

the
Police

Credit Union

Serving Police Communities Throughout Ontario

ANNUAL REPORT
2007



ANNUAL GENERAL MEETING

MONDAY,
APRIL 28, 2008
MEETING STARTS
AT 7:30 P.M.
GRAND BACCUS
TORONTO, ONTARIO

62ND

Agenda

1. Registration of Members
 2. Official Welcome and Call to Order
 3. Minute of Silence
 4. Adoption of the Agenda
 5. Minutes of Previous Meeting
 6. Business Arising
 - (a) 2006 Deferred tax correction
 7. Report of the Chair
 8. Report of the Chief Executive Officer
 9. Staff Awards
 10. Report of the Audit Committee
 11. Report of the Member Credit & Investment Manager
 12. Report of the Controller
 13. External Auditors Report
 14. New Business
 - (a) Appointment of External Auditor
 - (b) By-Law Changes
 - (c) Elections – Board of Directors
 15. Other Business
 - (a) Report on Plan 24 Life Insurance
 16. Adjournment
- Refreshments

Board of Directors

	Position	Last Year of Term
Sam Fairclough	Chair	2008
Gary Rossitter	Vice-Chair	2009
Grant MacNeil	Secretary	2009
Bob Spafford	Asst. Treasurer	2007
Eric Jolliffe	Director	2008
Ian Russell	Director	2008
George Tucker	Director	2007

Management Staff

Doug Weber	Chief Executive Officer
Andy Doak	Controller
Dale Pettit	Member Credit and Investment Manager
Karen Zwarych	Human Resources and Training Manager
David Merrifield	Toronto Branch Manager
Wayne Murray	Durham Branch Manager
Len Wright	York Branch Manager
Bess Kominos-Estrela	Peel Branch Manager

MINUTES OF THE 61ST ANNUAL MEETING

GRAND BACCUS
2155 MCNICOLL AVENUE
MONDAY, APRIL 30TH, 2007
7:30 P.M.

OFFICIAL WELCOME AND CALL TO ORDER

There being a quorum of 50 members present, the meeting was called to order by the Chair of the Board of Directors, Mr. Sam Fairclough, at 7:40 p.m. (190 members were registered plus 8 guests for a total attendance of 198) compared to last year in which 296 members registered plus 30 guests. Actual registration including late arrivals this year was 190 members and 8 guests.

MINUTE OF SILENCE

Mr. Fairclough asked the membership to stand for a moment of silence to pay tribute to the members that have passed away. We welcome their heritage to the Police Credit Union.

The Chair welcomed those present to the 61st Annual General Meeting and acknowledged the Board of Directors and Management as follows:

The Chair then introduced the Board of Directors and Management:

Vice Chair	Gary Rossitter
Secretary	Grant MacNeil
Past Chair & Director	Ian Russell
Assistant Treasurer	Bob Spafford
Director	Eric Jolliffe
Director	George Tucker
CEO	Doug Weber
Controller	Andy Doak
Member Credit & Investment Manager	Dale Pettit
Human Resources and Training Manager	Karen Zwarych
Recording Secretary	Karen Ferrara
And himself	Sam Fairclough, Chair

Mr. Fairclough acknowledged the staff for their dedication and hard work throughout the year. The Chair welcomed those present to the 61st Annual Meeting and acknowledged the special guests as follows:

Toronto Police Pensioners Association	President, Bruce Priestman Jane Brown
Internal Auditor	Rick Belsby
Toronto Police War Veterans Association	President, Malcolm Keetch
English & Jones Chartered Accountants	Gordon English Wayne O'Connell
Concentra Financial	Tricia Dasko
CUCO	Yvonne Price
Toronto Firefighters Employees Credit Union	CEO, Diana Santos Chair of the Board, Steve Buckingham Linda Fernandez

MINUTES OF THE 61ST ANNUAL MEETING

Sam Fairclough noted that there are a number of members that are repeated guests of the AGM, for example Ms. Florence Roberts has missed one meeting in 30 years. Mr. Fairclough asked those members that have also attended many meetings to stand and be acknowledged.

AGENDA

The agenda of the Annual General Meeting as contained in the report was accepted on a motion by Mr. Hugh Riddell, seconded by John Bremner.

Motion Carried

MINUTES OF LAST MEETING

The Minutes of the previous Annual Meeting held on April 24, 2006 were adopted on a motion by Mr. Doug Lewis, seconded by Mr. Hugh Riddell.

Motion Carried

BUSINESS ARISING

P24 LIFE SAVINGS

Doug Weber noted that the insurance on the savings account was to be cancelled effective January 1, 1999 due to lack of interest by the membership in this small insurance policy but the Board and management recognizes a small segment of the membership is very interested in maintaining the coverage. The Board of Directors committed to maintaining the insurance for those existing members until December 31, 2007. The liability to the credit union on January 1, 2000 was approximately \$18,000,000. As at April 4, 2007 the liability has been reduced to approximately \$681,750. Since the credit union has self insured itself in 2002, we have paid out \$68,972 in claims and \$17,670 in 2006.

The credit union has sufficient reserves to continue till December 31, 2007 and given the present reserves can commit to an extension to December 31, 2008. We will continue to report to you on an annual basis on the status of the insurance. Reserves are presently \$137,798.

Motion Carried

REPORT OF THE PRESIDENT

Mr. Fairclough presented his report as contained on page 9 of the annual report.

Mr. Fairclough noted that 2006 was a very successful year. The membership numbers continue to grow which has been greatly impacted by the success of the new recruit loan program. The credit union has been able to get a number of new recruits to become Primary members.

The credit union had provided the membership with a survey a number of years ago so that we could understand what the membership wanted and your opinions. This has enabled us to better serve you and strengthen our growth. It has proven to be a very positive reward for the members and the credit unions business plan.

The credit union has expanded our ATM network by joining the Exchange Network which also better serves the members.

The computer based on-line banking service has grown immensely. It gives greater access and instant access for members that utilize this service. The credit union continues to find ways to better expand and improve on this network space to better serve you.

This is all made possible by the dedication of the staff, management team and the support of the Board of Directors.

MINUTES OF THE 61ST ANNUAL MEETING

The Chair, Sam Fairclough moved the adoption of his report. Mr. Bruce Priestman seconded the motion to adopt the Report of the Chair.

Motion Carried

REPORT OF THE CHIEF EXECUTIVE OFFICER

Mr. Weber dispensed with the formal reading of his report and detailed some of the highlights of his report.

Mr. Weber explained that 2006 was the best year in the history of the credit union. There was a net increase in loans to members of \$19.1M an increase of 17% which far exceeds the industry standards. Credit union assets increased \$18.2M or 13%. The credit union signed up 677 of the 750 new recruits hired in the GTA with 422 or 62.3% becoming full service members. There is 44.1% of the membership base that is signed up as Reward members which means they do all their banking business exclusively with the credit union. This accounts for 80% of the business totals on our books, the industry average for a credit union or a bank is 20%.

