financial instruments at fair value in accordance with the valuation principles adopted by the Fonds, the Fonds' team of qualified valuators monitor twice a year the performance of the companies in the portfolio and are continuously looking for information on the business and operations of the companies being valued. Where appropriate, the qualified valuators monitor data on comparable companies, the results of recent transactions and the ratings of instruments issued by similar companies.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

1. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS THAT ARE NOT TRADED ON AN ACTIVE MARKET (CONTINUED)

Except in the case of listed public companies, any relevant information related to fair value measurements is submitted to an independent valuation committee composed of a majority of qualified valuators independent from the Fonds, as required by the *Regulation Respecting Development Capital Investment Fund Continuous Disclosure*. This committee reviews this information and submits a written report to the Audit Committee, which must examine the compliance of the financial statements. The President and Chief Executive Officer as well as the Executive Vice-President, Finance, sign a certification for the Audit Committee on the valuation of development capital investments that is filed with the Autorité des marchés financiers. This certification confirms, in particular, the reasonableness of the aggregate fair value of the development capital investments portfolio.

2. FAIR VALUE MEASUREMENT OF THE INVESTMENT PROPERTY

The Fonds must make assumptions and use estimates in measuring the fair value of its investment property. These assumptions include the internal rate of return and the capitalization rate. The investment property is measured based on its highest and best use. The Fonds uses a firm of independent real estate appraisal experts to determine fair value and approves the reasonableness of the assumptions used.

3. MEASUREMENT OF THE NET DEFINED BENEFIT LIABILITY

The Fonds must make assumptions for using statistical data and other parameters to measure the net defined benefit liability. These assumptions include the discount rate for the pension obligation and for calculating the expected return on plan assets, the expected rate of increase in salaries and the mortality table used. Should the actuarial assumptions be materially different from the actual data observed subsequently, the plan cost recognized in net income under Other comprehensive income as well as the net defined benefit liability presented on the Balance Sheet could substantially change.

4. FINANCIAL INSTRUMENT RISKS

Risks arising from financial instruments are an integral part of the audited financial statements and are discussed in the audited "Risk management" section of the *Interim Management Discussion and Analysis for the Six-month Period Ended November 30, 2014*, which is available at the Fonds' head office, on its website at *fondsftq.com* or at *sedar.com*.

5. DEVELOPMENT CAPITAL INVESTMENTS

The audited *Statement of Development Capital Investments, at Cost*, is available at the Fonds' head office, on its website at *fondsftq.com* or at *sedar.com.*

(in thousands $)	Cost	Unrealized appreciation (depreciation)	Fair value
November 30, 2014			
Unsecured			
Listed shares	**716,127**	**215,769**	**931,896**
Unlisted shares and units	**2,638,191**	**534,196**	**3,172,387**
Loans, bonds and advances	**1,528,313**	**(5,914)**	**1,522,399**
Secured			
Loans	**18,095**	**(11,273)**	**6,822**
	4,900,726	**732,778**	**5,633,504**
May 31, 2014			
Unsecured			
Listed shares	657,394	194,313	851,707
Unlisted shares and units	2,583,215	470,761	3,053,976
Loans, bonds and advances	1,522,159	5,086	1,527,245
Secured			
Loans and advances	30,988	(20,113)	10,875
	4,793,756	650,047	5,443,803
June 1, 2013			
Unsecured			
Listed shares	761,142	114,403	875,545
Unlisted shares and units	2,454,011	353,550	2,807,561
Loans, bonds and advances	1,612,955	(181)	1,612,774
Secured			
Loans and advances	11,590	(1,114)	10,476
	4,839,698	466,658	5,306,356

Development capital investments include securities denominated in foreign currencies, mainly the U.S. dollar, with a fair value of $406.0 million (May 31, 2014: $394.4 million; June 1, 2013: $287.4 million).

Investment agreements may include clauses providing for conversion and redemption options. Thus, in the normal course of business, the Fonds may exercise these options and make non-monetary exchanges of financial instruments.

5. DEVELOPMENT CAPITAL INVESTMENTS (CONTINUED)

BREAKDOWN BY MATURITY OF LOANS, BONDS AND ADVANCES AT FAIR VALUE

	Variable rates	Fixed rates			Total
(in thousands $)		Less than 1 year	1 to 5 years	5 years and more	
November 30, 2014					
Unsecured	**80,929**	**297,117**	**599,740**	**544,613**	**1,522,399**
Average effective rate (%)	**8.0**	**0.7**[1]	**8.1**	**6.9**	
Secured		**178**	**6,644**		**6,822**
Average effective rate (%)		**13.0**	**9.6**		
May 31, 2014					
Unsecured	75,999	296,909	584,879	569,458	1,527,245
Average effective rate (%)	7.1	1.01	7.0	5.5	
Secured	4,110	1,031	5,734		10,875
Average effective rate (%)	14.0	5.2	8.9		
June 1, 2013					
Unsecured	100,685	342,346	628,564	541,179	1,612,774
Average effective rate (%)	9.0	2.11	7.8	6.9	
Secured			6,009	4,467	10,476
Average effective rate (%)			6.9	16.5	

1. This average rate includes non-interest bearing advances to a wholly-owned company repayable on demand of $268.8 million (May 31, 2014: $258.2 million; June 1, 2013: $268.9 million). Excluding these advances, the average effective rate would be 6.9% (May 31, 2014: 8.7%; June 1, 2013: 8.4%).

5. DEVELOPMENT CAPITAL INVESTMENTS (CONTINUED)

BREAKDOWN BY INDUSTRY SEGMENT

(in thousands $)	Energy and materials	Industrials	Consumer discretionary and consumer staples	Financials and utilities	Information technology, telecommuni-cations services and healthcare	Total
November 30, 2014						
Cost	**563,866**	**748,794**	**954,047**	**2,004,477**	**629,542**	**4,900,726**
Unrealized appreciation (depreciation)	**10,253**	**117,146**	**217,040**	**466,216**	**(77,877)**	**732,778**
Fair value	**574,119**	**865,940**	**1,171,087**	**2,470,693**	**551,665**	**5,633,504**
Funds committed but not disbursed[1]	**118,356**	**170,027**	**116,502**	**181,123**	**415,525**	**1,001,533**
Guarantees and suretyships[2]			**8,638**			**8,638**
	692,475	**1,035,967**	**1,296,227**	**2,651,816**	**967,190**	**6,643,675**
May 31, 2014						
Cost	528,093	721,573	917,995	1,982,376	643,719	4,793,756
Unrealized appreciation (depreciation)	19,895	104,398	208,712	441,101	(124,059)	650,047
Fair value	547,988	825,971	1,126,707	2,423,477	519,660	5,443,803
Funds committed but not disbursed[1]	110,366	89,549	102,758	223,837	436,500	963,010
Guarantees and suretyships[2]			8,227			8,227
	658,354	915,520	1,237,692	2,647,314	956,160	6,415,040
June 1, 2013						
Cost	539,299	701,695	937,292	2,040,819	620,593	4,839,698
Unrealized appreciation (depreciation)	7,876	80,471	81,010	463,539	(166,238)	466,658
Fair value	547,175	782,166	1,018,302	2,504,358	454,355	5,306,356
Funds committed but not disbursed[1]	105,000	88,443	91,083	141,044	412,116	837,686
Guarantees and suretyships[2]			7,814			7,814
	652,175	870,609	1,117,199	2,645,402	866,471	6,151,856

1. Funds committed but not disbursed represent development capital investments that have already been agreed to and for which amounts have been committed by the Fonds but have not been disbursed at the reporting date. Disbursements are subject to compliance with the agreement's terms and conditions. Of funds committed but not disbursed, an amount of $305.6 million (May 31, 2014: $278.1 million; June 1, 2013: $171.8 million) represents credit facilities and project financing for operating companies, having a weighted average maturity of 24 months (May 31, 2014: 20 months; June 1, 2013: 18 months); and an amount of $695.9 million (May 31, 2014: $684.9 million; June 1, 2013: $665.9 million) represents commitments that will be disbursed to specialized funds in tranches, having a weighted average maturity of 8.4 years (May 31, 2014: 7.2 years; June 1, 2013: 8.1 years). Commitments amounting to $168.5 million (May 31, 2014: $189.5 million; June 1, 2013: $103.6 million) are denominated in foreign currencies, mainly the U.S. dollar.
2. Under Section 17 of its Incorporation Act, when the Fonds makes a development capital investment in the form of a guarantee or a suretyship, it must establish and maintain a reserve equal to at least 50% of the guarantee or suretyship amount for the term thereof. This reserve is established from Other investments.

