

**THAMESVILLE COMMUNITY
CREDIT UNION LIMITED**

FINANCIAL STATEMENTS

OCTOBER 31, 2008

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

INDEX TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2008

AUDITORS' REPORT	1
BALANCE SHEET	2
STATEMENT OF OPERATIONS AND RETAINED EARNINGS	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5 - 16

AUDITORS' REPORT

To the Members of
Thamesville Community Credit Union Limited:

We have audited the balance sheet of Thamesville Community Credit Union Limited as at October 31, 2008 and the statements of operations and retained earnings 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 October 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Retford Lane Bates LLP
Licensed Public Accountants

November 19, 2008

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

BALANCE SHEET

AS AT OCTOBER 31, 2008

	2008	2007
ASSETS		
Cash resources (Note 2)	\$ 1,033,980	\$ 1,082,384
Investments (Note 3)	5,377,578	7,998,126
Loans to members (Note 4 and 5)	17,148,132	14,418,358
Other assets (Note 6)	123,507	182,611
Capital assets (Note 7)	722,022	789,379
	\$ 24,405,219	\$ 24,470,858
LIABILITIES AND RETAINED EARNINGS		
Liabilities		
Members' deposits (Note 8)	\$ 22,000,221	\$ 22,059,019
Other liabilities (Note 9)	295,305	338,009
	22,295,526	22,397,028
Liabilities qualifying as regulatory capital		
Member shares (Note 10)	164,800	162,350
Retained earnings	1,944,893	1,911,480
	\$ 24,405,219	\$ 24,470,858

Approved by the Board

Director

Director

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED OCTOBER 31, 2008

	2008	2007
Interest income (Note 12)		
Member loans	\$ 1,296,937	\$ 1,257,922
Investment income	226,047	307,049
	<u>1,522,984</u>	<u>1,564,971</u>
Interest expense		
Member deposits (Note 13)	349,136	404,682
Declared distribution to members	97,946	120,284
External borrowings	12,244	7,054
	<u>459,326</u>	<u>532,020</u>
Net interest income	1,063,658	1,032,951
Provision for impaired loans (Note 5)	137,001	166,663
Net interest income after loan losses	926,657	866,288
Other income		
Gain on investments held for trading	9,659	536
Other income	350,951	353,877
	<u>360,610</u>	<u>354,413</u>
Net interest and other income	1,287,267	1,220,701
Operating expenses		
Administrative	424,543	403,205
Data processing	84,567	90,938
Deposit insurance	19,886	16,355
Occupancy costs	86,814	91,466
Salaries and benefits	544,523	476,699
Savings and loan insurance	9,001	19,235
	<u>1,169,334</u>	<u>1,097,898</u>
Income from operations	117,933	122,803
Loss on foreclosed property	(77,486)	(82,517)
Income before income taxes	40,447	40,286
Income taxes		
Current	24,934	8,031
Future	(17,900)	(500)
	<u>7,034</u>	<u>7,531</u>
Net income for the year	33,413	32,755
Retained earnings, beginning of the year	1,911,480	1,935,725
Adjustment on implementation of financial instruments accounting standards	-	(57,000)
Retained earnings, end of the year	\$ 1,944,893	\$ 1,911,480

See accompanying notes to the financial statements

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED OCTOBER 31, 2008

	2008	2007
Cash flows from operating activities		
Net income for the year	\$ 33,413	\$ 32,755
Adjustments for:		
Amortization	94,109	94,407
Provision for impaired loans (Note 5)	137,001	166,663
Gain on investments held for trading	(9,659)	(536)
Future income taxes	(17,900)	(500)
Loss on foreclosed property	77,486	82,517
	314,450	375,306
Changes in non-cash working capital balances:		
Other current assets	59,104	(30,681)
Other liabilities	(24,804)	(49,595)
	348,750	295,030
Cash flows from investing activities		
Purchase of capital assets	(26,753)	(23,390)
Loans to members - net	(2,866,775)	696,488
Investments	2,552,721	(2,242,908)
	(340,807)	(1,569,810)
Cash flows from financing activities		
Members' deposits	(58,797)	909,504
Membership shares	2,450	3,150
	(56,347)	912,654
Decrease in cash resources	(48,404)	(362,126)
Cash resources, beginning of the year	1,082,384	1,444,510
Cash resources, end of the year	\$ 1,033,980	\$ 1,082,384
SUPPLEMENTARY INFORMATION:		
Interest paid	\$ 684,864	\$ 539,017
Income taxes paid	10,842	5,219