The staff utilized all the training budget last year and exceeded budget. This is a bonus for the membership as the staff become better in the delivery of our products and services.

The coming year is shaping up as well as last year. The branches are busy with a constant stream of members utilizing the products and services and promises to be a good year going forward.

The information that you provided the credit union in the survey in 2003 has been the key for success. You asked for the best prices up front and improve product offering and market presence. Mr. Weber thanked the membership for providing the input to get to where we are, the Board, Sub Audit Group, volunteers for volunteering their time. A very special thanks to the staff for all their efforts.

Mr. Doug Weber moved his report as contained on page 10 of the 2006 Annual Report seconded by Mr. Bruce Priestman.

Motion Carried

STAFF AWARDS

Sam Fairclough asked Karen Zwarych and Doug Weber to make the presentations for the staff awards.

Mr. Fairclough presented the following staff anniversary pins:

<u>For 5 years of service:</u>	David Merrifield Kati Kabkab Adele Proulx
<u>For 10 years of service:</u>	Dale Pettit
<u>For 15 years of service:</u>	Denise Lombardo

Staff Awards

<u>2006 Outstanding Sales Achievement</u>	Donna Aleksovski
<u>Business Development</u>	Jennifer Seerattan
<u>Best Support Staff</u>	Janine Rypula

MINUTES OF THE 61ST ANNUAL MEETING

Attendance

Lila Jacob
Cari Shearer

Educational Achievements

Labour Sponsored Investment Funds Course

Bess Kominos-Estrela

Investment Funds in Canada

Arlie Cruz
Cari Shearer

Schulich Executive Program

Andy Doak

Canadian Securities Course – Conduct and Practices

Peter Giftakopoulos

AUDIT COMMITTEE REPORT

The Audit Committee report can be found on page 11 of the report. Gary Rossitter noted that the Audit Committee is a committee of the Board consisting of three members, Grant MacNeil, Bob Spafford and himself. They meet bi-monthly to fulfill the mandate essential to monitoring and testing government issues for the credit union.

Mr. Rossitter commended Garry Glaze, Gary Leitch and Vaughan Weddell of the Sub Audit Group as they greatly enhance the work of the internal audit process. The Audit Committee also would like to thank Rick Belsby, External Auditor for his input and expertise.

The Audit Committee has completed another year of operation in compliance with the legislative requirements in respect to the conduct of credit unions. The credit union continues to receive a perfect score in Corporate Governance in DICO's Differential Premium System Rating Report.

The Audit Committee continues to complete the Audit Committee Meeting Checklist adopted by the committee which ensures the credit union is in compliance with all audit responsibilities.

The Audit Committee receives from the Internal Auditor and the Sub Audit Group, numerous audits that they have conducted which are invariably clean and with few recommendations. This is due to the management and staff of the credit union and Mr. Rossitter commends them.

Mr. Rossitter noted that there are New Financial Instruments Accounting Standards that have been established for all firms including the credit union for year end reporting for 2007. This will impact the look of the statements and the 2007 report. The auditing firm English & Jones will be working closely with management to ensure a smooth transition to the new reporting format.

Gary Rossitter moved his report as contained on page 11 of the Annual Report. Seconded by Mr. Norm Penstone.

Motion Carried

LOAN REPORT

Mr. Pettit noted that his report is on page 12 of the Annual Booklet.

Dale Pettit noted that there was over \$45M loaned out in loans and mortgages compared to \$30M in the previous year. This was a phenomenal year for growth and a successful year for low losses. This success is due to the new recruits and the great response we are getting from them.

MINUTES OF THE 61ST ANNUAL MEETING

Mr. Pettit thanked the staff, Doug Weber, the Board and committees for their support and Peter Gifatakopoulos who came to the credit union in February 2006. Mr. Gifatakopoulos is doing an incredible job in assisting our members when it comes to selecting securities. If you require his services feel free to contact him for assisting your needs.

Dale Pettit moved his report, seconded by Mr. John Bell.

Motion Carried

REPORT OF THE CONTROLLER

Mr. Doak's report can be found on page 15 of the report.

Andy Doak noted that the annual booklet will be added to the TPCU website under the newsroom tab. The quarterly newsletters are posted there as well as any publications from the credit union. Next year the credit union will have the booklet posted on the website two weeks prior to the meeting.

There was a \$19.1M increase in loans to members over 2005 as Mr. Weber reported earlier. There was a \$6M increase in members deposits which represents a 4.6% growth factor.

Andy Doak noted that there is a new heading "borrowings" in which the credit union borrowed \$10.7M from Credit Union Central of Ontario.

Overall assets grew from \$139.6M up to \$157.9M which represents an \$18.2M increase or 18% which is phenomenal.

Retained Earnings closed at \$8.3M with a net income for the year of \$297,419 which is defined on the Statement of Operations.

Operating Revenue grew by \$1M or 15%, Interest Expense grew by \$821,000, Financial Margin grew by \$168,000, Operating Margins grew by \$293,000, Operating Expenses grew by \$366,000 resulting in \$333,339 Net Income before Income Taxes. There are a number of tax items listed and the net result is a tax position of \$36,000 and that resulted in Net Income of \$297,419.

Andy Doak noted that most of the notes on page 19 haven't changed from prior years.

Mr. Doak explained that Total Liquid Investments were \$20M in 2005 and decreased in 2006 to \$19.7M.

In furthering the notice that Gary Rossitter reported in his Audit Report about the changing financial standards. The new CICA rules that came into effect as a result opening Retained Earnings for 2007 took a hit of \$173,000 as the credit union had to value the investments to market value and take the corresponding loss.

The credit union liquidated some of its investments that were identified before and sold \$2.8M in Canadian Bonds and \$3.8M in Provincial Bonds. These were subsequent events after year end but thought it was important information to bring to your attention.

Mr. Doak explained that in Loans to Members the credit union grew, mortgages were \$15.1M and comparative 2005 only grew \$5.6M. Personal Loans grew \$4M and comparative to 2005 which only grew \$2.1M.

Insured residential mortgages increased from \$24M in 2005 to \$34.7M which is an additional \$10.5M over one year.

MINUTES OF THE 61ST ANNUAL MEETING

Andy Doak noted the Allowance for Impaired Loans opening was \$119,900 with recoveries of \$8,633, \$42,125 in loans written off, provisions of \$102,692 which brings a total for the allowance at \$189,100.

Other Assets are up \$300,000 and there is virtually no change to the Fixed Assets with the exception of depreciation booked in the current year.

Member Deposits are up \$6.2M year over year with the bulk of the increase due to the growth in term deposits from \$33.3M to \$37.6M which is an increase of \$4.3M.

