

# Nokomkis Savings and Credit Union Limited

## **Financial Statements**

*December 31, 2007*



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# Management's Responsibility

## **To the Members of Nokomis Savings & Credit Union Limited:**

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them and their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

January 16, 2008

A handwritten signature in black ink, appearing to read 'M. Peterson', written over a horizontal line.

General Manager

# Auditors' Report

## **To the Members of Nokomis Savings & Credit Union Limited:**

We have audited the balance sheet of Nokomis Savings & Credit Union Limited as at December 31, 2007 and the statements of comprehensive income and equity 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 its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan  
January 16, 2008

  
Chartered Accountants

# Balance Sheet

As at December 31, 2007

	2007	2006
<b>Assets</b>		
Cash	3,404,758	2,848,179
Investments (Note 3)	4,771,768	5,019,581
Loans (Note 4)	23,235,264	28,176,338
Other assets (Note 5)	176,316	207,582
Capital assets (Note 6)	304,737	368,955
	<b>31,892,843</b>	36,620,635
<b>Liabilities</b>		
Deposits	29,243,744	31,836,425
Loan payable (Note 7)	–	2,100,000
Other liabilities	360,662	541,262
Membership shares (Note 9)	198,029	171,146
	<b>29,802,435</b>	34,648,833
<b>Subsequent events (Note 17)</b>		
<b>Equity</b>		
Retained earnings	2,090,408	1,971,802
Accumulated other comprehensive income	–	–
	<b>31,892,843</b>	36,620,635

Approved on behalf of the Board:



Director



Director

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

# Statement of Comprehensive Income and Equity

For the year ended December 31, 2007

	2007	2006
<b>Interest income</b>		
Loan	1,667,119	1,733,315
Investment	239,689	230,751
	<b>1,906,808</b>	1,964,066
<b>Interest expense</b>		
Deposits	812,753	845,783
Borrowed money	65,023	75,734
Patronage allocation	45,000	35,000
	<b>922,776</b>	956,517
<b>Net interest</b>	<b>984,032</b>	1,007,549
<b>Provision for credit losses</b>	<b>153,376</b>	82,884
<b>Net interest income after provision for credit losses</b>	<b>830,656</b>	924,665
<b>Other Income</b>	<b>230,134</b>	127,600
<b>Net interest and other income</b>	<b>1,060,790</b>	1,052,265
<b>Operating expenses</b>		
Personnel	412,467	453,898
Security	21,406	17,829
Organizational	28,697	53,404
Occupancy	28,018	34,810
General business	426,961	421,881
	<b>917,549</b>	981,822
<b>Income before provision for income taxes</b>	<b>143,241</b>	70,443
<b>Provision for income taxes</b>		
Current income taxes	15,811	(3,225)
Future income taxes	8,824	12,300
	<b>24,635</b>	9,075
<b>Net income</b>	<b>118,606</b>	61,368
<b>Other comprehensive income (Note 14)</b>	-	-
<b>Comprehensive income</b>	<b>118,606</b>	61,368
<b>Retained earnings, beginning of year</b>	<b>1,971,802</b>	1,910,434
<b>Retained earnings, end of year</b>	<b>2,090,408</b>	1,971,802

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

# Statement of Cash Flows

For the year ended December 31, 2007

	2007	2006
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Net income	118,606	61,368
Amortization	59,565	38,859
Gain on sale of Capital assets	(83,464)	–
Net change in noncash operating working capital	(149,335)	502,621
	(54,628)	602,848
<b>Financing</b>		
Net change in deposits	(2,592,681)	2,288,161
Change in loan payable	(2,100,000)	2,100,000
Change in membership shares	26,883	(3,642)
	(4,665,798)	4,384,519
<b>Investing</b>		
Net change in loans	4,941,074	(2,648,453)
Purchase of investments	–	(354,464)
Proceeds on disposal of investments	247,813	–
Purchase of capital assets	(36,761)	(202,972)
Proceeds on disposal of capital assets	124,879	–
	5,277,005	(3,205,889)
<b>Increase in cash resources</b>	<b>556,579</b>	<b>1,781,478</b>
<b>Cash resources, beginning of year</b>	<b>2,848,179</b>	<b>1,066,701</b>
<b>Cash resources, end of year</b>	<b>3,404,758</b>	<b>2,848,179</b>
<b>Supplementary cash flow information</b>		
Income taxes paid (recovered)	(20,405)	24,237

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

## 1. Incorporation and nature of operations

Nokomis Savings & Credit Union Limited was continued pursuant to The Credit Union Act, 1998 of the Province of Saskatchewan. The Credit Union serves members and nonmembers in Nokomis and surrounding communities.