5. DEVELOPMENT CAPITAL INVESTMENTS (CONTINUED)

GUARANTEES AND SURETYSHIPS

The Fonds granted guarantees and suretyships for operating activities and operating lines of credit purposes, without recourse, that do not generally include a specific maturity and that are irrevocable commitments by the Fonds to make the payments of partner companies that cannot meet their obligations to third parties.

As at November 30, 2014, May 31, 2014 and June 1, 2013, there are no provisions related to guarantees and suretyships.

As well, in the normal course of business, the Fonds enters into various indemnification agreements, usually related to sales of development capital investments, for the representations and warrantees made as well as to the liability of the Fonds' directors, officers or representatives toward partner companies. The latter liability is covered, subject to certain conditions, by liability insurance. Due to the nature of these agreements, it is impossible to reasonably estimate the maximum amount that the Fonds may have to pay to counterparties. In management's opinion, it is highly unlikely that these commitments will result in material expenses.

6. OTHER INVESTMENTS

The unaudited *Statement of Other Investments* is available at the Fonds' head office, on its website at *fondsftq.com* or at *sedar.com.*

(in thousands $)	Cost	Unrealized appreciation	Fair value
November 30, 2014			
Listed shares and unlisted units	**2,270,664**	**401,882**	**2,672,546**
Bonds	**2,302,711**	**103,558**	**2,406,269**
Money market instruments	**116,097**	**48**	**116,145**
	4,689,472	**505,488**	**5,194,960**
Derivative financial instruments	**–**	**587**	**587**
	4,689,472	**506,075**	**5,195,547**
May 31, 2014			
Listed shares and unlisted units	2,168,611	310,678	2,479,289
Hedge fund units	25,097	388	25,485
Bonds	2,431,186	78,575	2,509,761
Money market instruments	59,803	52	59,855
	4,684,697	389,693	5,074,390
Derivative financial instruments	–	817	817
	4,684,697	390,510	5,075,207
June 1, 2013			
Listed shares and unlisted units	1,665,829	69,420	1,735,249
Hedge fund units	242,630	4,663	247,293
Bonds	2,325,705	65,971	2,391,676
Money market instruments	848	1	849
	4,235,012	140,055	4,375,067
Derivative financial instruments	1,492	2,989	4,481
	4,236,504	143,044	4,379,548

Other investments include securities denominated in foreign currencies with a fair value of $1,989.2 million (May 31, 2014: $1,847.1 million; June 1, 2013: $1,522.3 million), mainly including $1,162.1 million (May 31, 2014: $1,020.9 million; June 1, 2013: $910.3 million) in U.S. dollars, $197.0 million (May 31, 2014: $199.3 million; June 1, 2013: $199.8 million) in euros, $180.2 million (May 31, 2014: $172.4 million; June 1, 2013: $92.4 million) in yens and $161.5 million (May 31, 2014: $167.0 million; June 1, 2013: $180.6 million) in pounds sterling.

6. OTHER INVESTMENTS (CONTINUED)

BREAKDOWN BY MATURITY

BONDS

(in thousands $)	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 to 30 years	30 years and more	Total
November 30, 2014							
Fair value	**56,136**	**729,746**	**854,251**	**257,614**	**353,024**	**155,498**	**2,406,269**
Cost	**56,073**	**716,905**	**826,519**	**230,512**	**324,519**	**148,183**	**2,302,711**
Par value	**55,876**	**704,781**	**805,483**	**193,765**	**282,784**	**143,848**	**2,186,537**
Average effective rate (%)	**1.7**	**2.2**	**3.0**	**4.4**	**3.8**	**3.7**	**2.9**
Average nominal rate (%)	**2.3**	**2.8**	**3.5**	**6.1**	**4.8**	**3.9**	**3.6**
May 31, 2014							
Fair value	163,631	740,105	707,059	427,440	342,574	128,952	2,509,761
Cost	163,844	725,050	686,243	409,063	323,215	123,771	2,431,186
Par value	162,896	711,707	671,306	363,711	295,539	123,609	2,328,768
Average effective rate (%)	1.5	2.4	3.2	3.7	4.2	3.9	3.1
Average nominal rate (%)	2.5	3.1	3.6	4.8	4.9	3.9	3.7
June 1, 2013							
Fair value	84,080	739,268	783,978	310,227	361,787	112,336	2,391,676
Cost	84,714	733,505	764,198	296,973	336,942	109,373	2,325,705
Par value	82,972	712,346	724,150	236,004	293,689	103,369	2,152,530
Average effective rate (%)	2.1	2.2	3.2	3.9	4.1	3.8	3.1
Average nominal rate (%)	4.0	3.2	4.0	6.0	5.1	4.3	4.1

MONEY MARKET INSTRUMENTS

(in thousands $)	Less than 1 month	1 to 6 months	6 months and more	Total
November 30, 2014				
Fair value	**80,447**	**33,915**	**1,783**	**116,145**
Average effective rate (%)	**1.0**	**1.1**	**1.2**	**1.0**
May 31, 2014				
Fair value	59,565	290		59,855
Average effective rate (%)	1.0	1.0		1.0
June 1, 2013				
Fair value	90	759		849
Average effective rate (%)	1.0	1.0		1.0

6. OTHER INVESTMENTS (CONTINUED)

BREAKDOWN BY MATURITY (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS

(in thousands $)	Less than 1 month	1 to 6 months	6 months and more	Total
November 30, 2014				
Fair value[1]				
Listed stock index option contracts				
Written call options	(80)	(77)		(157)
Written put options	(5)	(31)		(36)
Foreign currency forward contracts	(55)			(55)
Interest rate futures	–	–	–	–
Interest rate forward contracts	(210)			(210)
Stock index futures	–		–	–
	(350)	(108)	–	(458)
Notional amount				
Listed stock index option contracts				
Written call options	4,630	5,101		9 731
Written put options	5,786	3,780		9 566
Foreign currency forward contracts	56,408			56,408
Interest rate futures	3,418	79,676	2,088,866	2,171,960
Interest rate forward contracts	179,378			179,378
Stock index futures	23,297		2,089	25,386
31 mai 2014				
Fair value[1]				
Foreign currency forward contracts				
Purchases	(4)			(4)
Sales	413			413
Interest rate futures	–	–	–	–
Interest rate forward contracts	144			144
Stock index futures	–		–	–
	553	–	–	553
Notional amount				
Foreign currency forward contracts				
Purchases	1,481			1 481
Sales	81,487			81 487
Interest rate futures	16,228	78,369	1,516,453	1,611,050
Interest rate forward contracts	56,981			56,981
Stock index futures	66,511		6,745	73,256

1. The fair value of instruments with positive values is $0.6 million (May 31, 2014: $0.8 million; June 1, 2013: $4.5 million) and is presented under Other investments. The fair value of those with negative values is $1.0 million (May 31, 2014: $0.3 million; June 1, 2013: $19.7 million) and is presented under Accounts payable.

6. OTHER INVESTMENTS (CONTINUED)

BREAKDOWN BY MATURITY (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(in thousands $)	Less than 1 month	1 to 6 months	6 months and more	Total
June 1, 2013				
Fair value[1]				
Unlisted share option contracts				
Purchased put options			750	750
Written put options			(2,327)	(2,327)
Listed index stock option contracts				
Purchased put options	2	254		256
Written call options	(60)	(179)		(239)
Written put options		(93)		(93)
Foreign currency forward contracts				
Purchases	150	(1)		149
Sales	(14,573)	(67)		(14,640)
Interest rate futures	–	–	–	–
Interest rate forward contracts		896		896
Stock index futures	–		–	–
	(14,481)	810	(1,577)	(15,248)
Notional amount				
Unlisted share option contracts				
Purchased put options			18,900	18,900
Written put options			31,500	31,500
Listed index stock option contracts				
Purchased put options	1,550	11,724		13,274
Written call options	1,633	12,636		14,269
Written put options		9,367		9,367
Foreign currency forward contracts				
Purchases	630,656	77,298		707,954
Sales	931,659	639,582		1,571,241
Interest rate futures	25,612	67,646	1,357,638	1,450,896
Interest rate forward contracts		159,738		159,738
Stock index futures	124,603		7,925	132,528

1. The fair value of instruments with positive values is $0.6 million (May 31, 2014: $0.8 million; June 1, 2013: $4.5 million) and is presented under Other investments. The fair value of those with negative values is $1.0 million (May 31, 2014: $0.3 million; June 1, 2013: $19.7 million) and is presented under Accounts payable.