See accompanying notes to the financial statements

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

Nature of business

Thamesville Community Credit Union Limited (the "Credit Union") is a financial institution incorporated under the Business Corporations Act of Ontario and operates in accordance with the Credit Unions and Caisses Populaires Act, 1994. The Credit Union provides financial products and services to members throughout Ontario.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with the preceding year. Outlined below are the accounting policies considered to be significant.

The Credit Unions and Caisses Populaires Act, 1994 (the "Act")

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Use of estimates

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

Investments

Investments designated as held for trading are carried at fair value based on published market prices. Gains and losses are included in investment income for the period in which they arise.

Investments designated as available for sale are carried at fair value where such value can be reliably measured, otherwise they are carried at cost. Unrealized gains and losses are recognized directly in other comprehensive income. In the period in which the asset is sold, or otherwise derecognized, the cumulative gain or loss, previously recorded in accumulated other comprehensive income, is recognized in net income.

Capital assets

Capital assets are stated at acquisition cost. Amortization is calculated using the methods set out below applied to the cost of the assets, at annual rates based on their estimated useful lives as follows:

Asset	Period	Method
Building	4%	straight-line
Parking and groundscape	8%	diminishing balance
Furniture and equipment	20%	diminishing balance
Computer equipment	20%	straight-line
Leasehold improvements	term of lease	straight-line

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

1. Significant accounting policies *(continued)*

Loans to members

Loans to members are stated at amortized cost. Interest income is recorded using the effective interest rate method over the terms of the loans. Loan fees are included in the effective interest rate and are recognized over the terms of the loans.

A loan is classified as impaired when a specific provision has been established or a write-off taken or when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of principal or interest. A loan is also classified as impaired when interest or principal is contractually 90 days past due, unless the loan is fully secured and in the process of collection. Fully secured loans are classified as impaired after a delinquency period of 180 days. Once a loan is classified as impaired all previously accrued interest is reversed and charged against current income, except for loans which are fully secured.

Loans are generally returned to accrual status when all delinquent principal and interest payments are brought current and the timely collection of both principal and interest is reasonably assured.

Allowance for impaired loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb estimated credit related losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and their judgments about economic conditions. If the circumstances under which these estimates and judgments were made change, there could be a significant change to the allowance for impaired loans consisting of specific provisions and a general provision, each of which is reviewed on a regular basis. The allowance is increased by provisions for impaired loans which are charged to earnings and reduced by write-offs net of recoveries.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery.

Members' deposits

Members' deposits are recorded at amortized cost. Interest expense is recorded using the effective interest rate method over the terms of the deposits.

Financial instruments

The Credit Union has adopted the recommendations of the Canadian Institute of Chartered Accountants relating to the financial statement presentation of members' share accounts and the related interest/dividends paid on such financial instruments. In accordance with these recommendations, which have been adopted on a retroactive basis, the Credit Union's shares are presented in the balance sheet as financial liabilities. These liabilities qualify as capital for regulatory purposes, notwithstanding their financial statement classification. Interest/dividends on these amounts are reported in the statement of operations and retained earnings as a financial expense.

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

1. Significant accounting policies *(continued)*

Income taxes

The Credit Union follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

Translation of foreign currencies

The monetary assets and liabilities of the Credit Union denominated in foreign currencies are translated at the rates of exchange at the balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the year. Exchange gains or losses are included in operations.

2. Cash resources and liquidity risk

The term "cash resources" as used in these financial statements consists of cash on hand and funds on deposit in current accounts. The Credit Union has available a line of credit of \$515,500 to cover short falls in cash resources due to unanticipated volume in clearings. This line of credit is secured by a general security agreement and an assignment of book debts. At October 31, 2008, the line of credit was not utilized.

