Consolidated financial statements of

PACE Savings & Credit Union Limited

December 31, 2017

PACE Savings & Credit Union Limited

December 31, 2017

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Independent Auditor's Report

To the Members of
PACE Savings & Credit Union Limited

We have audited the accompanying consolidated financial statements of PACE Savings & Credit Union Limited, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of comprehensive income, changes in members' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PACE Savings & Credit Union Limited as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP.

Chartered Professional Accountants
Licensed Public Accountants
April 4, 2018

PACE Savings & Credit Union Limited

Consolidated statement of comprehensive income
year ended December 31, 2017
(In Canadian dollars)

	2017	2016
	$	$
Interest income (Note 4)	**34,332,873**	29,730,136
Investment income	**4,656,361**	1,848,119
	38,989,234	31,578,255
Interest expense (Note 5)	**12,927,632**	10,543,470
Net interest income	**26,061,602**	21,034,785
(Recovery of) provision for impaired loans (Note 12)	**(1,610,244)**	4,860,714
Net interest margin	**27,671,846**	16,174,071
Other operating income (Note 6)	**8,275,083**	5,303,018
	35,946,929	21,477,089
Amortization of intangible assets	**523,618**	673,809
Deposit insurance premium	**694,418**	611,300
Depreciation of property and equipment	**1,041,096**	932,398
General and administrative	**9,415,098**	7,412,407
Marketing	**1,955,672**	1,136,983
Occupancy	**1,642,259**	1,627,264
Personnel expenses	**14,474,661**	12,291,022
	29,746,822	24,685,183
Income on investment in associates (Note 10)	**(856,523)**	(4,345,691)
Gain on sale of investment property	**-**	(1,192,917)
Dividends on Class A profit shares (Note 21)	**38,394**	12,081
Dividends on Class B investment shares (Note 21)	**10,805**	35,671
Dividends on preference shares (Note 18)	**285,340**	-
Income before income taxes	**6,722,091**	2,282,762
Income tax expense (Note 20)	**1,420,000**	43,500
Net income	**5,302,091**	2,239,262
Net income attributable to members	**5,192,968**	2,239,262
Net income attributable to non-controlling interest	**109,123**	-
Net income	**5,302,091**	2,239,262
Other comprehensive (loss) income, net of income taxes, attributable to members	**(771,018)**	420,176
Other comprehensive (loss) income, net of income taxes, attributable to non-controlling interests	**-**	-
Other comprehensive income, net of income taxes (Note 7)	**(771,018)**	420,176
Total comprehensive income for the year	**4,531,073**	2,659,438

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

PACE Savings & Credit Union Limited

Consolidated statement of changes in members' equity
year ended December 31, 2017

(In Canadian dollars)

	Member shares	Class A profit shares	Class B investment shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Equity attributable to members	Non-controlling interests	Total
	$	$	$	$	$	$	$	$	$
As at January 1, 2016	5,347,632	3,624,391	10,701,195	3,544,262	28,348,270	2,008,283	-	-	53,574,033
Total comprehensive income	-	-	-	-	2,239,262	420,176	-	-	2,659,438
Business combination (Note 30)	-	-	-	-	630,422	-	-	-	630,422
Dividends on Class A profit shares	-	-	-	-	(120,813)	-	-	-	(120,813)
Dividends on Class A profit shares qualifying									-
as liabilities reclassified to expense	-	-	-	-	12,081	-	-	-	12,081
Dividends re-invested in Class A profit share	-	372,638	-	-	-	-	-	-	372,638
Dividends on Class B investment shares	-	-	-	-	(356,712)	-	-	-	(356,712)
Dividends on Class B investment shares qualifying as liabilities reclassified to expense	-	-	-	-	35,671	-	-	-	35,671
Dividends re-invested in Class B									-
investment shares	-	-	104,887	-	-	-	-	-	104,887
Issued shares	971,967	1,000	108,602	-	-	-	-	-	1,081,569
Redeemed shares	-	(1,000)	(108,406)	-	-	-	-	-	(109,406)
Shares reclassified to liabilities	-	(37,262)	(10,504)	-	-	-	-	-	(47,766)
As at December 31, 2016	6,319,599	3,959,767	10,795,774	3,544,262	30,788,181	2,428,459	57,836,042	-	57,836,042
Total comprehensive income	-	-	-	-	5,192,968	(771,018)	4,421,950	109,123	4,531,073
Business combination (Note 30)	-	-	-	438,671	-	-	438,671	-	438,671
Transfer of contributed surplus to retained earnings (Note 30)	-	-	-	(438,671)	438,671	-	-	-	-
Dividends on Class A profit shares	-	-	-	-	(383,943)	-	(383,943)	-	(383,943)
Dividends on Class A profit shares qualifying as liabilities reclassified to expense	-	-	-	-	38,394	-	38,394	-	38,394
Dividends re-invested in Class A profit share	-	383,943	-	-	-	-	383,943	-	383,943
Dividends on Class B investment shares	-	-	-	-	(108,046)	-	(108,046)	-	(108,046)
Dividends on Class B investment shares qualifying as liabilities reclassified to expense	-	-	-	-	10,805	-	10,805	-	10,805
Dividends re-invested in Class B investment shares	-	-	108,046	-	-	-	108,046	-	108,046
Issued shares	703,076	13,123	9,307	-	-	-	725,506	-	725,506
Redeemed shares	-	(8,943)	(8,948)	-	-	-	(17,891)	-	(17,891)
Shares reclassified to liabilities	-	(38,812)	(10,805)	-	-	-	(49,617)	-	(49,617)
Non-controlling interest arising in the year	-	-	-	-	-	-	-	1,976,972	1,976,972
As at December 31, 2017	**7,022,675**	**4,309,078**	**10,893,374**	**3,544,262**	**35,977,030**	**1,657,441**	**63,403,860**	**2,086,095**	**65,489,955**