## 2. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

### ***Change in accounting policies***

The Canadian Institute of Chartered Accountants issued three new accounting standards: Section 1530, Comprehensive Income, Section 3855, Financial Instruments Recognition and Measurement, and Section 3865, Hedges. These standards are effective on January 1, 2007. The significant accounting policies relating to financial instruments that the Credit Union applied effective January 1, 2007, are summarized below.

### ***Comprehensive income (loss)***

Comprehensive income consists of net income and other comprehensive income (OCI). OCI represents changes in equity during a period arising from transactions and other events with nonowner sources and includes unrealized gains and losses on financial instruments classified as availableforsale and changes in fair value of the effective portion of cash flow hedging instruments. As a result of adopting these new standards, a new category, Accumulated Other Comprehensive Income has been added to equity on the financial statements. Major components for this category include unrealized gains and losses on financial assets classified as availableforsale. The statement of comprehensive income accompanies the statement of income.

### ***Financial instruments recognition and measurement***

The new accounting standards for financial instruments require that all financial assets and liabilities be classified according to their characteristics, management's intention, or the choice of category in certain circumstances. All financial assets will be classified as one of the following: heldtomaturity, loans and receivables, heldfortrading, or availableforsale. Financial liabilities must be classified as held for trading or not held for trading. The standard also permits designation of any financial instrument as heldfortrading upon initial recognition.

Financial assets and liabilities heldfortrading are measured at fair value with gains and losses recognized in net income. Financial assets heldtomaturity, loans and receivables and financial liabilities other than those heldfortrading, are measured at amortized cost. Availableforsale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

When they are initially recognized, all financial assets and liabilities will be recorded at fair value on the Balance Sheet. In subsequent periods, financial instruments will be valued at fair value, except for items that are classified in the following categories, which will be measured at amortized cost: loans and receivables, securities held to maturity and financial liabilities not held for trading purposes. Securities classified as held to maturity and as available for sale will be measured periodically to determine whether an objective indication of impairment exists. If such evidence exists, the carrying amount of the securities will be adjusted to its fair value, and the amount of the loss will be recorded under "Other Income" in the Income Statement. Finally, obligations related to securities sold short as well as all derivatives, including embedded derivatives that have to be accounted for separately, will be recorded at fair value on the Balance Sheet.

## 2. Significant accounting policies (continued from previous page)

### ***Establishing fair value***

Fair value is the amount at which a financial instrument which is quoted on an active market with an exchange, dealer, broker, industry group, or pricing service could be exchanged at arm's length between willing, unrelated parties who are under no compulsion to act, on an open market. When a financial instrument is initially recognized, its fair value is generally the value of the consideration paid or received. In cases where the fair value is not quoted on an active market, fair value can be established by comparing the instrument to observable market transactions involving an identical instrument, without modification or repackaging, or is based on a valuation technique whose variables include observable market data. Subsequent to the initial recognition, the fair value of a financial asset quoted on an active market is generally the bid price and, for a financial liability quoted on an active market, the fair value is generally the ask price. If a financial instrument's market is not active, fair value is established using valuation techniques that rely on observable market data and estimates. These valuation techniques include, among others, the use of available observable information on similar transactions, discounted cash flow analysis, option pricing models, and other valuation methods commonly used by market participants.

### ***Management's Discussion and Analysis***

In the case of financial assets or liabilities classified as held for trading, all transaction costs directly attributable to the acquisition or issuance of these financial instruments will be recorded in the Statement of Income when initially recognized. In the case of financial assets or liabilities that are not classified as held for trading, the transaction costs will be added to the value of the financial instrument and will be amortized, if applicable, using the effective interest rate method.