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. The liquidity ratio represents the ratio of assets qualifying as liquid assets under the Act to the sum of members' deposits and borrowings. The Credit Union is subject to a statutory requirement of maintaining a liquidity ratio of no less than 8%. The Credit Union monitors its liquidity ratio on a regular basis and at October 31, 2008, the liquidity ratio was 19.9%. The Credit Union continually monitors the significance of large deposits and loan commitments relative to its liquidity.

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

3. Investments

	2008	2007
<u>Held for Trading</u>		
Central 1 Credit Union		
Liquidity reserve deposit	\$ 1,770,421	\$ 1,742,257
Term deposits	3,217,662	6,108,581
	4,988,083	7,850,838
<u>Available for Sale</u>		
Credit Union Central of Ontario		
Shares	211,494	147,288
Central 1 Credit Union share	1	-
ABCP Limited Partnership	178,000	-
	389,495	147,288
	\$ 5,377,578	\$ 7,998,126

The Credit Union was not required to classify any investments as held for trading, but has chosen to designate those indicated. Investments designated as held for trading are carried at their fair value.

Central 1 Credit Union liquidity reserve deposit

As a condition of maintaining membership in Central 1 Credit Union ("Central 1") in good standing, the Credit Union is required to maintain on deposit in Central 1 an amount equal to 7% of the Credit Union's total assets updated at each calendar quarter end. The liquidity reserve deposit bears interest at a rate which is fixed periodically and is callable by the Credit Union on ninety days notice.

Central 1 Credit Union shares

As a condition of maintaining membership in Central 1, the Credit Union is required to keep an investment in shares of Central 1 equal to 0.60% of the Credit Union's total assets as at the preceding calendar year end, updated in February of each year. On November 15, 2007, CUCO made a capital call on their members equal to an additional 0.20% of the Credit Union's total assets as at December 31, 2006. On June 26, 2008 another capital call was made on their members equal to an additional 0.10% of the Credit Union's total assets as at December 31, 2007.

Effective July 1, 2008, Credit Union Central of Ontario merged with Credit Union Central of British Columbia to form a new entity, Central 1 Credit Union ("Central 1"). Central 1 assumes the responsibility of being the credit union central in both provinces.

The merger was affected through the acquisition of CUCO's net assets in exchange for Class A and E shares in Central 1. On July 1, 2008, the Credit Union received one share of Central 1. It is anticipated that the Credit Union will receive its remaining Class A shares of Central 1 from CUCO on December 31, 2008. The Credit Union expects to receive its portion of the Central 1 Class E shares and any remaining surplus cash from CUCO at the end of February 2009.

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

3. Investments (continued)

The shares in Central 1, however, will bear a value and redemption amount estimated to be \$8,126 less than the carrying amount of the CUCO shares prior to the merger. At year end the carrying amount of the shares have been reduced to reflect the expected shortfall.

No market exists for the shares of CUCO and Central 1. The shares may be surrendered on withdrawal from membership for proceeds equal to the carrying value.

ABCP Limited Partnership

As a pre-condition of the merger to form Central 1, CUCO was required to divest itself of investments in certain third-party asset-backed commercial paper (ABCP). The resolution approved the creation of a limited partnership, ABCP LP, to acquire these investments funded by member credit unions in proportion to their share investment in CUCO.

As a result, the excluded ABCP with a total par value of \$186,916,000 was acquired by the ABCP LP at its estimated fair value of \$133,564,000, including accrued interest, net of expenses and other assets. A market restructuring plan has been approved but not yet implemented. The market remains frozen and there is currently no liquid market for the ABCP investments. As a result, the investment is carried at its cost to the Credit Union.