Mr. Doak noted earlier that there is a new heading "Borrowings" and in note (a) there is a number of subsequent events that took place at year end. The total loans to Central at that point were \$9M and the overdraft was at \$1.7M.

The Act requires the credit union to maintain Regulatory Capital at 5% of total assets and 8% of risk weighted assets and the credit union finished off the year at 5.72% for Capital and Risk Weighted at 13.73%.

Andy Doak highlighted some of the Commitments noted on page 26 and 27 of the report.

Art Lymer inquired about future income taxes recoverable in the amount of \$326,288 and if Revenue Canada would be coming after the credit union for the funds in the near future? Why does it show in the negative position? What needs to be done to remove the negative \$326,288, does the credit union need to pay it back?

Due to a misunderstanding of the question at the meeting an incorrect answer was provided. The correct answer should have been the \$326,288 showed in a negative position due to the fact that it is deferred income taxes and is a reduction against Regulatory Capital in determining the credit unions Capital position as prescribed by the Regulations. Deferred taxes is the difference between accounting income and the Income Tax Act. Eventually taxes will be recovered against these amounts." Nothing is required to be done.

Andy Doak moved his report, seconded by Mr. Bob McNair.

Motion Carried

REPORT OF THE EXTERNAL AUDITOR

Andy Doak then called upon Mr. Gordon English of the accounting firm of English & Jones LLP to present the 2006 Auditors Report.

Mr. English report can be found on page 14 of the report.

Mr. Gordon English noted that English & Jones have conducted various audit tests and these findings are explained in the report.

Mr. English noted that the financial statements are the responsibility of management. Management is defined as the Board, Audit Committee and the management of the credit union. The Auditor's responsibility is to examine these financial statements and provide you with an opinion as to their fairness.

Mr. English noted the firm concluded that in their opinion the financial statements are fairly presented in accordance with Canadian generally accepted accounting principals.

The report of the External Auditor was accepted on a motion by Mr. John Bremner, seconded by Mr. Bernie Kapalka.

Motion Carried

MINUTES OF THE 61ST ANNUAL MEETING

NEW BUSINESS

Art Lymer inquired on the status of the OMERS surplus? George Tucker responded in the interest of informing those who wanted the information.

APPOINTMENT OF EXTERNAL AUDITOR

Gary Rossitter as Chair of The Audit Committee, moved that the external firm of English and Jones be recommended for the 2007 audit, moved by Mr. Steve Carpenter, seconded by Mr. Bruce Priestman.

Motion Carried

OTHER BUSINESS

ELECTIONS

The Chair called upon Mr. Gordon English of English and Jones LLP to explain and conduct the election process.

Mr. English stated there were 2 positions open. He would call for nominations three times.

The nominations for a three-year term on the Board of Directors were:

- | | |
|----------------|-----------------------------|
| Grant MacNeil | - nominated by Doug Lewis |
| Gary Rossitter | - nominated by Jim Corrigan |

The election was won by acclamation.

Elected by the membership for a three year term were:

Grant MacNeil
Gary Rossitter

Motion Carried

A draw was held for several prizes.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:13 p.m. on a motion by Bob McNair, seconded by Charlie Hargan.

Motion Carried

MINUTES APPROVED this 30th day of April, 2007.



Sam Fairclough, Chair



Grant MacNeil, Secretary



Our 62nd year has proved even more exciting than previous years with the continued strong growth of our institution on both deposits and loans and the number of members signing up for full service reward member status. We now have about 40% of our membership exclusively doing their business with The Police Credit Union. Our commitment from our membership, the dedication and expertise of management and staff and the contribution of our volunteers such as the Board, Sub Audit Group and liaison officers has significantly contributed to our strength. In addition, the Board supports the management team to ensure a standard of excellence for our membership by offering opportunities for training and development in their current and possible future roles within our organization.

Our reward policy in providing the best rates to our Rewards members continues to be successful for both our membership and the Credit Union and we continue to transfer regular members to reward memberships. Last year close to 3% of our regular memberships chose to convert to Rewards.

In addition, the Police Recruit program is one of our most successful ventures both increasing our reward membership and providing opportunities for new product sales. To date, we have had a 60% success rate in signing up new rewards members from recruits in the GTA services. We continue to exceed credit unions in terms of attracting new primary or full service members in both Ontario and most of Canada.

Our ATM service has expanded with the Police Credit Union opening new outlets at the new traffic services division and 23 division in Toronto. Two years ago we joined "The Exchange" network which is the only inter-institutional network in Canada. The Canadian network supports over 2,100 full service no fee machines for our members. Additionally, there are over 180,000 machines under the "Accel/Exchange" network with no fee withdrawal in the United States which is expanding all the time.

Our computer on-line banking option is rapidly growing. We have also received wonderful feedback from our users about the ease, reliability and security of our web site. Did you happen to see our Pod cast? We were possibly the first credit union in Canada to offer this interactive service to our membership. Do you know that most of our chequing members have chosen e-statements dramatically reducing our mailing and paper costs? We also continue to examine the potential for new enhancements that could facilitate the ongoing needs of our members, including the need for enhanced security to instill confidence in the security of our systems. We will continue to work at improving our systems on an ongoing basis.

Lastly, we were chosen by the Toronto Police Association to facilitate the distribution of the OMER's surplus to their members. This was an enormous project undertaken with the co-operation of the Association, Eckler Limited and your Credit Union. The process went very smoothly giving the dynamics of the operation. The Board congratulates the staff on their extra effort in this regard.

The Board and Management work closely together amending or creating goals and policies to further the interests of our members and our organization. You are always a partner, never a "number", in our journey of success.

On behalf of the Board of Directors,

Sam Fairclough
Chairman of the Board.



This past year proved to be the most successful year to date in the operation of the Police Credit Union Limited. Our assets increased by 16.6% mostly as a result of the use of our products by the primary membership base. Loans also increased by approximately 18 million and deposits by 37 million although this figure is somewhat inflated by the OMER's funds on deposit for distribution. Prior to 2005, when we introduced the concept of reward membership, our average asset growth ranged anywhere from 3% to 7% on an annual basis. Since that time with the introduction of the reward membership concept and the best pricing up front for those members who choose to have their payroll or pension deposited directly into an active chequing account, our annual asset growth has been double digit. You, our members asked for us to do business in this fashion and have responded by showing your loyalty and commitment to your credit union by doing the bulk of your business with us. So far, 2008 shows the same trend in our business development process. We exceed the provincial and national average for growth in assets and continue to show strength in our balance sheet by exceeding the required ratios for capital and liquidity.