The standard also allows any financial instrument to be irrevocably designated as held for trading when it is first recognized ("fair value option"); as a result, it will be measured at fair value with the gains and losses being recognized in the Statement of Income during the period in which they arise. OSFI (the Office of the Superintendent of Financial Institutions) issued guidelines limiting the circumstances under which this option may be used. The Credit Union plans on using this option, among others, if, in accordance with a documented risk management strategy, doing so allows the Credit Union to eliminate or significantly reduce a measurement or recognition inconsistency, and if the fair values are reliable.

### ***Recognition of financial assets and liabilities***

#### **Securities:**

Securities will be classified as securities held for trading, held to maturity, or available for sale. The Credit Union will continue to recognize securities transactions on the trade date.

#### **Held for trading:**

Trading account securities will continue to be recognized at their fair value, and the realized and unrealized gains and losses will be recorded in the Income Statement.

#### **Held to maturity:**

Securities held to maturity are financial assets for which the Credit Union would have the positive intention and ability to hold to maturity.

#### **Available for sale:**

Securities that will not be classified as held for trading or held to maturity will be classified as available for sale. These securities will be recognized at fair value, except for investments in equity instruments that do not have a quoted market price in an active market, which will be recognized at cost. Unrealized gains and losses related to securities available for sale will be recognized, net of income taxes, and as long as they are not hedged by derivative products under a fairvalue hedging relationship, in "Accumulated other comprehensive income." Upon the disposal or recognized impairment of these securities, these gains or losses will be reclassified in the Income Statement.

## 2. Significant accounting policies (continued from previous page)

### **Deposits with financial institutions, securities purchases under reverse repurchase agreements or securities sold under repurchase agreements, loans, deposits and subordinated debentures:**

These financial instruments will continue to be recorded at amortized cost using the effective interest rate method.

### **Embedded derivatives:**

An embedded derivative is a component of a financial instrument or another contract, the characteristics of which are similar to a derivative. Taken together, the financial instrument or contract is considered to be a hybrid instrument that has a host contract and an embedded derivative. The new accounting standard requires an embedded derivative to be accounted for separately if, and only if, the following three conditions are met: the characteristics and the economic risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative is a separate instrument that satisfies the definition of a derivative, and the hybrid contract is not recorded at fair value. The Credit Union selected January 1, 2007 as its transition date for embedded derivatives.

### **Securities:**

The fair value of securities is based on quoted market prices. In the absence of an organized market, fair value is established using the quoted market prices of similar securities.

### **Derivative financial instruments:**

The fair value of derivative financial instruments is determined without taking into consideration master netting agreements. When available, quoted market prices are used to determine the fair value of derivative financial instruments. Otherwise, fair value is determined using pricing models that consider current market prices and the contractual prices of underlying instruments, the time value of money, yield curves, and volatility and credit risk factors.

### **Financial instruments transition**

The recognition, derecognition and measurement methods used as well as the hedge accounting policies used to prepare the financial statements of periods prior to the effective date of the new standards were unchanged and, therefore, those financial statements will not be restated. As at January 1, 2007 the Credit Union will recognize all of its financial assets and liabilities in the Balance Sheet according to their classification. Any adjustment made to a previous carrying amount will be recognized as an adjustment to the balance of retained earnings at that date or as the opening balance of a separate item in "Accumulated other comprehensive income," net of income taxes.

### **Cash**

Cash consists of cash on hand and demand deposits.

### **Investments**

Investments classified as held-to-maturity are valued at cost, or the lower of cost and net realizable value where there has been a decline that is not temporary for certain investments.

### **Derivative financial instruments**

Credit derivative financial instruments are used to provide financial return from credit risk without purchasing loans. Credit derivative contracts provide credit diversification to the Credit Union.

Total outstanding credit derivatives at yearend are included in loans and other liabilities. The net interest from credit derivative contracts is recognized as earned as an adjustment to loan income. Accrued interest is recognized in accrued interest on loans.