The value at which the investments were acquired was based on the range of market discounts to par determined by a third party consulting firm engaged by CUCO, of between 30.69% and 38.22%, excluding accrued interest. Valuation methodologies used included a combination of model pricing, market pricing and benchmark pricing against specific reference indexes incorporating expected future cash flows and risks associated with the investments at the time the valuation was completed. Assuming the assets are not unwound prior to maturity and assuming credit losses do not exceed certain levels, it was forecasted that the assets will generate positive cash flows during the first six months after restructuring and will likely remain cash flow positive throughout the life of the portfolio. Uncertainty remains, however, with respect to the timing and amount of future cash flows generated and the fair value of the ABCP LP units.

The ABCP LP is governed by a Board of Directors that was elected by the unit holders and each limited partner will record its proportionate share of net income or loss in the ABCP LP.

4. Loans to members

	2008	2007
Mortgages	\$ 8,076,625	\$ 6,952,010
Personal	5,570,689	6,152,179
Agricultural	1,525,898	-
Commercial	2,372,145	1,716,826
Accrued interest	36,945	41,322
	17,582,302	14,862,337
Less: allowance for impaired loans	434,170	443,979
	\$ 17,148,132	\$ 14,418,358

The loan classifications set out above are as defined in the Regulations to the Credit Unions and Caisses Populaires Act, 1994.

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

4. Loans to members *(continued)*

Mortgage loans are repayable to the Credit Union in weekly or monthly blended principal and interest instalments over a maximum term of five years based on a maximum amortization period of twenty-five years.

Personal loans including line of credit loans, are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum term of five years, except for line of credit loans which are repayable on a revolving credit basis and require minimum monthly payments. All personal loans are open and, at the option of the borrower, may be paid off at any time without notice.

Commercial loans are secured by a mortgage on real property and are repayable to the Credit Union in weekly or monthly blended principal and interest instalments over a maximum term of five years based on a maximum amortization period of twenty-five years.

As at October 31, 2008, the Credit Union was committed to the issuance of mortgage loans and letters of credit to members in the aggregate amount of \$319,851 (2007 - \$nil).

At October 31, 2008, the approved unused line of credit limits amount to \$2,085,274 (2007 - \$1,278,601).

5. Allowance for impaired loans

	2008	2007
Balance at beginning of year	\$ 443,979	\$ 425,469
Loans written off	(174,358)	(149,792)
Loans recovered	27,548	1,639
	297,169	277,316
Provision charged to operations	137,001	166,663
Balance at end of year	\$ 434,170	\$ 443,979

A loan is classified as impaired when interest or principal is contractually 90 days past due, unless the loan is fully secured. Fully secured loans are classified as impaired after a delinquency period of 180 days. Also, a loan is classified as impaired when, in the opinion of management, there is no longer reasonable assurance of timely collectibility of principal or interest.

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 its financial obligations. The Board of Directors of the Credit Union oversees the risk management process. Senior management coordinates policy setting on risk management issues, assesses the risk exposure of the Credit Union and reviews the effectiveness of internal control processes.

The allowance for impaired loans provided for in the accounts of the Credit Union is in accordance, in all material respects, with the by-law of the Deposit Insurance Corporation of Ontario governing such allowances.

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

5. Allowance for impaired loans *(continued)*

	Allowance for impaired loans balance		Aggregate impaired loans	
	2008	2007	2008	2007
Mortgages	\$ -	\$ -	\$ 109,662	\$ 219,507
Personal	289,544	306,070	306,416	364,971
Commercial	40,107	36,566	95,729	177,447
Non-specific/general	104,519	101,343	-	-
	\$ 434,170	\$ 443,979	\$ 511,807	\$ 761,925

6. Other assets

	2008	2007
Prepaid expenses	\$ 37,981	\$ 37,183
Property acquired by foreclosure - held for resale	55,126	132,928
Future income taxes	30,400	12,500
	\$ 123,507	\$ 182,611

Property acquired by foreclosure - held for resale

Property acquired by foreclosure is being held for resale and is recorded at estimated fair value based on prices for similar properties, net of disposal costs.

During the year, the Credit Union foreclosed on mortgage loans amounting to \$140,995.