One of our major accomplishments this past year was being chosen by the Toronto Police Association to assist in the distribution of the OMER's pension surplus. In a joint effort by the Association, Eckler Limited and ourselves we handled the distribution of these funds to current and retired members of the association. This opportunity also assisted us in the retention of a large amount of these deposits in our member's accounts. It also reduced our dependency on finding other sources of liquidity to fund our rapid loan and mortgage growth. Many hours were spent by our staff in the distribution of the funds and in consultation with our members on the best investment opportunities available to them.

My favorite statistic to quote and really brag about is the efforts put forward by my staff to improve their knowledge and therefore expertise in serving you, our members. Over the past year, they utilized \$25,000 of our training budget to take various courses. The courses range from the Canadian Securities Course to first aid. My congratulations to all of the staff who utilize this valuable resource.

During this past year we also expanded our physical presence in the GTA by installing two new ATM Cash dispensers in the new Traffic Services and the new 23 Division. In addition, with the increasing expansion of the Exchange Network, we now have one of the largest ATM networks in North America for our membership. It is commonly said location is everything in our business and we now surely have that to brag about also.

On the national scene, you may have heard that our provincial central is set to merge with Credit Union Central of British Columbia. The new entity Central 1 will provide credit unions in the two provinces cost effectiveness in operations, enhanced liquidity protection coverage's, enhanced stability in balance sheet ratios and a far larger profile in the Canadian marketplace as our system continues to compete with the large banks. We are also faced with new accounting rules, and increased scrutiny from our regulators as the economic market becomes increasingly more complex. You may have heard of the huge losses the banking system is taking on their investment in the Mortgage Backed Securities Markets because of the housing market crises in the United States. These instruments were traded as a major source of funds to lend out in mortgages and leasing for all financial institutions. We were not involved in these markets but in the future we will be required to seek sources of funds to fund our huge demand for mortgages by our members. This is why our deposit rates at present beat just about anything available from our competitors.

Ladies and gentlemen, I now want to thank my staff, the Board, Sub Audit Group and other volunteers for their efforts in making the Police Credit Union the successful operation that we have become. Thank you for putting your faith in the Police Credit Union.

D.A. (Doug) Weber
Chief Executive Officer



The Audit Committee is a Committee of the Board, consisting of three Directors, Grant MacNeil, Bob Spafford and myself as Chair. We meet bi-monthly or when required to fulfill our mandate of monitoring and testing governance issues of our Credit Union. We are assisted in this role by our Sub Audit Group consisting of Mr. Garry Glaze, Mr. Gary Leitch and Mr. Vaughan Weddell. They greatly enhance the work of our internal audit process. We also have the input and expertise of our Internal Auditor, Mr. Rick Belsby.

The Credit Union's Audit Committee has completed another year of operation in compliance with the legislative requirements in respect to the conduct of credit unions. We continue to receive high score in Corporate Governance, in DICO's (Deposit Insurance Corporation of Ontario) most recent "Differential Premium System Rating" report.

The Audit Committee continues to complete the "Audit Committee Meeting Checklist" adopted by the committee which ensures we are in compliance with all audit responsibilities.

We have had numerous audits conducted by the Sub Audit Group and our internal auditor, these audits have all been very thorough, and have been very clean, and very complimentary to our Credit Union staff. This is not to say we can be complacent, on the contrary. Management is constantly updating and changing procedures and policies, as legislation and information comes in to us from the various government bodies responsible for us as a credit union. The Audit Committee on behalf of the Board would like to commend Management and Staff for their continuing good work for the Credit Union and its members.

The 2007 Audit Committee, has fulfilled its mandate as required by the revised Credit Unions and Caisses Populaires Act 1994, DICO's Sound Business Practices and the policies of the Credit Union. There are no significant recommendations made by the committee that have either not been or are in the process of being implemented. There are no matters other than those in the "Notes to the Financial Statements" which the committee believes should be reported to the members, nor are there any further matters which are required to be disclosed pursuant to the Act or Regulations thereto.

As a note to my report, and for your information, New Financial Instruments Accounting standards have been established for all firms, including Credit Unions for the year end reporting 2007. This has impacted the look of our statements in our 2007 report. Our auditing firm English & Jones worked closely with management to ensure a smooth transition to the new reporting format.

A handwritten signature in dark blue ink, appearing to read "Gary Rossitter". The signature is fluid and cursive, with a large, sweeping initial "G".

Gary Rossitter,
Chair, Audit Committee



In 2007, your credit union again recorded record levels of lending activity. Although personal loans advanced fell to \$8,420,928 (down 18% from 2006), or close to 2005 levels, mortgages advanced totaled \$38,823,435 (up over 10% from 2006). Gross credit advanced in 2007 totaled \$47,244,363, which is 3.8% higher than the previous record year!

A total of 469 line of credit applications were processed with approved credit limits of \$10,092,160 an amount almost 3% higher than the previous year. This underlines the continued popularity of the convenience found with revolving credit, as this exceeds the demand for personal loans. While the total number of credit applications reviewed for the year was just over 15% lower than in 2006 at 1,615, the number denied was consistent at 161 (10%).

The combined total of both loan and mortgage portfolios as of December 31, 2007 grew by over 13%, from just over \$130 million to more than \$148 million. This is a very strong result in our peer group of credit unions not involved in commercial lending. Our allowance for impaired loans at \$197,800 amounts to only 0.13% of our outstanding loans to members, and this industry-low amount continues to illustrate how well our staff follows prudent lending practices. Loan write-offs for the year amounted to \$55,727, while recoveries from previously written-off loans were just over \$5,000. We were faced with six new bankruptcies/consumer proposals in 2007.

Although the number of cadet training loans advanced in 2007 was 25% lower than in 2006, we are pleased to continue providing financial assistance to all new cadets for their Ontario Police College training, with 363 assisted in 2007 and over \$3 million dollars advanced. In addition, 68% of this group embraced their credit union by meeting the conditions of 'Rewards' membership, and this continues to impact us with unprecedented demand for mortgages and loans, as noted in my first paragraph. Despite the apparent challenge for each municipality seeking to hire additional cadets, our marketing efforts continue to focus on this group, realizing that they represent a large part of our future.

Congratulations to all the staff who have contributed to these results, and my thanks to Doug and the Board of Directors and Committees for their support and assistance throughout the year.

Dale Pettit
Member Credit & Investment Manager

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION



The Board of Directors and Management are responsible for the preparation, presentation and consistency of financial information, including the financial statements and other commentary contained in this annual report. The financial statement and accompanying notes, prepared in accordance with Canadian generally accepted accounting principles, are considered by the Board and management to be fairly presented, and accordingly they have been approved for issuance to the members. In preparing the financial statements, management has exercised judgment in the selection of significant accounting policies and the determination of reasonable estimates which are reflected herein.