# Notes to the Financial Statements

For the year ended December 31, 2007

## 2. Significant accounting policies (continued from previous page)

### Loans

Loans are recorded at the lower of principal plus accrued interest and estimated realizable amounts.

Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans (and/or at the discounted future value of the loan's security, net of expected selling costs).

### Allowance for loan impairment

An allowance for impaired loans is maintained that reduces the carrying value of loans. A loan is classified as impaired when there is no longer reasonable assurance that the principal and interest will be collected in full.

The Credit Union records specific allowances based on management's regular review of individual loans and to reduce their book values to estimated realizable amounts. The net amount represents management's best estimate of the future value of the payments it will receive on each loan, discounted at the loan's inherent interest rate. When management cannot determine the loan's future cash flows, it bases its estimate on the estimated market value of the loan's security or value as determined from other pertinent information, and where appropriate and reasonable, on the discounted future value of the loan's security, net of expected selling costs. The credit union records changes to the estimated realizable value of the loan as a charge or credit to the provision for credit losses.

In addition, a nonspecific allowance may be established where, in management's opinion, it is required to absorb losses inherent in the loan portfolio, for which a specific allowance cannot yet be determined. A nonspecific provision is established when evidence of impairment exists within groups of loans but is not sufficient to allow identification of individually impaired loans. Impairment is estimated based on historical credit loss experience, known portfolio risks and current economic conditions and trends.

### Foreclosed assets

Foreclosed assets held for sale are initially recorded at fair value less cost to sell. Foreclosed assets held for sale are subsequently valued at the lower of its carrying amount or fair value less cost to sell.

### Capital assets

Capital assets are reported at cost less accumulated amortization. Amortization is calculated using the declining balance and straight line methods over the estimated useful life of the related asset as follows:

	Method	Rate
Buildings	declining balance	5 %
Furniture and equipment	declining balance	10-50 %
EDP System Costs	straightline	5 years

### Future income taxes

Future income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts and their tax bases. These amounts are measured using enacted tax rates and remeasured annually for rate changes. Future income tax assets are recognized for the benefit of deductions available to be carried forward to future periods for tax purposes that are likely to be realized. Future income tax assets are reassessed each year to determine if a valuation allowance is required. Any effect of the remeasurement or reassessment is recognized in the period of change. The Credit Union is taxed at an effective rate of 18%.

### Revenue recognition

#### Loan interest revenue

Loan interest revenue is recognized on the accrual basis. Loan interest revenue is not recognized with respect to an impaired loan.

#### Investment interest revenue

Investment interest revenue is recognized on the accrual basis. Purchase premiums and discounts are amortized using the effective interest method over the term to maturity of the applicable investment.

#### Other income

Other revenue is recognized in the fiscal period in which the related service is provided.

**2. Significant accounting policies (continued from previous page)**

**Measurement uncertainty**

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Loans are stated after evaluation as to their collectibility and an appropriate allowance for doubtful loans is provided where considered necessary. Amortization of property, plant and equipment is provided based on the Credit Union's estimate of useful lives of those assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in income in the periods in which they become known.

**Transaction costs**

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

**3. Investments**

	<b>2007</b>	2006
Concentra Financial	<b>310,000</b>	310,000
Other	<b>1,038,930</b>	1,308,578
Liquidity pool Sask Central	<b>3,395,921</b>	3,368,921
Accrued interest	<b>26,917</b>	32,082
	<b>4,771,768</b>	5,019,581

**4. Loans**

*Principal and allowance by loan type*

	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Allowance</i>	<b>2007 Net carrying value</b>	2006 Net carrying value
Government guaranteed	<b>4,353,303</b>	-	-	<b>4,353,303</b>	5,711,798
Conventional mortgages – residential and farm	<b>7,583,574</b>	-	-	<b>7,583,574</b>	9,156,423
Personal loans	<b>2,299,909</b>	-	-	<b>2,299,909</b>	2,752,725
Leases	<b>358,374</b>	-	-	<b>358,374</b>	626,366
Nonpersonal loans	<b>8,229,292</b>	<b>274,120</b>	<b>214,003</b>	<b>8,289,409</b>	9,509,943
Loan pools	<b>165,997</b>	-	-	<b>165,997</b>	248,099
Accrued interest	<b>184,698</b>	<b>9,200</b>	<b>9,200</b>	<b>184,698</b>	170,984
	<b>23,175,147</b>	<b>283,320</b>	<b>223,203</b>	<b>23,235,264</b>	28,176,338