7. Capital assets

	Cost	Accumulated Amortization	2008	2007
			Net Book Value	Net Book Value
Land	\$ 117,894	\$ -	\$ 117,894	\$ 117,894
Building	604,258	141,838	462,420	469,225
Parking and groundscape	38,224	9,702	28,522	31,006
Furniture and equipment	91,174	52,694	38,480	44,673
Computer equipment	296,496	228,019	68,477	126,581
Leasehold improvements	6,229	-	6,229	-
	\$ 1,154,275	\$ 432,253	\$ 722,022	\$ 789,379

Amortization expense for the year amounted to \$94,109 (2007 - \$94,407).

Assets under capital lease are included in computer equipment and are recorded at a cost of \$143,000 (2007 - \$143,000) and accumulated amortization of \$97,794 (2007 - \$69,198). Interest expense during the year related to capital leases and was \$4,762 (2007 - \$6,706).

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

8. Members' deposits

	2008	2007
Demand	\$ 369,622	\$ 142,628
Profit savings	7,406,927	7,055,115
Chequing	4,782,119	4,351,457
Term deposits	7,537,974	8,546,462
Registered savings plans	1,717,037	1,717,465
CAIS/NISA deposits	-	24,155
Accrued interest	186,542	221,737
	\$ 22,000,221	\$ 22,059,019

Registered plans

Concentra Trust is the trustee of the registered plans offered to the members. Under an agreement with the trust company, members' contributions to these plans, as well as income earned on them, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made to the members, or their designates, by the Credit Union on behalf of the trust company.

9. Other liabilities

	2008	2007
Accounts payable and accrued charges	\$ 127,611	\$ 133,116
Obligations under capital lease	52,243	81,081
Income taxes payable	16,904	2,812
Distribution to members	98,547	121,000
	\$ 295,305	\$ 338,009

Obligations under capital lease are reduced by payments net of imputed interest. Minimum annual commitments under capital leases are as follows:

	2008	2007
Minimum lease commitments		
2008	\$ -	\$ 33,600
2009	33,600	33,600
2010	22,400	22,400
Total minimum lease payments	56,000	89,600
Less: imputed interest	3,757	8,519
	\$ 52,243	\$ 81,081

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

10. Member shares

The Credit Union has 3,296 (2007 - 3,247) members. As a condition of membership, each member must hold a minimum of 10 membership shares with an issue price of \$5 each. Shares may be withdrawn on demand or withdrawal from membership, subject to the Credit Union meeting capital adequacy requirements, and the discretion of the directors who may require notice.

11. Capital adequacy

In accordance with the requirements of the Credit Unions and Caisses Populaires Act, 1994 and accompanying Regulations, credit unions are required to maintain sufficient capital to meet two tests:

(a) Leverage test:

Regulatory capital, comprising membership shares, any other class of qualifying capital that may be issued, any non-specific allowance for impaired loans and retained earnings, must amount to at least 4.25% of total assets.

(b) Risk-weighted assets test:

Regulatory capital, comprising membership shares, any other class of qualifying capital that may be issued, any non-specific allowance for impaired loans and retained earnings, must amount to at least 8% of risk-weighted assets. The risk weighting of assets is specified in the Regulations to the Act.

	2008	2007
Regulatory capital at October 31:	\$2,183,813	\$2,162,672
(a) Leverage test ratio:	8.96%	8.82%
(b) Risk-weighted assets test ratio:	15.78%	17.98%

12. Interest income

Interest income is generated as follows:

	2008	2007
Residential mortgages	\$ 484,966	\$ 414,235
Personal loans	613,400	705,287
Agricultural loans	46,298	-
Commercial loans	152,273	138,400
Interest on member loans	1,296,937	1,257,922
Investments classified as available for sale	-	5,954
Financial assets other than those held for trading	1,296,937	1,263,876
Investments classified as held for trading	226,047	301,095
	\$ 1,522,984	\$ 1,564,971

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

13. Interest expense on member deposits

Interest expense on member deposits is generated as follows:

	2008	2007
Demand	\$ 959	\$ 975
Term	291,132	345,614
Registered savings plans	57,045	58,093
	\$ 349,136	\$ 404,682

14. Income taxes

The Credit Union's basic statutory tax rate is approximately 17%. Any future income taxes included in other liabilities are the cumulative amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities and their values for tax purposes. The temporary differences relate primarily to claiming capital cost allowance for income tax purposes in excess of amortization on capital assets for financial reporting purposes.