6. OTHER INVESTMENTS (CONTINUED)

BREAKDOWN OF FAIR VALUE BY INDUSTRY SEGMENT[1]

(in thousands $)	Energy and materials	Indus-trials	Consumer discretionary and consumer staples	Financials and utilities	Information technology, telecommuni-cations services and healthcare	Govern-ments and govern-ment agencies	Total
November 30, 2014							
Listed shares and unlisted units	**449,513**	**246,159**	**541,152**	**737,218**	**698,504**		**2,672,546**
Bonds	**92,491**	**41,789**	**85,016**	**628,707**	**58,773**	**1,499,493**	**2,406,269**
Money market instruments			**1,389**	**43,007**		**71,749**	**116,145**
Fair value	**542,004**	**287,948**	**627,557**	**1,408,932**	**757,277**	**1,571,242**	**5,194,960**
Funds committed but not disbursed[2]				**18,808**			**18,808**
	542,004	**287,948**	**627,557**	**1,427,740**	**757,277**	**1,571,242**	**5,213,768**
May 31, 2014							
Listed shares, unlisted units and hedge fund units	502,645	220,701	468,003	738,581	574,844		2,504,774
Bonds	101,305	38,474	66,687	600,923	59,545	1,642,827	2,509,761
Money market instruments				6,999		52,856	59,855
Fair value	603,950	259,175	534,690	1,346,503	634,389	1,695,683	5,074,390
Funds committed but not disbursed[2]				19,102			19,102
	603,950	259,175	534,690	1,365,605	634,389	1,695,683	5,093,492
June 1, 2013							
Listed shares, unlisted units and hedge fund units	752,823		270,143	681,827	277,749		1,982,542
Bonds	87,007	42,613	34,518	545,758	81,026	1,600,754	2,391,676
Money market instruments						849	849
Fair value	839,830	42,613	304,661	1,227,585	358,775	1,601,603	4,375,067
Funds committed but not disbursed[2]				16,903			16,903
	839,830	42,613	304,661	1,244,488	358,775	1,601,603	4,391,970

1. This breakdown does not take into account changes in asset allocation resulting from derivative financial instruments.
2. Funds committed but not disbursed to international infrastructure funds represent other investments that have already been agreed to and for which amounts have been committed by the Fonds but have not been disbursed at the reporting date. Disbursements are subject to compliance with the agreement's terms and conditions. These commitments, having a weighted average maturity of 6.1 years (May 31, 2014: 6.6 years; June 1, 2013: 7.4 years), are denominated in U.S. dollars.

7. OFFSETTING OF FINANCIAL INSTRUMENTS

The Fonds entered into International Swaps & Derivatives Association Inc. ("ISDA") enforceable master netting arrangements with the majority of counterparties with which it trades derivative financial instruments over the counter. These master arrangements may make it possible to apply full netting of over-the-counter derivative financial instrument transactions. Derivative financial instruments subject to enforceable master netting arrangements are presented in the financial statements before offsetting. The fair value of derivative financial instrument assets subject to such arrangements is $0.4 million (May 31, 2014: $0.3 million; June 1, 2013: $1.9 million), and the fair value of derivative financial instrument liabilities subject to such arrangements is $0.6 million (May 31, 2014: $0.3 million; June 1, 2013: $7.4 million).

For securities purchased under reverse repurchase agreements and securities sold under repurchase agreements, the Fonds receives from or pledges to the counterparty collateral to manage credit risk. In the event of default, amounts related to a specific counterparty may be settled on a net basis under the Global Master Repurchase Agreement. As at November 30, 2014, May 31, 2014 and June 1, 2013, none of these amounts was set off in the balance sheet.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified using a hierarchy that reflects the significance of the inputs used in making the measurements. This hierarchy has the following levels:

Level 1: Fair value based on the most representative price within the bid-ask spread observed on active markets for identical instruments.

Level 2: Fair value based on quoted prices for similar financial instruments or based on valuation techniques for which all significant inputs are based on observable market information.

Level 3: Fair value based on valuation techniques for which all significant inputs are not based on observable market information.

(in thousands $)	Level 1	Level 2	Level 3	Total
November 30, 2014				
Financial assets				
Development capital investments				
Unsecured				
Listed shares	931,896	–		931,896
Unlisted shares and units			3,172,387	3,172,387
Loans, bonds and advances		475,682	1,046,717	1,522,399
Secured				
Loans			6,822	6,822
	931,896	475,682	4,225,926	5,633,504
Other investments				
Listed shares and unlisted units	2,618,034		54,512	2,672,546
Bonds		2,394,979	11,290	2,406,269
Money market instruments		116,145		116,145
Derivative financial instruments	–	587		587
	2,618,034	2,511,711	65,802	5,195,547
Accounts receivable relating to development capital investments and other investments sold		71,034		71,034
Cash	24,890			24,890
Securities purchased under reverse repurchase agreements		215,785		215,785
Financial instruments related to securities sold under repurchase agreements		137,357		137,357
Financial liabilities				
Accounts payable relating to development capital investments and other investments purchased		50,322		50,322
Derivative financial instruments	(193)	(852)		(1,045)
Securities sold under repurchase agreements		(353,142)		(353,142)

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(in thousands $)	Level 1	Level 2	Level 3	Total
May 31, 2014				
Financial assets				
Development capital investments				
Unsecured				
Listed shares	851,654	53		851,707
Unlisted shares and units			3,053,976	3,053,976
Loans, bonds and advances		451,101	1,076,144	1,527,245
Secured				
Loans and advances			10,875	10,875
	851,654	451,154	4,140,995	5,443,803
Other investments				
Listed shares and unlisted units	2,428,238		51,051	2,479,289
Hedge fund units			25,485	25,485
Bonds		2,498,500	11,261	2,509,761
Money market instruments		59,8555		59,855
Derivative financial instruments	–	817		817
	2,428,238	2,559,172	87,797	5,075,207
Accounts receivable relating to development capital investments and other investments sold		121,547		121,547
Cash	15,939			15,939
Securities purchased under reverse repurchase		254,980		254,980
Financial instruments related to securities sold under repurchase agreements		101,252		101,252
Financial liabilities				
Accounts payable relating to development capital investments and other investments purchased		122,121		122,121
Derivative financial instruments		(264)		(264)
Securities sold under repurchase agreements		(356,232)		(356,232)

NOTES TO FINANCIAL STATEMENTS

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(in thousands $)	Level 1	Level 2	Level 3	Total
June 1, 2013				
Financial assets				
Development capital investments				
Unsecured				
Listed shares	875,162	383	–	875,545
Unlisted shares and units			2,807,561	2,807,561
Loans, bonds and advances		442,405	1,170,369	1,612,774
Secured				
Loans and advances			10,476	10,476
	875,162	442,788	3,988,406	5,306,356
Other investments				
Listed shares and unlisted units	1,677,809		57,440	1,735,249
Hedge funds units			247,293	247,293
Bonds		2,380,940	10,736	2,391,676
Money market instruments		849		849
Derivative financial instruments	256	4,225		4,481
	1,678,065	2,386,014	315,469	4,379,548
Accounts receivable relating to development capital investments and other investments sold		159,421		159,421
Cash	9,172			9,172
Securities purchased under reverse repurchase		274,123		274,123
Financial instruments related to securities sold under repurchase agreements		148,819		148,819
Financial liabilities				
Accounts payable relating to development capital investments and other investments purchased		185,862		185,862
Derivative financial instruments	(332)	(19,397)		(19,729)
Securities sold under repurchase agreements		(422,942)		(422,942)

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables show the reconciliation from beginning balances to ending balances for Level 3 fair values. There were no transfers between Levels 1 and 2 during the period. Transfers between levels are deemed to occur when the underlying information or the prices used in measuring assets and liabilities become more or less dependent on observable market data, as it is previously mentioned in the determination of Levels 1, 2 and 3 of the fair value hierarchy for the Fonds.