Management has developed and maintains the necessary systems of internal controls to provide reasonable assurance that transactions are authorized and assets are safeguarded. These controls are also designed to provide reasonable assurance that relevant and reliable financial information is produced and they are monitored by the Audit Committee. The Credit Union engages an Internal Auditor to supplement and test the efficiency and effectiveness of the internal controls which are in place. The Internal Auditor reports his findings periodically to the Audit Committee. The Board of Directors meets monthly to oversee management's performance and to discharge its other legal obligations set out in the Credit Union and Caisses Populaires Act, 1994. (the "Act")

The Deposit Insurance Corporation of Ontario conducts a periodic examination and enquiry into the affairs of the Credit Union to ensure compliance with the Credit Union's By-laws and the provisions of the Act under which the Credit Union is chartered and regulated.

The independent external auditors, English & Jones LLP, are appointed by the members of the Credit Union to conduct an examination of our financial statements in accordance with Canadian generally accepted auditing standards and to report thereon. Their report appears opposite this report. The external auditors have unrestricted access to the accounting records of the credit union and they meet periodically with management and the Board of Directors to discuss internal controls, financial reporting and other matters which come to their attention in the course of conducting their audit.



To the Members of
The Police Credit Union Limited

We have audited the balance sheet of The Police Credit Union Limited as at December 31, 2007 and the statements of retained earnings, operations and comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the credit union as at December 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

English & Jones LLP

ENGLISH & JONES LLP
Chartered Accountants
Licensed Public Accountants

St. Catharines, Ontario
January 31, 2008

BALANCE SHEET

December 31

	2007	2006
ASSETS		
Cash	\$ 5,847,527	\$ 1,797,414
Investments (Note 4)	26,372,309	22,096,427
Loans to members (Note 5)	148,335,387	130,323,998
Other assets (Note 6)	1,391,999	1,403,058
Fixed assets (Note 7)	2,102,338	2,272,579
	\$ 184,049,560	\$ 157,893,476
LIABILITIES		
Members' deposits (Note 8)	\$ 170,675,099	\$ 133,843,519
Borrowings (Note 9)	-	10,678,309
Other liabilities	3,606,361	4,007,850
Membership shares (Notes 11 & 12)	1,146,403	1,109,100
	175,427,863	149,638,778
MEMBERS' EQUITY		
Retained earnings (Note 12)	8,621,697	8,254,698
	\$ 184,049,560	\$ 157,893,476

APPROVED BY THE BOARD



Sam Fairclough Chair



Gary Rossitter, Vice Chair

STATEMENT OF RETAINED EARNINGS

For the year ended December 31

	2007	2006
Balance , beginning of year	\$ 8,254,698	\$ 7,957,279
Transition adjustment (Note 3)	(167,667)	-
Adjusted Balance , beginning of year	8,087,031	7,957,279
Add: Net income for the year	534,666	297,419
Balance , end of year	\$ 8,621,697	\$ 8,254,698

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Year ended December 31

	2007	2006
OPERATING REVENUE		
Interest on loans (Note 5)	\$ 8,147,384	\$ 6,863,621
Investment income	1,923,660	869,782
	10,071,044	7,733,403
INTEREST EXPENSE		
Interest on members' deposits (Note 8)	5,069,633	3,044,599
Member rebates and distributions	46,650	45,383
Other interest expense	215,603	207,502
	5,331,886	3,297,484
FINANCIAL MARGIN	4,739,158	4,435,919
OTHER OPERATING ITEMS		
Provision for losses on loans (Note 5)	(59,291)	(102,691)
Other income	2,025,708	1,571,146
OPERATING MARGIN	6,705,575	5,904,374
OPERATING EXPENSES		
Administrative	2,507,222	2,358,957
Amortization of fixed assets	391,531	393,875
DICO Insurance	110,845	115,614
Salaries and benefits	2,961,422	2,659,807
Savings insurance	42,782	42,782
	6,013,802	5,571,035
NET INCOME BEFORE INCOME TAXES	691,773	333,339
INCOME TAX (EXPENSE) RECOVERY (Note 10)		
Current	(125,422)	(48,794)
Prior year income tax recovered	-	116,623
Future	(31,685)	(103,749)
NET INCOME FOR THE YEAR		
also representing Comprehensive Income	\$ 534,666	\$ 297,419

STATEMENT OF CASH FLOWS

For the Year ended December 31

	2007	2006
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income for the year	\$ 534,666	\$ 297,419
Add items not requiring cash:		
Provision for losses on loans	59,291	102,691
Amortization of fixed assets	391,531	393,875
Future income taxes	(31,685)	(103,749)
	953,803	690,236
Changes in other assets and liabilities	(358,745)	996,922
Cash provided by operating activities	595,058	1,687,158
MEMBER ACTIVITIES - net		
Increase in member loans	(18,070,680)	(19,193,186)
Increase in member deposits	36,831,580	6,006,960
Increase in membership shares	37,303	23,344
Net cash provided by (used in) member activities	18,798,203	(13,162,882)
INVESTING ACTIVITIES - net		
Decrease (increase) in investments	(4,443,549)	254,425
Purchase of fixed assets	(221,290)	(171,712)
Net cash provided by (used in) investing activities	(4,664,839)	82,713
FINANCING ACTIVITIES - net		
Increase (decrease) in bank indebtedness	(10,678,309)	10,678,309
INCREASE (DECREASE) IN CASH	4,050,113	(714,702)
CASH, beginning of year	1,797,414	2,512,116
CASH, end of year	\$ 5,847,527	\$ 1,797,414
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash received for interest	\$ 9,936,453	\$ 7,302,472
Cash received for dividends	123,750	142,500
Cash paid for interest	4,951,477	2,799,336
Cash paid for income taxes	59,214	202,562

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF THE BUSINESS

The credit union operates under the Credit Unions and Caisses Populaires Act ("the Act") and is affiliated with Credit Union Central of Ontario ("Central").

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the accounting policies set out below.

Revenue Recognition

Interest on loans and investments is recognized as earned at the end of each month and when ultimate collection is reasonably assured.

Investment income relating to dividends on shares is recognized when declared by the related company and when ultimate collection is reasonably assured.