15. Commitments

The Credit Union is committed to the following monthly annual payments under operating leases for office premises in Wardsville and ATM equipment:

	2008	2007
2008	\$ -	\$ 44,150
2009	17,150	17,150
2010	17,750	17,750
2011	7,500	7,500
Total minimum lease payments	\$ 42,400	\$ 86,550

16. Related party transactions

As at October 31, 2008, the aggregate value of interest-bearing personal and mortgage loans outstanding to directors, officers and their related parties totalled \$990,443 (2007 - \$692,905). There was no allowance for impaired loans required in respect of these loans as at October 31, 2008.

The Regulations require the financial statements to disclose a general description of the nature, number and aggregate value of Restricted Party transactions, as defined, and the allowance for loan losses related to such transactions. Restricted Party has been defined to include a person, and the person's relative, spouse, or relative of the spouse, who has been a director, officer or committee member in the preceding twelve months, and corporations in which the person owns more than 10% of the voting shares.

17. Additional disclosures required by the Act

The only remuneration paid to directors and committee members was for travel allowance and expenses for attendance at meetings.

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

18. Financial instruments

Fair value

The estimated fair values of the Credit Union's financial instruments are set out below. The estimated fair value amounts are based on the valuations techniques and assumptions set out below. The valuations may vary significantly based on the judgement used in estimating the amount and timing of future cash flows. As a result, the estimated fair values are not necessarily comparable across different organizations and may not be realizable. The estimation of fair values are based on market conditions at a specific point in time and may not be reflective of future fair values.

	Book value	Estimated fair value	2008 Fair value over (under) book value	2007 Fair value over (under) book value
Assets				
Cash resources	\$ 1,033,980	\$ 1,033,980	\$ -	\$ -
Investments	5,377,578	5,377,578	-	-
Loans to members	17,148,132	17,169,277	21,145	(239,520)
Liabilities				
Members' deposits	22,000,221	22,132,222	132,001	55,265

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

- The fair value of cash resources are assumed to approximate their book value due to their short-term nature.
- The fair value of investments are based on quoted market values.
- The estimated fair value of variable rate loans and deposits are assumed to be equal to book value as the interest rates reprice to market on a periodic basis.
- The estimated fair value of fixed rate loans and deposits is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

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.

THAMESVILLE COMMUNITY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2008

18. Financial instruments *(continued)*

The table below summarizes amounts by maturity dates and effective interest rates for the following on-balance sheet financial instruments:

	Variable Rate	Less than one year	One to five years	Non-rate Sensitive	Total	Effective Interest Rate
Cash resources	\$ 510,935	\$ -	\$ -	\$ 523,045	\$ 1,033,980	0.12%
Investments	-	4,774,249	213,834	389,495	5,377,578	3.15%
Loans to members	4,824,340	2,063,818	10,259,974	-	17,148,132	7.24%
Total	5,335,275	6,838,067	10,473,808	912,540	23,559,690	
Members' deposits	8,049,608	4,248,283	4,920,211	4,782,119	22,000,221	1.98%
Liabilities qualifying as regulatory capital	-	-	-	164,800	164,800	-
Total	8,049,608	4,248,283	4,920,211	4,946,919	22,165,021	
Matching gap	\$ (2,714,333)	\$ 2,589,784	\$ 5,553,597	\$ (4,034,379)	\$ 1,394,669	

The Credit Union performs analysis to monitor the sensitivity of earnings to changes in interest rates. The Credit Union is required by statute and internal policy to limit its earnings at risk to a possible change in interest rates to within 15 basis points of assets. At October 31, 2008, management estimates that its exposure to a decline in interest rates is a reduction in net interest income of 9 basis points of assets, or \$22,000.

19. Comparative figures

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