*Loan allowance details*

	<b>2007</b>	2006
Balance, beginning of year	<b>70,355</b>	134,973
Provision for credit losses	<b>153,376</b>	82,884
Interest accrued during the year on impaired loans	-	4,305
Net amounts written off	<b>(528)</b>	(151,807)
Balance, end of year	<b>223,203</b>	70,355

# Notes to the Financial Statements

For the year ended December 31, 2007

<b>5. Other assets</b>		<b>2007</b>	2006
Future income tax receivable (payable)		<b>(12,200)</b>	(3,376)
Other		<b>188,516</b>	210,958
		<b>176,318</b>	207,582

<b>6. Capital assets</b>			<b>2007</b>	2006
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land	<b>6,150</b>	–	<b>6,150</b>	6,150
Buildings	<b>245,280</b>	<b>156,311</b>	<b>88,969</b>	125,748
Furniture and equipment	<b>306,191</b>	<b>250,716</b>	<b>55,475</b>	62,855
EDP System Costs	<b>192,070</b>	<b>37,927</b>	<b>154,143</b>	174,202
	<b>749,691</b>	<b>444,954</b>	<b>304,737</b>	368,955

## 7. Loan payable

The Credit Union has an authorized line of credit with Sask Central of \$720,000. This line of credit is secured by an assignment of book debts, financial services agreement and an operating account agreement with an interest rate of bank prime less .5% (5.50% at December 31, 2007). As at December 31, 2007 there were no amounts owing on the line of credit (2006 Nil).

## 8. Other liabilities

All accounts payable included in other liabilities are in the normal course of operation and are measured at the exchange amount, which is the amount of consideration established and agreed upon by both parties involved.

## 9. Membership shares

The authorized share capital is unlimited in amount, and consists of shares with a par value of \$5 each. Patronage allocations not distributed in cash are used to increase the number of shares held by a customer based on the usage of Credit Union services. The administration of equity allocation is according to the terms of the Credit Union Bylaws. These accounts are not guaranteed by the Credit Union Deposit Guarantee Corporation (CUDGC).

## 10. Related party transactions

### a) Loans receivable:

As of December 31, 2007 certain directors, staff and management were indebted to the Credit Union. These loans were granted under the same lending policies applicable to other customers, and are included in Loans on the balance sheet.

### b) Deposit accounts:

Deposit accounts are held by the directors and management. These accounts are maintained under the same terms and conditions as accounts of other customers, and are included in Deposits on the balance sheet.

**11. Interest rate risk**

The Credit Union's primary source of income is gross margin before loan impairment, which is the difference between interest earned on investments and loans and interest paid on deposits. The objective of managing the gross margin before loan impairment is to manage repricing or maturity dates of loans and investments and savings and deposits within policy limits that are intended to limit the Credit Union's exposure to changing interest rates. The differential represents the net mismatch between loans and investments and savings and deposits by maturity dates.

Interest rate re-price

	<i>(In thousands)</i>			2006
	<b>Assets</b>	<b>Liabilities</b>	<b>Differential</b>	<i>Differential</i>
Interest sensitive:				
Variable (floating)	<b>15,281</b>	<b>6,232</b>	<b>9,049</b>	11,179
Maturing within 1 year	<b>4,371</b>	<b>12,140</b>	<b>(7,769)</b>	(10,241)
1 to 2 years	<b>2,754</b>	<b>3,759</b>	<b>(1,005)</b>	(1,041)
2 to 3 years	<b>4,049</b>	<b>3,351</b>	<b>698</b>	166
3 to 4 years	<b>1,621</b>	<b>1,228</b>	<b>393</b>	2,325
4 to 5 years	<b>959</b>	<b>332</b>	<b>627</b>	785
Over 5 years	<b>693</b>	<b>–</b>	<b>693</b>	1,106
Non interest bearing items	<b>2,165</b>	<b>4,851</b>	<b>(2,686)</b>	(4,279)
	<b>31,893</b>	<b>31,893</b>	<b>–</b>	<b>–</b>

Interest rate risk details

Interest rate risk arises from a mismatch between deposit rate and maturities and the yields and maturities of the loans they fund.