DEVELOPMENT CAPITAL INVESTMENTS

(in thousands $)	Unlisted shares and units	Loans, bonds and advances Unsecured	Loans, bonds and advances Secured	Total
November 30, 2014				
Fair value as at May 31, 2014	**3,053,976**	**1,076,144**	**10,875**	**4,140,995**
Realized gains (losses)	**12,056**	**2,196**	**(6,504)**	**7,748**
Unrealized gains (losses)	**63,435**	**(6,419)**	**8,840**	**65,856**
Purchases	**115,145**	**55,745**	**895**	**171,785**
Sales and settlements	**(72,225)**	**(50,949)**	**(7,284)**	**(130,458)**
Transfer of a financial instrument out of Level 3		**(30,000)**[1]		**(30,000)**
Fair value as at November 30, 2014	**3,172,387**	**1,046,717**	**6,822**	**4,225,926**
Unrealized gains (losses) on development capital investments held as at November 30, 2014	**194,008**	**(4,814)**	**3,481**	**192,675**
November 30, 2013				
Fair value as at May 31, 2013	2,807,561	1,170,369	10,476	3,988,406
Realized gains (losses)	(6,578)	1,266		(5,312)
Unrealized gains (losses)	21,001	(16,800)	(1,916)	2,285
Purchases	81,551	49,135	1,200	131,886
Sales and settlements	(48,822)	(100,689)	(769)	(150,280)
Fair value as at November 30, 2013	2,854,713	1,103,281	8,991	3,966,985
Unrealized gains (losses) on development capital investments held as at November 30, 2013	12,740	(18,050)	(1,916)	(7,226)

1. An unsecured loan has been transferred from Level 3 to Level 2 as its measurement method is now based on observable market inputs.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

OTHER INVESTMENTS

(in thousands $)	Listed shares and unlisted units	Hedge fund units	Bonds	Total
November 30, 2014				
Fair value as at May 31, 2014	**51,051**	**25,485**	**11,261**	**87,797**
Realized gains (losses)	**(16)**	**988**		**972**
Unrealized gains (losses)	**4,177**	**(605)**	**29**	**3,601**
Purchases	**960**			**960**
Sales and settlements	**(1,660)**	**(25,868)**		**(27,528)**
Fair value as at November 30, 2014	**54,512**		**11,290**	**65,802**
Unrealized gains on other investments held as at November 30, 2014	**4,300**		**29**	**4,329**
November 30, 2013				
Fair value as at May 31, 2013	57,440	247,293	10,736	315,469
Realized gains (losses)	(40)	2,604		2,564
Unrealized gains (losses)	1,803	(2,908)	87	(1,018)
Purchases	240	243		483
Sales and settlements	(1,048)	(188,450)		(189,498)
Fair value as at November 30, 2013	58,395	58,782	10,823	128,000
Unrealized gains (losses) on other investments held as at November 30, 2013	1,803	(1,845)	87	45

USE OF UNOBSERVABLE INPUTS IN MEASURING LEVEL 3 FINANCIAL INSTRUMENTS

Level 3 financial instruments are measured at fair value using valuation techniques and models that incorporate significant assumptions derived from unobservable market inputs. The following table shows the main techniques and inputs used in measuring the fair value of financial instruments categorized within Level 3.

	Fair value (in thousands $)	Main valuation techniques	Unobservable inputs	Input value ranges (weighted average)
November 30, 2014				
Development capital investments				
Unlisted shares and units	547,804	Capitalized cash flows	Capitalization rate	5.8% – 13.0% (8.4%)
			EBITDA margin %1	5.7% – 41.9% (15.8%)
	2,281,286	Adjusted net assets	Adjusted net assets	N/A[2]
	106,885	Recent transactions	–	–
	236,412	Other3	–	–
Loans, bonds and advances	765,874	Discounted cash flows	Required rate of return	2.5% – 15.0% (7.7%)
	268,838	Adjusted net assets	Adjusted net assets	N/A[2]
	18,827	Other	–	–
	4,225,926			
Other investments				
Unlisted units	54,512	Manager's quote	–	–
Bonds	11,290	Other	–	–
	65,802			

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

USE OF UNOBSERVABLE INPUTS IN MEASURING LEVEL 3 FINANCIAL INSTRUMENTS (CONTINUED)

	Fair value (in thousands $)	Main valuation techniques	Unobservable inputs	Input value ranges (weighted average)
May 31, 2014				
Development capital investments				
Unlisted shares and units	1,035,939	Capitalized cash flows	Capitalization rate	5.9% – 14.5% (8.8%)
			EBITDA margin %[1]	4.1% – 42.4% (16.8%
	1,704,547	Adjusted net assets	Adjusted net assets	N/A[2]
	94,251	Recent transactions	–	-
	219,239	Other[3]	–	-
Loans, bonds and advances	811,817	Discounted cash flows	Required rate of return	2.6% – 18.0% (7.8%
	258,182	Adjusted net assets	Adjusted net assets	N/A[2]
	17,020	Other	–	-
	4,140,995			
Other investments				
Unlisted units	51,051	Manager's quote	–	-
Hedge fund units	25,485	Manager's quote	–	-
Bonds	11,261	Other	–	-
	87,797			
June 1, 2013				
Development capital investments				
Unlisted shares and units	395,100	Capitalized cash flows	Capitalization rate	5.7% – 16.3% (9.1%
			EBITDA margin %[1]	4.4% – 31.8% (15.3%
	1,670,748	Adjusted net assets	Adjusted net assets	N/A[2]
	486,647	Recent transactions	–	-
	255,066	Other[3]	–	-
Loans, bonds and advances	835,070	Discounted cash flows	Required rate of return	3.0% – 18.0% (8.6%
	316,187	Adjusted net assets	Adjusted net assets	N/A[2]
	29,588	Other	–	-
	3,988,406			
Other investments				
Unlisted units	57,440	Manager's quote	–	-
Hedge fund units	247,293	Manager's quote	–	-
Bonds	10,736	Other	–	-
	315,469			

1. As a result of the high variety in sizes of the companies in the portfolio, maintainable flows are presented as a percentage of earnings before interest, taxes, depreciation and amortization (EBITDA) over sales.
2. Since the nature and size of adjustments to net assets vary greatly between investments, no input range is presented for adjusted net assets.
3. Other valuation techniques include the expected transaction value, redemption value, discounted cash flow and liquidation value methods.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

SENSITIVITY OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3

Our sensitivity analyses on loans and advances lead us to conclude that a +/- 0.50% change in the required rate of return would result in a change in fair value that would not be material to net income and total assets and liabilities.

Although management believes that its fair value measurements are appropriate, for unlisted shares and units measured using the capitalized cash flow method, using different variables related to maintainable EBITDA and capitalization rate would result in an increase or a decrease in fair value that could be material in certain cases. In practice, the Fonds' qualified valuators determine a range of plausible values for each of the securities being valued and the mid-range point is generally used for preparing financial statements. Accordingly, for a given investment, the low end of the range reflects the worst-case scenario, while the high end of the range reflects the best-case scenario. This practice is the most common method used to estimate the financial impact of changing the main assumptions by other reasonably acceptable assumptions.

According to management, the increase or decrease in the value of unlisted shares and units is theoretical and unlikely, as the diversification of the portfolio with respect to industries, maturities and sizes is such that the value of investments is not moving solely in one direction. Consequently, management believes that only a portion of the increase or decrease in value should be used to estimate the impact of using alternative assumptions on the fair value of unlisted shares and units measured using the capitalized cash flow method. Management determined that using reasonably plausible alternative assumptions would not change fair value significantly.

9. INVESTMENTS IN SUBSDIARIES AND ASSOCIATES

Further to its quantitative and qualitative analyses, management determined that the Fonds controls or exercises significant influence over operating companies and investment entities:

	November 30, 2014		May 31, 2014		June 1, 2013	
	Number	**Fair value (in thousands $)**	Number	Fair value (in thousands $)	Number	Fair value (in thousands $)
Subsidiaries						
Operating companies	**14**	**975,342**	16	793,368	17	836,838
Investment entities	**30**	**1,004,880**	30	1,149,949	31	1,123,706
Associates						
Operating companies	**60**	**667,946**	59	498,036	59	477,405
Investment entities	**30**	**270,196**	27	254,457	29	232,113

The principal place of business of the majority of subsidiaries and associates is in Québec. The proportion of ownership interests held by the Fonds is greater than 50% for subsidiaries and between 20% and 49% for associates. Interests in the share capital of operating companies are in the form of common shares, while interests in investment entities are in the form of units. Funds committed but not disbursed to subsidiaries amount to $139.7 million (May 31, 2014: $140.9 million; June 1, 2013: $140.7 million). In certain circumstances, some conditions could restrict the ability of a subsidiary to transfer amounts to the Fonds: for instance, compliance with certain ratios or approval of a payment by another financial institution or other shareholders. However, the Fonds considers that there are no significant restrictions to these transfers, except for one subsidiary operating in the insurance industry. In that case, laws and regulations do not allow the Fonds to receive dividends, redeem its shares or obtain repayment of its loans without approval by the Autorité des marchés financiers.

When the Fonds controls an investment entity, it must also take into account in its scope of subsidiaries and associates those of that investment entity. Accordingly, as at November 30, 2014, the Fonds indirectly had 87 additional subsidiaries and 98 additional associates under this criteria (May 31, 2014: 83 subsidiaries and 105 associates; June 1, 2013: 92 subsidiaries and 101 associates).