Financial Instruments - Recognition and Measurement

Financial instruments are initially recognized at their fair value when the credit union becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Subsequent measurement is based on the classification of the financial instruments as follows:

a) Held for Trading

Cash, investment in bonds and accrued interest receivable are classified as held for trading financial instruments and are recorded on the balance sheet at their fair values, with any changes in fair value being recorded in investment income. The recorded values of cash and accrued interest receivable approximate their original cost amounts due to their short-term maturity. The cost of investment in bonds is disclosed in note 4.

b) Held to Maturity

Investments with Central are classified as held to maturity financial instruments and are recorded on the balance sheet at amortized cost, with interest being recorded in net income using the effective interest method. They are only written down for significant declines in market value that are considered to be other than temporary in nature. The fair value of investments with Central approximate their recorded amounts due to their short-term maturities.

c) Loans and Receivables

Member loans and other receivables are classified as loans and receivables financial instruments and recorded on the balance sheet at amortized cost, with interest being recorded in net income using the effective interest method. The fair value of member loans is disclosed in note 5. The fair value of other receivables approximate their recorded amounts due to their short-term maturities.

d) Available for Sale

Shares - Central, Co-operators Group Limited preference shares and Credential Securities are classified as available for sale financial instruments. Shares - Central, Co-operators Group Limited preference shares and Credential Securities have no readily available market value and as such are recorded on the balance sheet at original cost.

e) Other Financial Liabilities

Member deposits, other liabilities and membership shares are classified as other financial liabilities financial instruments and are recorded on the balance sheet at amortized cost, with interest being recorded in net income using the effective interest method. The fair value of member deposits is disclosed in note 8. The fair value of other liabilities approximates their recorded amounts due to their short-term maturities. The fair value of membership shares is not readily obtainable given the uncertainty as to the timing of future cash flows.

Transaction Fees and Costs

Fees and costs associated with lending activities and all other items are recognized as revenue or expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Financial Instruments - Presentation and Disclosure

Liquidity Risk

The business of the credit union necessitates the management of liquidity risk. Liquidity risk is the risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis. It is the policy of the credit union to keep exposure to liquidity risk within limits set by the Board of Directors and by the Act.

Credit Risk

The business of the credit union necessitates the management of credit risk. Credit risk is the potential for loss due to the failure of a borrower to meet their financial obligations. It is the policy of the credit union to keep exposure to credit risk within limits set by the Board of Directors and by the Act.

Interest Rate Risk

The business of the credit union necessitates the management of interest rate risk. Interest rate risk refers to the potential impact of changes in interest rates on the credit union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. It is the policy of the credit union to keep exposure to interest rate fluctuations within limits set by the Board of Directors and by the Act.

Foreign Exchange Risk

Foreign exchange risk refers to the potential impact of changes in foreign exchange rates on the credit union's earnings when US dollar denominated financial liabilities are not matched with financial assets. It is the policy of the credit union to keep exposure to exchange rate fluctuations to a minimum.

Allowance for Impaired Loans

The credit union writes off to the allowance for impaired loans all amounts known to be uncollectible. Amounts recovered from loans previously written off are credited to the allowance for impaired loans.

As at fiscal year end, the credit union calculates the allowance for impaired loans on an individual basis in accordance with Canadian generally accepted accounting principles and substantially as set out in directives issued by the Deposit Insurance Corporation of Ontario ("DICO"), including by-law #6.

Accrued interest on impaired loans is included in the allowance for impaired loans.

Fixed Assets

The credit union provides amortization on its fixed assets using the straight line method at the rates set out below, designed to amortize costs over the expected useful life of the respective assets. Amortization is taken at half the yearly amount in the year of addition.

Buildings and improvements	5%
Leasehold and building improvements	8% to 20%
Furniture and equipment	10% to 30%
Computer, telephone and ATM	20% to 33%

Free Rent and Leasehold Inducements

Periods of free rent and leasehold inducements on leased premises are recorded as other liabilities and are amortized against administrative expenses over the term of the lease.

Income Tax

The credit union follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Foreign Exchange

Assets and liabilities denominated in foreign currencies, primarily US dollars, are translated into Canadian dollars at rates prevailing at the year end date. Income and expenses are translated at the exchange rates in effect on the date of the transactions. Exchange gains and losses arising on the translation of monetary items are included in income for the year.

Use of Estimates

The preparation of the Credit Union's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

3. CHANGE IN ACCOUNTING POLICIES

On January 1, 2007, the credit union adopted new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") regarding financial instruments, which are encompassed in CICA Handbook Sections 1530 - Comprehensive Income; 3855 - Financial Instruments Recognition and Measurement; 3861 - Financial Instruments Disclosure and Presentation and 3865 - Hedges. The adoption of these new accounting standards by the credit union resulted in changes to the accounting policies for financial instruments as outlined in note 2 - Significant Accounting Policies.

The change in accounting policy for investment in bonds as outlined in note 2 - Significant Accounting Policies resulted in the recognition of a transition adjustment as of January 1, 2007. This transition adjustment decreased investments and decreased opening retained earnings by \$167,667. There were no other adjustments made due to the change in accounting policies for all other financial instruments.

On January 1, 2007, the credit union adopted a new accounting standard issued by the Canadian Institute of Chartered Accountants ("CICA") regarding accounting changes, which is encompassed in CICA Handbook Sections 1506 - Accounting Changes. The adoption of this standard resulted in the requirement to disclose anticipated future changes in accounting policies as outlined in note 16 - Future Accounting Policy Changes.

4. INVESTMENTS

	2007		2006	
	Carrying Value	Effective Rate	Carrying Value	Effective Rate
Maturing at various dates within one year				
Liquidity reserve - Central	\$ 11,535,372	4.37 %	\$ 9,777,936	4.01 %
U.S. Term deposit - Central	1,154,244	4.75 %	1,357,714	5.17 %
Term deposits - Central	9,000,000	4.76 %	-	-%
Maturing at various dates beyond one year				
Government of Canada Bonds	-	-%	2,806,757	3.82 %
Provincial Government Bonds	1,914,546	4.74 %	5,810,912	3.92 %
Total liquid investments	\$ 23,604,162	4.57 %	\$ 19,753,319	4.04 %
Shares - Central	1,263,147		838,108	
Co-operators Group Limited preference shares	1,500,000		1,500,000	
Credential Securities	5,000		5,000	
	\$ 26,372,309		\$ 22,096,427	

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENTS - (Continued)

The cost of bond investments is \$1,973,943 compared to the market value of \$1,914,546.

As a condition of membership in Central, a liquidity reserve deposit (LRD) with Central must be maintained at 7% (2006 - 5%) of the credit union's total assets. Central's members voted on March 31, 2007 to revise its by-laws with respect to the liquidity reserve deposit. The liquidity reserve deposit amount has been increased to 7% of the credit union's total assets, combining the previous liquidity reserve deposit of 5% and the secondary liquidity reserve deposit of 2%. This amount will be revised each calendar quarter based on reported assets. The deposit can be withdrawn only if there is a sufficient reduction in the credit union's own member shares and deposits or upon withdrawal of membership from Central. At maturity, these deposits are reinvested at market rates for various terms as determined by management.

Member shares in Central must be maintained at 0.8% (2006 - 0.6%) of the credit union's total assets at December 31 each year. The shares are redeemable at cost only if there is a reduction in the credit union's own member shares and deposits or upon withdrawal of membership from Central. The shares in Central are realizable only through the redemption procedures described above and accordingly, there is no separately quoted market value. Dividends on these shares are at the discretion of the Board of Directors of Central. Dividends received on these shares in 2007 were at the rate of 4.25% (2006 - 4.20%).