**Credit risk**

In the normal course of business, the credit union has entered into various commitments to extend credit that are not reported on the balance sheet. The amounts reported below represent the maximum credit exposure to the credit union. Many of these contracts will expire without being drawn upon, thereby reducing the credit union's credit risk from the maximum commitment.

	2007	2006
Commitments to extend credit	<b>1,638,247</b>	1,434,027
Total	<b>1,638,247</b>	1,434,027

# Notes to the Financial Statements

For the year ended December 31, 2007

## 12. Fair value of financial instruments

Fair value is the consideration that would be agreed to in an arm's length transaction between knowledgeable and willing parties with no compulsion to act. Estimates respecting fair values are based on subjective assumptions and contain significant uncertainty. Fair values represent estimates of value at a particular point in time and may not be relevant in predicting future cash flows or earnings. Potential income taxes or other expenses that may be incurred on actual disposition have not been reflected in the fair values disclosed.

The following methods and assumptions were used to estimate fair values of financial instruments:

- the stated value for cash, short term investments, other assets, other liabilities, accrued income or expense and certain other assets and liabilities approximate their fair value.
- estimated fair values of investments are based on quoted market prices when available or quoted market prices of similar investments.
- for variable interest rate loans that are frequently repriced, stated values are assumed to be fair values. Fair values of other loans are estimated using discounted cash flow calculations with market interest rates for similar groups of loans and maturity dates.
- fair value of deposits with no specified maturity term is its stated value. Fair value for other deposits is estimated using discounted cash flow calculations at market rates for similar deposits.

### *Fair value of balance sheet financial instruments*

Estimated fair values of financial instruments are summarized as follows:

					2007	2006
	<i>Fair value</i>	<i>Book value</i>	<i>Fair value over book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value over book value</i>
<b>Financial assets</b>						
Cash	3,405	3,405	–	2,848	2,848	–
Investments	4,772	4,772	–	5,089	5,020	69
Loans	22,836	23,235	(399)	27,948	28,176	(228)
	<b>31,013</b>	<b>31,412</b>	<b>(399)</b>	<b>35,885</b>	<b>36,044</b>	<b>(159)</b>
<b>Financial liabilities</b>						
Deposits	29,441	29,244	197	32,252	31,836	416
Loan payable	–	–	–	2,100	2,100	–
Accounts payable	361	361	–	541	541	–
Shares	198	198	–	171	171	–
	<b>30,000</b>	<b>29,803</b>	<b>197</b>	<b>35,064</b>	<b>34,648</b>	<b>416</b>
	<b>1,013</b>	<b>1,609</b>	<b>(596)</b>	<b>821</b>	<b>1,396</b>	<b>(575)</b>

## 13. Segmented information

The Credit Union operates principally in commercial, consumer and agriculture banking in Saskatchewan. The various business activities have common characteristics, therefore, segmented information is not reported.

## 14. Other comprehensive income

All gains and losses, including those arising from all financial instruments, have been recognized in net income for the period. There are no items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. As a result, the Credit Union does not have any other comprehensive income or accumulated other comprehensive income.

## 15. Future accounting change

### International Financial Reporting Standards (IFRS)

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The impact of the transition to IFRS on the Credit Union's financial statements is not yet determinable.

### Capital disclosures

The CICA issued a new accounting standard which requires the disclosure of both the qualitative and quantitative information that enables financial statement users to evaluate the objectives, policies and processes for managing capital. This new standard is effective for the Credit Union beginning January 1, 2008.

## 16. Comparative figures

Certain of the prior year's comparative figures have been reclassified or adjusted to conform to the current year's basis of presentation.

## 17. Subsequent events

Effective January 1, 2008, Nokomis Savings & Credit Union Limited has amalgamated its operations with Affinity Credit Union.