10. SECURITIES LENDING

As part of the securities lending program, the Fonds receives, in exchange for the securities loaned, guarantees or assets, mainly government and corporate bonds, equivalent to the minimum percentage prescribed by any applicable law or agreement or to a percentage that may vary according to best practices. Depending on the securities loaned, this percentage ranges from 102% to 105% as at November 30, 2014 (May 31, 2014: from 102% to 105%; June 1, 2013: 102%) and the fair value of the securities loaned is $327.4 million (May 31, 2014: $311.3 million; June 1, 2013: $83.6 million).

11. INVESTMENT PROPERTY

The investment property held by the Fonds comprises office space for rental. The following table presents the changes in the fair value of the investment property for the six-month periods ended November 30.

(in thousands $)	**2014**	2013
Balance at beginning of period	**27,689**	25,328
Increase in office space	**2,871**	–
Change in fair value recognized in net income	**816**	–
Balance at end of period	**31,376**	25,328

UNOBSERVABLE INPUTS

The investment property measured at fair value is an asset categorized within Level 3 of the fair value hierarchy, as significant unobservable inputs are used in the valuation techniques applied. Significant unobservable inputs used in measuring the investment property are as follows:

	Fair value (in thousands $)	**Valuation techniques**	**Unobservable inputs**	**Input value**
November 30, 2014				
Investment property	31,376	Discounted cash flows	Internal rate of return	7.50%
			Capitalization rate	6.75%
May 31, 2014				
Investment property	27,689	Discounted cash flows	Internal rate of return	7.50%
			Capitalization rate	6.75%
June 1, 2013				
Investment property	25,328	Discounted cash flows	Internal rate of return	7.25%
			Capitalization rate	6.50%

12. ACCOUNTS RECEIVABLE

(in thousands $)	**November 30, 2014**	May 31, 2014	June 1, 2013
Accounts receivable relating to development capital investments and other investments sold	**71,034**	121,547	159,421
Accrued dividends and interest	**67,248**	73,580	71,597
Other	**26,207**	25,358	28,031
	164,489	220,485	259,049

13. PROPERTY AND EQUIPMENT

(in thousands $)	Buildings	Office furniture and equipment	Computer hardware	Total
November 30, 2014				
Cost	42,451	11,702	16,615	70,768
Accumulated depreciation	(2,019)	(8,707)	(12,504)	(23,230)
Net carrying amount	40,432	2,995	4,111	47,538
Change during the period				
Net carrying amount as at May 31, 2014	41,099	2,556	3,923	47,578
Acquisitions	191	729	1,229	2,149
Disposals	(182)		–	(182)
Depreciation	(676)	(290)	(1,041)	(2,007)
Net carrying amount as at November 30, 2014	40,432	2,995	4,111	47,538
May 31, 2014				
Cost	42,451	10,973	15,674	69,098
Accumulated depreciation	(1,352)	(8,417)	(11,751)	(21,520)
Net carrying amount	41,099	2,556	3,923	47,578
Change during the year				
Net carrying amount as at May 31, 2013	42,393	2,275	4,315	48,983
Acquisitions	58	836	1,675	2,569
Disposals			–	–
Depreciation	(1,352)	(555)	(2,067)	(3,974)
Net carrying amount as at May 31, 2014	41,099	2,556	3,923	47,578
June 1, 2013				
Cost	42,393	10,137	14,303	66,833
Accumulated depreciation	–	(7,862)	(9,988)	(17,850)
Net carrying amount	42,393	2,275	4,315	48,983

No item of property and equipment was impaired as at November 30, 2014 (none as at May 31, 2014 and June 1, 2013). In addition, as at November 30, 2014, May 31, 2014 and June 1, 2013, the Fonds had no significant contractual commitment for the acquisition of property and equipment. The depreciation expense is presented under Corporate expenses in the Statement of Comprehensive Income.

14. INTANGIBLE ASSETS

(in thousands $)	Information systems development
November 30, 2014	
Cost	**25,633**
Accumulated amortization	**(18,749)**
Net carrying amount	**6,884**
Change during the period	
Net carrying amount as at May 31, 2014	**6,542**
Acquisitions	**1,606**
Amortization	**(1,264)**
Net carrying amount as at November 30, 2014	**6,884**
May 31, 2014	
Cost	24,028
Accumulated amortization	(17,486)
Net carrying amount	6,542
Change during the year	
Net carrying amount as at May 31, 2013	4,594
Acquisitions	3,745
Amortization	(1,797)
Net carrying amount as at May 31, 2014	6,542
June 1, 2013	
Cost	20,283
Accumulated amortization	(15,689)
Net carrying amount	4,594

No intangible asset was impaired as at November 30, 2014 (none as at May 31, 2014 and June 1, 2013). In addition, as at November 30, 2014, May 31, 2014 and June 1, 2013, the Fonds had no significant contractual commitment for the acquisition of intangible assets. The amortization expense is presented under Corporate expenses in the Statement of Comprehensive Income.

15. NOTES

The notes, which arise from excess liquidities of regional and local funds and of certain specialized funds, are repayable on demand and bear interest at a rate based on the rate of return of Other investments. As at November 30, 2014, May 31, 2014 and June 1, 2013, the interest rate is 4%.

16. CREDIT FACILITIES

As at November 30, 2014, May 31, 2014 and June 1, 2013, the Fonds has credit facilities amounting to $80 million, bearing interest at prime rate and renewable annually. As at November 30, 2014, May 31, 2014 and June 1, 2013, these facilities are unused, and they were not used during the periods then ended.

17. ACCOUNTS PAYABLE

(in thousands $)	**November 30, 2014**	May 31, 2014	June 1, 2013
Accounts payable relating to development capital investments and other investments purchased	**50,322**	122,121	185,862
Accrued expenses and other	**57,123**	57,573	60,752
Derivative financial instruments	**1,045**	264	19,729
	108,490	179,958	266,343

18. NET ASSETS

1. Share capital

a) Authorized

i) <u>Class A shares</u>

Unlimited number of Class A shares to be issued in Series 1 and 2, without par value, voting, redeemable and inalienable unless approved by a resolution of the Board of Directors.

Class A shares, Series 1 and 2 can be exchanged for shares of another series and rank pari passu. However, Class A share, Series 1 may be issued only to an individual requesting their transfer to a trustee under a registered retirement savings plan.

ii) <u>Class B shares</u>

Unlimited number of Class B shares, without par value, non-voting, entitled to a preferential dividend at the rate determined by the Board of Directors. In the event of liquidation, the Class B shares rank prior to Class A shares.

b) Subscribed

Subscribed capital is money cashed but for which no Class A share can be issued in consideration thereof pursuant to the Fonds' Purchase-by-Agreement Policy. These Class A shares will be issued at the time set out in such policy at the share price in effect at that date.

c) Redemption terms

The Fonds is required to redeem shares in the circumstances set out in its Incorporation Act or to redeem them by mutual agreement in exceptional situations provided under a policy for such purpose adopted by the Fonds' Board of Directors and approved by the Minister of Finance of Québec. The redemption price is determined semi-annually based on the value of the Fonds.

d) Contributed surplus

Contributed surplus arises from the reduction in issued and paid-up capital resulting from transfers and the excess of the average value of share capital over the redemption price. This excess is reduced when shares are redeemed at a price exceeding the average value of issued share capital, pro rata to the redeemed shares.

e) Transfer

During the period, the Board of Directors approved an increase in the issued and paid-up capital on Class A shares, Series 1 of $75 million through a transfer from retained earnings (November 30, 2013: $70 million).

As at November 30, 2014, the Fonds had, since its incorporation, transferred the following cumulative amounts: $1,977 million from retained earnings to share capital, $1,500 million from share capital to contributed surplus and $291 million from contributed surplus to retained earnings.

2. Accumulated other comprehensive income

Accumulated other comprehensive income was set up upon the first-time adoption of IFRS.

18. NET ASSETS (CONTINUED)

3. NET INCOME PER CLASS A SHARE

Net income per share is based on the weighted average number of Class A shares, which was 334,427,078 (November 30, 2013: 332,979,642).