The Credit Unions and Caisses Populaires Act requires that the credit union maintain adequate liquidity. The credit union must maintain a minimum of 8% of its borrowings and member deposits in certain classes of short-term or liquid assets as defined in the regulations. The cash and investments of the credit union meet the definitions of the asset classes that qualify for liquidity purposes. The present liquidity ratio is 17.26%, the credit union complies with the requirements regarding adequate liquidity at December 31, 2007.

5. LOANS TO MEMBERS

	2007	2006
Residential mortgages	\$125,168,523	\$107,942,547
Personal loans	23,364,664	22,570,551
	<u>148,533,187</u>	<u>130,513,098</u>
Allowance for impaired loans	(197,800)	(189,100)
Net loans to members	<u>\$148,335,387</u>	<u>\$130,323,998</u>

Member loans can have either a variable or fixed rate of interest and mature within five years.

Variable rate loans are based on a "prime rate plus" formula with the rate above prime being determined by the size of the loan, the type of security offered, the purpose of the loan and the member's credit worthiness. The credit union's prime rate at December 31, 2007 is 6.00%. The net carrying value of variable rate loans to members approximates their fair value given that they reprice with changes in market rates through prime rate increases.

Interest rates offered on fixed rate loans vary depending on the size of the loan, the type of security offered, the purpose of the loan, the member's credit worthiness and the loan term. The net carrying value of fixed rate loans of \$113,858,500 have a fair value of \$110,741,337.

Residential mortgage loans are secured by residential property and have various repayment terms. Included under residential mortgages are \$48,783,407 (2006 - \$34,707,847) of loans insured by the Canadian Mortgage and Housing Insurance Corporation and AIG Insurance.

At December 31, 2007, the term to maturity and average yields of the loan portfolio were as follows:

	Principal	Average Yield
Variable rate	\$ 34,476,887	6.65 %
Fixed rate due within one year	28,181,510	6.00 %
Fixed rate due more than one year	85,874,790	5.45 %
	<u>\$ 148,533,187</u>	

NOTES TO THE FINANCIAL STATEMENTS

5. LOANS TO MEMBERS - (Continued)

Interest Income	2007	2006
Residential mortgages	\$ 6,241,238	\$ 5,239,747
Personal loans	1,906,146	1,623,874
Interest Income	<u>\$ 8,147,384</u>	<u>\$ 6,863,621</u>

Allowance for Impaired Loans

2007	Residential Mortgages	Personal Loans	Total
Opening balance	\$ 5,000	\$ 184,100	\$ 189,100
Recoveries on loans previously written off	-	5,136	5,136
Loans written off	-	(55,727)	(55,727)
Provision charged to operations	(5,000)	64,291	59,291
Ending balance	<u>\$ -</u>	<u>\$ 197,800</u>	<u>\$ 197,800</u>
Gross principal balance of impaired loans	<u>\$ -</u>	<u>\$ 93,945</u>	<u>\$ 93,945</u>

2006	Residential Mortgages	Personal Loans	Total
Opening balance	\$ 4,100	\$ 115,800	\$ 119,900
Recoveries on loans previously written off	-	8,633	8,633
Loans written off	-	(42,124)	(42,124)
Provision charged to operations	900	101,791	102,691
Ending balance	<u>\$ 5,000</u>	<u>\$ 184,100</u>	<u>\$ 189,100</u>
Gross principal balance of impaired loans	<u>\$ -</u>	<u>\$ 113,215</u>	<u>\$ 113,215</u>

The allowance for impaired loans consists of an allowance for specific impaired loans, accrued interest on impaired loans, a non-specific and a general allowance for potential credit risks in the loan portfolio and the economy in general. The allowance is management's best estimate as to potential losses and actual losses may vary by a material amount.

6. OTHER ASSETS

	2007	2006
Accrued interest receivable - investments	\$ 399,858	\$ 431,888
Accrued interest receivable - member loans	268,803	225,932
Prepaid expenses	139,941	183,216
Other receivables	288,794	157,796
Current income taxes recoverable	-	77,938
Future income taxes recoverable	294,603	326,288
	<u>\$ 1,391,999</u>	<u>\$ 1,403,058</u>

NOTES TO THE FINANCIAL STATEMENTS

6. OTHER ASSETS - (Continued)

The credit union has the following tax effects of temporary differences as at December 31:

	2007	2006
Depreciable fixed assets	\$ 182,441	\$ 210,941
Allowances on impaired loans	20,313	16,046
Non-taxable reserves	91,849	99,301
	<u>\$ 294,603</u>	<u>\$ 326,288</u>

7. FIXED ASSETS

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Land - Pickering Branch	\$ 671,335	\$ -	\$ 671,335	\$ 671,335
Buildings and Improvements				
Pickering Branch	1,199,483	766,457	433,026	495,133
Leasehold and Building improvement				
Newmarket Branch	106,595	90,672	15,923	32,479
40 College Branch	10,514	6,772	3,742	5,845
Peel Branch	174,375	75,190	99,185	111,606
Toronto Branch	384,968	128,081	256,887	319,596
Pickering Branch	186,915	38,397	148,518	157,609
Corporate Office	79,277	25,936	53,341	36,988
Furniture and equipment	930,086	780,107	149,979	259,673
Computer, telephone and ATM equipment	1,305,082	1,034,680	270,402	182,315
	<u>\$ 5,048,630</u>	<u>\$ 2,946,292</u>	<u>\$ 2,102,338</u>	<u>\$ 2,272,579</u>

8. MEMBERS' DEPOSITS

	2007	2006
Chequing	\$ 16,243,647	\$ 14,585,073
Savings	32,117,834	27,811,033
Term	66,020,307	37,674,922
Registered savings plan	37,104,812	33,214,306
Registered income funds	19,188,499	20,558,185
	<u>\$ 170,675,099</u>	<u>\$ 133,843,519</u>

Member deposits are either redeemable on demand, or have a fixed date of maturity up to five years. Interest rates are set based upon the type, size and term to maturity of the deposit. The carrying value of all demand deposits approximates their fair value. The carrying value of fixed rate deposits of \$119,435,114 have a fair value of \$120,640,447.

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAXES

The following is an explanation of the relationship between income tax expense and accounting income.