4. NET ASSETS – CLASS A

	Series 1		Series 2		Subscribed	Total
(in thousands)	Number	$	Number	$	$	$
November 30, 2014						
Net assets as at May 31, 2014	330,886	10,029,119	3,348	101,472	612	10,131,203
Net income		350,054		3,575		353,629
Other comprehensive income		(2,708)		(27)		(2,735)
Share issues	8,427	253,382	132	3,977		257,359
Net change in share subscriptions					190	190
Share redemptions	(8,666)	(261,123)	(118)	(3,561)		(264,684)
Change in outstanding redemptions	337	9,287				9,287
Net assets as at November 30, 2014	**330,984**	**10,378,011**	**3,362**	**105,436**	**802**	**10,484,249**
November 30, 2013						
Net assets as at May 31, 2013	328,951	9,210,014	3,490	97,724	778	9,308,516
Net income		400,878		4,192		405,070
Other comprehensive income		10,026		105		10,131
Share issues	9,085	252,837	121	3,372		256,209
Net change in share subscriptions					180	180
Share redemptions	(9,607)	(267,802)	(171)	(4,773)		(272,575)
Change in outstanding redemptions	(292)	(8,671)				(8,671)
Net assets as at November 30, 2013	328,137	9,597,282	3,440	100,620	958	9,698,860

19. CAPITAL DISCLOSURES

The Fonds collects capital to make development capital investments in keeping with its mission, while maintaining the liquidities required to satisfy the share redemption requests submitted by shareholders and meet its commitments. The Fonds' policy is to reinvest all income generated by its operations, and it does not expect to pay dividends to its shareholders. The Fonds is not subject to externally imposed capital requirements other than those governing share issues and redemptions.

1. EXTERNALLY IMPOSED REQUIREMENTS GOVERNING SHARE ISSUES

a) 60% rule

The Fonds may make development capital investments in any business enterprise with or without security. However, in any given financial year, the proportion of unsecured development capital investments made in qualified business enterprises must represent an average of at least 60% of the Fonds' average net assets of the previous financial year.

If the Fonds fails to reach this percentage, the share issues giving rise to tax credits for the following financial year are limited to a prescribed percentage of the total value of shares in the preceding financial year, except for shares acquired through payroll deductions and employer contributions stipulated in agreements concluded at the end of the preceding financial year.

The percentage of average qualified development capital investments to the average net assets of the preceding year was 65.1% as at May 31, 2014 (May 31, 2013: 66.0%).

Since the minimum percentage prescribed by the 60% rule has been reached as at May 31, 2014, the 60% rule does not limit share issues for the 2014-2015 financial year.

19. CAPITAL DISCLOSURES (CONTINUED)

1. EXTERNALLY IMPOSED REQUIREMENTS GOVERNING SHARE ISSUES (CONTINUED)

b) Government of Québec budget

Further to the Government of Québec 2014-2015 budget tabled before the National Assembly on June 4, 2014, the number of shares giving rise to labour-sponsored fund tax credits that the Fonds may issue during the financial year ending May 31, 2015 is limited to an amount of $650 million.

2. EXTERNALLY IMPOSED REQUIREMENTS GOVERNING SHARE REDEMPTIONS

The *Taxation Act* (Québec) provides for the payment of a penalty by the Fonds when the total amount paid for purchases by mutual agreement made during a financial year exceeds 2% of paid-up capital, with certain criteria for purchases by mutual agreement being excluded from the calculation. Since this provision has been in effect, the Fonds has always complied with this limit.

20. CONTINGENCIES

In the normal course of business, the Fonds is party to claims and litigations that could result in losses. A contingent loss is recognized when it is likely and can be estimated. Management believes that the aggregate amount of contingent losses would not have a material adverse effect on the Fonds' financial position.

21. REVENUES

Interest totalling $8.8 million (November 30, 2013: $9.6 million) on the notes is presented as a deduction of interest in the Statement of Comprehensive Income and capitalized under Notes.

22. TOTAL OPERATING EXPENSES

	For the six-month periods ended	
(in thousands $)	**November 30, 2014**	November 30, 2013
Salaries and benefits	**38,677**	40,028
Advertising and information	**8,139**	7,124
Occupancy expenses and rent	**5,006**	4,990
Management fees	**3,377**	3,332
Professional fees	**2,263**	4,176
Stationery and office supplies	**2,206**	2,260
Travel and entertainment	**1,368**	1,572
Shareholder reporting costs	**1,282**	1,285
Custodial fees and trustee's fees	**427**	476
Depreciation of property and equipment	**2,007**	1,966
Amortization of intangible assets	**1,264**	789
	66,016	67,998

23. KEY MANAGEMENT PERSONNEL COMPENSATION

	For the six-month periods ended	
(in thousands $)	**November 30, 2014**	November 30, 2013
Salaries and short-term benefits	**1,221**	1,227
Post-employment benefits	**765**	905
Directors' remuneration and fees	**698**	376
	2,684	2,508

24. INCOME TAXES

For purposes of the *Income Tax Act* (Canada), the Fonds is subject to the rules applicable to mutual fund corporations. As such, the Fonds can receive a refund of the income taxes paid on its capital gains by redeeming its shares or by increasing its issued and paid-up capital through a transfer from retained earnings. Since these income taxes are refundable and that, in management's opinion, the issued and paid-up share capital will be increased sufficiently to recover them, these income taxes are not presented in the Statement of Comprehensive Income, but are presented under Refundable taxes on hand in the Balance Sheet. The balance of these income taxes is nil (May 31, 2014: $2.2 million; June 1, 2013: $7.2 million).

The Fonds, as a private company under the *Income Tax Act* (Canada), can receive a refund of a portion of the income taxes paid on its investment income through the refundable dividend tax on hand (RDTOH). The RDTOH is recoverable by increasing the issued and paid-up share capital through a transfer from retained earnings. This tax of $17.4 million (May 31, 2014: $29.2 million; June 1, 2013: $30.3 million) was entirely applied against income taxes payable following a transfer approved by the Board of Directors during the period.

Under the *Taxation Act* (Québec), the Fonds is an open-ended investment company. As such, the Fonds can, in calculating its Québec taxes, deduct taxable capital gains from its taxable income. Consequently, capital gains realized by the Fonds are not subject to taxes in Québec.

Income taxes on income before income taxes are detailed as follows:

	For the six-month periods ended	
(in thousands $)	**November 30, 2014**	November 30, 2013
Current	**13,638**	7,202
Deferred	**(2,238)**	(278)
	11,400	6,924

The above income taxes are different from the amounts that would be obtained by applying the combined basic tax rate (Québec and federal) to income before income taxes. The difference is explained as follows:

	For the six-month periods ended	
(in thousands $)	**November 30, 2014**	November 30, 2013
Income before income taxes	**365,029**	411,994
Tax rate to which the Fonds is subject	**46.6%**	46.6%
Income taxes	**170,104**	191,989
Non-taxable dividends and distributions	**(22,940)**	(49,634)
Refundable dividend tax on hand	**(17,437)**	(14,049)
Realized and unrealized capital gains (losses)		
Non-taxable portion and federal rate difference	**(68,474)**	(67,712)
Refundable federal tax	**(35,999)**	(35,611)
Québec tax deduction	**(15,324)**	(15,135)
Other items	**1,470**	(2,924)
	11,400	6,924

Items giving rise to deferred income tax assets are as follows:

(in thousands $)	**November 30, 2014**	May 31, 2014	June 1, 2013
Development capital investments	**(1,884)**	(2,846)	(3,447)
Investment property	**(1,645)**	(1,650)	(1,514)
Property and equipment and intangible assets	**(3,915)**	(3,925)	(3,733)
Net defined benefit liability	**10,292**	8,329	8,538
Other	**473**	496	1,027
	3,321	404	871

25. POST-EMPLOYMENT BENEFITS

On January 1, 2001, the Fonds implemented funded and unfunded defined benefit pension plans, which guarantee pension benefits to most of its employees. Also, since July 1, 2003, the Fonds has had an optional personal insurance plan for retired employees.

The defined benefit obligation of these plans, as measured by independent actuaries, and the fair value of plan assets are determined as at November 30, 2014. The most recent actuarial valuation of the pension plans for funding and solvency purposes was as at December 31, 2013 and the next valuation will take place by December 31, 2016.

1. DEFINED BENEFIT PENSION PLANS

The defined benefits from these pension plans are based on the number of years of service and the average annual salary, which is the highest annualized average salary for 36 consecutive months of service. The Fonds is responsible for these plans. The Fonds set up retirement committees to manage the plans, and these committees engaged independent investment managers, actuaries and trustees to obtain professional services.

Changes in the defined benefit obligation and the fair value of plan assets during the period are as follows:

	For the six-month periods ended					
	November 30, 2014			November 30, 2013		
(in thousands $)	Present value of pension obligation	Fair value of plan assets	Net defined benefit liability	Present value of pension obligation	Fair value of plan assets	Net defined benefit liability
Balance at beginning of period	(228,410)	187,378	(41,032)	(189,433)	147,207	(42,226)
Current service cost	(6,509)		(6,509)	(6,150)		(6,150)
Interest	(4,921)		(4,921)	(4,190)		(4,190)
Interest income		3,931	3,931		3,188	3,188
Impact on net income	(11,430)	3,931	(7,499)	(10,340)	3,188	(7,152)
Remeasurements						
Return on plan assets, excluding revenue		5,225	5,225		5,796	5,796
Loss arising from changes in demographic assumptions				(9,252)		(9,252)
Gain (loss) arising from changes in financial assumptions	(7,751)		(7,751)	16,054		16,054
Experience loss	(773)		(773)			
Impact on other comprehensive income	(8,524)	5,225	(3,299)	6,802	5,796	12,598
Fonds contributions		3,171	3,171		7,458	7,458
Employee contributions	(2,527)	2,527	–	(2,117)	2,117	–
Benefits paid	1,915	(1,915)	–	836	(836)	–
	(612)	3,783	3,171	(1,281)	8,739	7,458
Balance at end of period	(248,976)	200,317	(48,659)	(194,252)	164,930	(29,322)

As at November 30, 2014, the weighted average duration of the defined benefit obligation is 17.7 years.

25. POST-EMPLOYMENT BENEFITS (CONTINUED)

2. POST-EMPLOYMENT MEDICAL PLANS

The Fonds offers post-employment medical plans that cover hospital and medication costs for eligible retirees. These plans are unfunded. Changes in the defined benefit obligation, which is equal to the defined benefit liability, during the period are as follows:

	Present value of obligation and net defined benefit liability	
	For the six-month periods ended	
(in thousands $)	**November 30, 2014**	November 30, 2013
Balance at beginning of period	**(2,860)**	(2,546)
Current service cost	**(54)**	(52)
Interest	**(61)**	(55)
Impact on net income	**(115)**	(107)
Remeasurements		
Loss arising from changes in demographic assumptions	**–**	(139)
Gain (loss) arising from changes in financial assumptions	**(116)**	190
Impact on other comprehensive income	**(116)**	51
Benefits paid	**30**	18
Balance at end of period	**(3,061)**	(2,584)

3. SIGNIFICANT ACTUARIAL ASSUMPTIONS

The significant actuarial assumptions used to measure the Fonds' defined benefit obligation and the costs recognized for the plans are as follows:

	November 30, 2014		November 30, 2013	
(in %)	**Pension plans**	**Medical plans**	Pension plans	Medical plans
Defined benefit obligation				
Rate at end of period				
Discount rate	**4.00**	**4.00**	4.75	4.75
Rate of increase in salaries	**3.50**		3.50	
Defined benefit costs recognized				
Rate at end of previous period				
Discount rate	**4.00 and 4.25**	**4.25**	4.25	4.25
Rate of increase in salaries	**3.50**		3.50	

The Fonds set the maximum annual amount it will assume per retiree under the insurance plan and does not expect any increases in that amount in the future.

25. POST-EMPLOYMENT BENEFITS (CONTINUED)

4. SENSITIVITY ANALYSES

The sensitivity analyses for the defined benefit obligation were prepared based on reasonably possible changes in each significant actuarial assumption, without considering the impact of simultaneous changes in several significant actuarial assumptions. Any change in an actuarial assumption may result in a change in another actuarial assumption, which could amplify or reduce the impact of changes in such assumptions on the present value of the defined benefit obligation. Actual results could differ from these estimates.

	Impact on the defined benefit obligation as at November 30, 2014		
	Change in assumption	**Increase in assumption** (impact in thousands $)	**Decrease in assumption** (impact in thousands $)
Discount rate	0.50%	(20,738)	23,698
Rate of increase in salaries	0.50%	6,203	(6,122)
Life expectancy	1 year	5,004	(5,032)

5. COMPOSITION OF PENSION PLAN ASSETS

Funded plan assets are held in trust and their breakdown is as follows:

(in %)	**November 30, 2014**	November 30, 2013
Equity mutual funds	**62.4**	62.3
Bond mutual funds	**37.5**	37.4
Cash and other	**0.1**	0.3
	100.0	100.0

6. EXPOSURE TO ACTUARIAL RISKS

As a result of its defined benefit plans, the Fonds is exposed to certain risks, the most significant of which are described below.

a) Interest rate risk

A decrease in fixed-rate bond interest rates, which would decrease the discount rate used, would increase the present value of the defined benefit obligation. This increase would however be partially offset by an increase in the value of plan assets.

b) Salary and longevity risk

As the majority of the plan obligations relate to the payment of benefits over the participant's lifetime, an increase in life expectancy would increase the plan liability. Likewise, an increase in the rate of increase in the participants' salaries would increase the plan liability.

7. REMEASUREMENT OF THE NET DEFINED BENEFIT LIABILITY

	For the six-month periods ended	
	November 30, 2014	November, 30 2013
Actuarial gain (loss) arising from post-employment benefits	**(3,415)**	12,649
Deferred income taxes	**680**	(2,518)
	(2,735)	10,131

26. RELATED PARTY TRANSACTIONS

1. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Fonds' key management personnel comprises the members of the Board of Directors and the members of the Management Committee. Information on key management personnel compensation for the period is presented in Note 23.

2. TRANSACTIONS WITH RELATED PARTIES INCLUDED IN DEVELOPMENT CAPITAL INVESTMENTS

In the normal course of business, the Fonds conducts transactions with related companies that it either controls or over which it has significant influence. Many of the development capital investments are of such an amount and nature that the investee is considered a related party. The number of investments in subsidiaries and associates is presented in Note 9. The following table details the transactions carried out with all the subsidiaries and associates of the Fonds during the period and presents the end-of-period balances appearing on the Balance Sheet.

	For the six-month periods ended	
(in thousands $)	**November 30, 2014**	November 30, 2013
Transactions		
Interest	**11,019**	12,833
Dividends and distributions	**12,080**	4,277
Rental income, fees and other income	**1,365**	80
Total operating expenses	**3,122**	3,150
Interest expense on notes	**8,758**	9,515
Issuance of notes	**56,625**	124,204
Repayment of notes	**69,576**	84,325
Disbursements for development capital investments	**60,475**	39,733
Capital repayments on development capital investments	**30,299**	73,228
Balances	**November 30, 2014**	May 31, 2014
Development capital investments, at cost	**2,445,423**	2,401,628
Accounts receivable	**10,050**	16,325
Accounts payable	**315**	110
Notes	**443,266**	447,459
Other information		
Funds committed but not disbursed	**516,125**	565,255

The Fonds engaged two of its associates to manage portfolios with assets totalling $631.2 million (May 31, 2014: $600.7 million).

3. OTHER TRANSACTIONS

The Fonds, of which a majority of directors are elected by the Fédération des travailleurs et travailleuses du Québec (FTQ), agreed to pay $1.4 million to the FTQ for the six-month periods ended November 30, 2014 (November 30, 2013: $1.2 million) under an agreement that calls for compensation to be paid for services rendered in respect of economic training, social audits, shareholder development, and support and guidance of certain activities. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Fonds incorporated the Fondation de la formation économique du Fonds de solidarité des travailleurs du Québec (F.T.Q.) (the "Fondation") under Part III of the Québec Companies Act and appoints the members of the Fondation's Board of Directors. The Fonds granted a loan of $5 million to the Fondation at a variable, contingent interest rate, with a fair value of $3.8 million (May 31, 2014: $3.6 million; June 1, 2013: $3.8 million).

The Fonds granted non-interest bearing loans of $15 million (May 31, 2014: $15 million; June 1, 2013: $20 million) with a fair value of $10.9 million (May 31, 2014: $10.6 million; June 1, 2013: $13.7 million) to the Fonds étudiant solidarité travail du Québec (FESTQ), which are considered related to the Fonds because the Fonds appoints some of their directors together with the Government of Québec.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

3. OTHER TRANSACTIONS (CONTINUED)

The Fonds granted a non-interest bearing loan of $5 million (May 31, 2014: $5 million; June 1, 2013: N/A) with a fair value of $3.3 million (May 31, 2014: $3.2 million; June 1, 2013: N/A) to Fiducie de Montréal inc., which is considered related to the Fonds because the Fonds appoints some of its directors.

These loans are presented under Accounts receivable on the Balance Sheet.

27. ADDITIONAL INFORMATION

The audited *Statement of Development Capital Investments, at Cost*, the unaudited *Relevé des autres investissements* and the unaudited *Index of the Share of the Fonds in Investments Made by the Specialized Funds*, *at Cost* are available at the Fonds' head office, on its website at *fondsftq.com* or at *sedar.com*.