	2007	2006
Accounting income before tax	\$ 691,773	\$ 333,339
Tax on accounting income at applicable statutory rate (2007 - 18.62% 2006 - 18.62%)	\$ 128,808	\$ 62,068
Tax effect of recovery of prior year taxes	-	(116,623)
Tax effect of expenses relating to the origination and reversal of temporary differences	28,299	90,475
Tax Expense	\$ 157,107	\$ 35,920

Tax Expense is comprised of:

	2007	2006
Current	\$ 125,422	\$ 48,794
Recovery of prior year taxes	-	(116,623)
Future	31,685	103,749
	\$ 157,107	\$ 35,920

11. MEMBERSHIP SHARES

	2007	2006
Membership shares	\$ 1,146,403	\$ 1,109,100

As a condition of membership, each member is required to hold twenty membership shares with an issue price of \$5 each. As at December 31, 2007 there were 11,474 members (2006 - 11,101).

Funds invested by members in shares are not insured by DICO. The withdrawal of membership shares are subject to certain restrictions as provided by the credit union's bylaws and by the credit union maintaining adequate regulatory capital (see note 12), as is the payment of any dividends on these shares.

12. REGULATORY CAPITAL

The Credit Unions and Caisses Populaires Act requires credit unions to maintain regulatory capital at 4.50% (2006 - 5.00%) of total assets and 8.00% of risk weighted assets for fiscal years ending in 2007. Effective February 1, 2007, the calculation of the credit union's regulatory capital will include any loan loss allowance in excess of its specific loan loss allowance up to 0.75% of the total assets of the credit union. The credit union is in compliance with the Act and regulations regarding regulatory capital, as at December 31, 2007. Regulatory capital amounted to \$9,588,306 as outlined in the table below:

	2007	2008
Membership shares	\$ 1,146,403	\$ 1,109,100
Retained earnings	8,621,697	8,254,698
Future income taxes recoverable	(294,603)	(326,288)
Loan loss allowance in excess of specific allowance	114,809	-
Total regulatory capital	\$ 9,588,306	\$ 9,037,510
% of total assets	5.21 %	5.72 %
% of total risk weighted assets	18.20 %	13.73 %

NOTES TO THE FINANCIAL STATEMENTS

13. COMMITMENTS

Credit Facilities

The credit union has authorized lines of credit with Central totalling \$3,500,000 and an authorized contingency term loan of \$12,000,000. These credit facilities are secured by a registered assignment of book debts and a general security agreement covering all assets of the credit union. The balance outstanding on these items as of December 31, 2007 was \$nil (2006 - \$nil). This balance is interest bearing at prime, payable on demand, with no fixed terms of repayment.

Member Loans

The credit union has the following commitments to its members at the year end date on account of loans, and unused lines of credit:

Residential Mortgages	\$ 5,345,351
Unused lines of credit	29,400,224

Contractual Obligations

The credit union is committed to a long-term contract for its banking system up to December 31, 2009. The estimated annual commitment is \$374,000.

Operating Leases

The credit union is committed to the following minimum annual lease payments with respect to operating leases of premises for the Newmarket, Peel, College and Toronto branches and Corporate office: 2008 - \$209,503; 2009 - \$193,515; 2010 - \$193,515; 2011 - \$193,515; 2012 - \$193,515 and 2013 to 2015 cumulative - \$467,346.

Along with these minimum annual lease payments, the credit union is also committed under these operating leases to pay their proportionate share of common area maintenance cost and realty taxes, the amount of which fluctuates from year to year, with the annual future commitments being uncertain at this point in time.

14. RESTRICTED PARTY TRANSACTIONS

At December 31, 2007 there were 8 loans outstanding to restricted parties totalling \$734,128 (2006 - \$900,660). Restricted parties include directors, committee members, officers, and related businesses, as well as their spouses and immediate dependent families. All loans were made in the normal course of business in accordance with the provisions of the Act. The allowance for impairment of these loans at December 31, 2007 was nil (2006 - nil).

Members of the board of directors and volunteer groups received, in total, honoraria amounting to \$49,150 in 2007 (2006 - \$38,900).

15. PENSION PLAN

The credit union and its employees contribute to a defined contribution pension plan. The pension expense for the year ended December 31, 2007 was \$134,592 (2006 - \$122,942).

16. FUTURE ACCOUNTING POLICY CHANGES

On January 1, 2008, the credit union adopted new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") regarding capital disclosures, which are encompassed in CICA Handbook Section 1535 - Capital Disclosures. The adoption of this new accounting standard by the credit union will result in the disclosure of policies for regulatory capital as set out by the credit union.

On January 1, 2008, the credit union adopted new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") regarding financial instruments, which are encompassed in CICA Handbook Sections 3862 - Financial Instruments - Disclosures and Section 3863 - Financial Instruments - Presentation. These sections will replace Section 3861 - Financial Instruments - Disclosures and Presentation. The adoption of this new accounting standard by the credit union will result in new disclosures related to financial instruments.

CREDIT UNION STAFF

Chief Executive Officer

Executive Secretary

Controller

Financial Accountant

Accounting Clerk

Proof Clerk

Computer Services Manager

Network Administrator

Member Credit & Investment Manager

Investment Advisor

Human Resources & Training Manager

Call Centre – Supervisor

Call Centre Representative

Call Centre Representative

Administration Services – Supervisor

Clearing Clerk

Payroll Clerk

EFT Clerk

Paid Duty Clerk

ATM Clerk

Durham Branch - Manager

Operations Supervisor

Member Service Officer

Member Service Officer

Member Service Officer

Loan Clerk

Teller

Teller Part-time

Teller Part-time

Teller Part-time

Teller Part-time

Teller Part-time

Toronto Branch – Manager

Operations Supervisor

Member Service Officer

Member Service Officer

Member Service Officer

Member Service Officer

Teller

Teller

40 College Street

Member Service Officer

Peel Branch – Manager

Member Service Officer

Member Service Officer

Branch Floater

Teller

Teller

York Branch – Manager

Member Service Officer

Member Service Officer

Teller

Teller

D.A.(Doug) Weber

Karen Ferrara

Andy Doak

Brenda Wilson

Janine Abernethy

Sylvia Bourke

Robert Mitchell

Kim Vuong

Dale Pettit

Peter Giftakopoulos

Karen Zwarych

Karen Caume

Jennifer Seerattan

Judy Riley

Auxi Tsang

Arlie Cruz

Kati Kabkab

Ashley Jenkins

Menchie Canivel-Sibug

Elizabeth Kunter

Wayne Murray

Denise Lombardo

Jackie McCulloch

Sheryl Hebor

Cari Shearer

Kathy Holland

Sue Eastman

Debbie Saboe

Tammy Smedley

Rocchina Correia

Sandra Loder

Brenda Field

David Merrifield

Bernice Muradali

Lila Jacob

Adam Nikolaus

Elizabeth Georgousakis

Sheila Carvalho

Diane Bradt

Roya Ghahremani

Loma Browne

Bess Kominos-Estrela

Donna Aleksovski

Katarina Rakic

Mary Rorras

Maureen Winata

Ruth Sparkes

Len Wright

Susan Van Winckle

Adele Proulx

Teresa Horvat

Karen Manning