28. TRANSITION TO IFRS

The financial statements for the six-month period ended November 30, 2014 are the first IFRS financial statements. They have been prepared as described in Notes 2 and 3. To prepare these financial statements, the Fonds applied IFRS 1.

The date of adoption of IFRS by the Fonds is June 1, 2014. However, the date of transition is June 1, 2013, which is the beginning of the first comparative year presented.

In preparing these first IFRS financial statements in accordance with IFRS 1, the Fonds elected to use some of the allowed exemptions to the retrospective application of certain IFRSs while taking into account the exceptions to the retrospective application of other IFRSs.

1. ELECTIONS AT TRANSITION

In accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standard*, the Fonds used the following exceptions to the full retrospective application of IFRS at the transition date:

Deemed cost of property and equipment
As permitted by IFRS 1, the Fonds elected to use the fair value of its buildings at the date of transition as their cost of acquisition.

Designation of previously recognized financial instruments
IFRS 1 allows irrevocably designating any financial instrument as measured at fair value through profit or loss, provided certain criteria are met at the date of transition. The Fonds thereby designated as at fair value through profit or loss all its development capital investments, all its other investments, cash as well as certain accounts receivable and accounts payable.

2. RECONCILIATION – TRANSITION TO IFRS

Balance sheet and net assets reconciliation

(in thousands $)	Note	May 31, 2014	June 1, 2013
Net assets reported under Canadian GAAP – Part V		**10,125,598**	**9,301,300**
Development capital investments	a	6,648	7,513
Other investments	a	6,188	9,362
Post-employment benefits	b	(29,170)	(28,691)
Investment property	c	8,456	6,095
Property and equipment	d	10,202	10,202
Accumulated depreciation – Property and equipment	d	562	–
Deferred income taxes	e	2,719	2,735
Net assets reported under IFRS		10,131,203	9,308,516
Net assets per share reported under Canadian GAAP – Part V		**$30.29**	**$27.98**
Net assets per share reported under IFRS		**$30.31**	**$28.00**

28. TRANSITION TO IFRS (CONTINUED)

2. RECONCILIATION – TRANSITION TO IFRS (CONTINUED)

Comprehensive income reconciliation

(in thousands $)	Note	Period ended November 30, 2013		
		Net income	Other comprehensive income	Comprehensive income
Income reported under Canadian GAAP – Part V		**410,991**	–	**410,991**
Unrealized gains (losses)	a	(5,613)		(5,613)
Post-employment benefits	b	(645)	12,649	12,004
Depreciation of property and equipment	d	261		261
Income taxes	e	76	(2,518)	(2,442)
Income reported under IFRS		**405,070**	**10,131**	**415,201**
Income per share reported under Canadian GAAP – Part V		**$1.23**		**$1.23**
Income per share reported under IFRS		**$1.22**		**$1.25**

3. NOTES – TRANSITION TO IFRS

a) Development capital investments and other investments

Under Canadian GAAP – Part V, the Fonds determined the fair value of its development capital investments and other investments in accordance with Section 3855, "Financial Instruments – Recognition and Measurement", which required using the bid price for long positions and the asking price for short positions to the extent such prices were available. Under IFRS, the Fonds measures the fair value of its listed financial instruments in accordance with the guidance of IFRS 13 *Fair Value Measurement* and uses the price within the bid-ask spread that is most representative of fair value, given the relevant facts and circumstances.

Consequently, on first-time adoption of IFRS, the carrying amount of the following financial instruments was adjusted:

(in thousands $)	May 31, 2014	June 1, 2013
Development capital investments		
Listed shares	5,964	6,332
Bonds	684	1,181
	6,648	7,513
Other investments		
Listed shares	3,809	3,488
Bonds	2,377	5,874
Money market instruments	2	–
	6,188	9,362

This adjustment decreased the Fonds' comprehensive income by $5.6 million, under Gains (Losses) unrealized, for the six-month period ended November 30, 2013.

28. TRANSITION TO IFRS (CONTINUED)

3. NOTES – TRANSITION TO IFRS (CONTINUED)

b) Post-employment benefits

Under IFRS, actuarial gains and losses arising from the remeasurement of post-employment benefit obligations are recognized in other comprehensive income when they occur. Under Canadian GAAP – Part V, the Fonds applied the "corridor approach" to recognize such gains and losses, whereby gains and losses were gradually recognized in income only when they exceeded specified thresholds.

In addition, under IFRS, the pension expense component reflecting interest income on plan assets is measured using the discount rate for the obligation. Under Canadian GAAP – Part V, this component was measured using the expected rate of return on assets.

Finally, under IFRS, the past service cost is recognized immediately in net income, whereas it was amortized over the average remaining service period of active employees under Canadian GAAP – Part V.

The carrying amount of the net defined benefit liability corresponding to the post-employment benefit obligation was increased by $28.7 million as at June 1, 2013 and $29.2 million as at May 31, 2014 as a result of recognizing the net amount of unamortized actuarial gains and losses as at these dates. These adjustments decreased net income and increased other comprehensive income by $-0.6 million and $12.6 million, respectively, for the six-month period ended November 30, 2013.

c) Investment property

Under IFRS, the investment property is subject to the requirements of IAS 40 *Investment Property* with respect to recognition, measurement and disclosures. According to this standard, investment property is property (land or a building—or part of a building—or both) held to earn rentals or for capital appreciation or both. An entity that holds an investment property must choose as its accounting policy either the fair value model or the cost model and apply it to its investment property. Under Canadian GAAP – Part V, this property was classified as an item of property and equipment, was recognized using the cost method and was depreciated.

As an entity meeting the definition of an investment entity, the Fonds must recognize its investment property at fair value, with changes in fair value recognized in net income. Consequently, on first-time adoption of IFRS, the carrying amount of the investment property was increased by $6.1 million as at June 1, 2013 and $8.5 million as at May 31, 2014 to reflect fair value.

d) Property and equipment

i) Fair value measurement:

As previously mentioned, the Fonds elected to remeasure at fair value at the date of transition buildings included in property and equipment, and thereby increased their value by $10.2 million as at June 1, 2013.

ii) Depreciation:

Under Canadian GAAP – Part V, all buildings were items of property and equipment, were recognized at cost and depreciated. Under IFRS, a portion of the buildings was recognized as investment property. The depreciation on the remaining balance of property and equipment is therefore decreased based on the portion that remained in property and equipment. In addition, under IFRS, buildings are divided into their significant parts, which are depreciated over their specific lives. These adjustments decreased depreciation expense by $0.3 million for the six-month period ended November 30, 2013 and decreased accumulated depreciation by $0.6 million as at May 31, 2014.

28. TRANSITION TO IFRS (CONTINUED)

3. NOTES – TRANSITION TO IFRS (CONTINUED)

e) Income taxes

Income taxes were adjusted to reflect the following items:

(in thousands $)	May 31, 2014	June 1, 2013
Post-employment benefits	5,805	5,709
Investment property	(944)	(944)
Property and equipment	(2,030)	(2,030)
Depreciation of property and equipment	(112)	–
Total adjustment to deferred income taxes reported under IFRS	2,719	2,735

(in thousands $)	Period ended November 30, 2013		
	Net income	Other comprehen-sive income	Compre-hensive income
Post-employment benefits	128	(2,518)	(2,390)
Reversal of depreciation expense recognized under Canadian GAAP attributable to the investment property portion	(70)		(70)
Impact of the different depreciation expense under IFRS	18		18
Total adjustment to income taxes reported under IFRS	76	(2,518)	(2,442)

f) Reclassification adjustments

In addition to the above-mentioned measurement adjustments, the Fonds reclassified certain amounts at the date of transition to ensure that its financial statements were presented in accordance with IFRS. The main reclassifications were the following:

- In accordance with IAS 1 *Presentation of Financial Statements*, the Fonds reclassified the gains (losses) on development capital investments and other investments to revenues in the Statement of Comprehensive Income.
- Under IFRS, the Fonds considers itself exempted from income tax related to capital gains and, accordingly, does not recognize any deferred tax liabilities for unrealized net gains on development capital investments, other investments and investment property nor any corresponding deferred tax assets for unrealized recoveries resulting from the tax mechanisms related to refundable capital gains tax on hand. Amounts that the Fonds is entitled to receive under the refundable tax on hand rules are presented separately on the Balance Sheet.
- The Fonds reclassified distributions in net income under Dividends and distributions; they were previously presented under Realized and unrealized gains (losses).

g) Adjustments to the Statement of Cash Flows

Acquisition of investments and proceeds of disposal of investments were reclassified from investing activities to operating activities to reflect the nature of the Fonds' operations and the fact that it qualifies as an investment entity.