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

PACE Savings & Credit Union Limited

Consolidated statement of financial position
as at December 31, 2017
(In Canadian dollars)

	2017	2016
	$	$
Assets		
Cash and cash equivalents (Note 8)	**29,809,594**	44,403,235
Investments (Note 9)	**159,223,136**	75,769,985
Investments in associates (Note 10)	**27,849,069**	15,019,571
Loans to members (Notes 11)	**810,420,281**	686,154,182
Index-linked derivative contracts (Note 17)	**89,512**	201,814
Property and equipment (Note 13)	**12,586,423**	10,372,853
Intangible assets (Note 14)	**2,892,020**	2,859,395
Investment property (Note 15)	**4,952,358**	5,119,797
Other assets (Note 16)	**35,141,152**	34,034,858
Deferred income tax assets (Note 20)	**728,655**	791,600
	1,083,692,200	874,727,290
Liabilities		
Deposits from members (Note 17)	**956,577,276**	806,560,106
Other liabilities (Note 18)	**59,846,296**	8,489,823
Index-linked derivative contracts (Note 17)	**89,512**	201,814
Class A profit shares (Note 21)	**478,786**	439,974
Class B investment shares (Note 21)	**1,210,375**	1,199,531
	1,018,202,245	816,891,248
Members' equity (Note 21)		
Membership shares	**7,022,675**	6,319,599
Class A profit shares	**4,309,078**	3,959,767
Class B investment shares	**10,893,374**	10,795,774
Contributed surplus	**3,544,262**	3,544,262
Retained earnings	**35,977,030**	30,788,181
Accumulated other comprehensive income	**1,657,441**	2,428,459
Equity attributable to members	**63,403,860**	57,836,042
Equity attributable to non-controlling interests	**2,086,095**	-
	65,489,955	57,836,042
	1,083,692,200	874,727,290

Approved by the Board

_______________ Director

_______________ Director

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

PACE Savings & Credit Union Limited
Consolidated statement of cash flows
year ended December 31, 2017
(In Canadian dollars)

	2017	2016
	$	$
Operating activities		
Net income	**5,302,091**	2,239,262
Adjustments for		
Provision for impaired loans (Note 12)	**(1,610,244)**	4,860,714
Interest income	**(34,332,873)**	(31,578,255)
Interest expense	**12,927,632**	10,543,470
Depreciation of property and equipment	**1,041,096**	932,398
Amortization of intangible assets	**523,618**	673,809
Amortization of fair value adjustment on financial assets and liabilities	**(1,681)**	(215,450)
Loss on disposition of property and equipment	**-**	6,638
Gain on sale of investment property	**-**	(1,192,917)
Income from investment in associates (Note 10)	**(856,523)**	(4,345,691)
Income tax expense (Note 20)	**1,420,000**	43,500
Changes in operating assets/liabilities		
Change in loans to members	**(119,214,982)**	(70,548,702)
Change in deposits from members	**141,856,755**	45,361,402
Change in other operating assets	**(1,017,543)**	(7,765,258)
Change in other operating liabilities	**38,810,530**	1,015,154
Changes generated (used) from operating activities before interest and taxes		
Interest received	**38,061,867**	31,518,302
Interest paid	**(10,006,618)**	(9,019,661)
Income tax received (paid)	**(502,797)**	331,821
	72,400,328	(27,139,465)
Investing activities		
Net change in investments	**(89,367,436)**	31,997,713
Capital contribution in investments in associates	**(13,742,400)**	(2,895,000)
Withdrawals from investments in associates	**1,769,425**	6,696,720
Proceeds on sale of property and equipment	**-**	8,000
Purchase of property and equipment	**(3,252,612)**	(1,675,818)
Purchase of investment property	**-**	(5,775)
Purchase of intangible assets	**(347,576)**	(62,465)
Cash received on business combination (Note 30)	**4,008,801**	16,993,262
	(100,931,798)	51,056,637
Financing activities		
Issuance of membership shares	**453,566**	450,182
Issuance of Class A profit shares	**13,123**	1,000
Redemption of Class A profit shares	**(8,943)**	(1,000)
Issuance of Class B investment shares	**9,307**	108,602
Redemption of Class B investment shares	**(8,948)**	(108,406)
Dividends paid on Class A profit shares	**(345,549)**	(108,732)
Dividends paid on Class B investment shares	**(97,241)**	(321,041)
Dividends re-invested in Class A profit shares	**383,943**	372,638
Dividends re-invested in Class B investment shares	**108,046**	104,887
Issuance of preference shares	**11,453,454**	-
Subscriptions by non-controlling interests	**2,937,153**	-
Redemptions by non-controlling interests	**(960,082)**	-
	13,937,829	498,130
Net change in cash and cash equivalents	**(14,593,641)**	24,415,302
Cash and cash equivalents, beginning of year	**44,403,235**	19,987,933
Cash and cash equivalents, end of year	**29,809,594**	44,403,235

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

1. Reporting entity

PACE Savings & Credit Union Limited (the “Credit Union”) is incorporated under the Credit Unions and Caisses Populaires Act, 1994 (Ontario), (the “Act”) and is a member of the Deposit Insurance Corporation of Ontario (“DICO”) and of Central 1 Credit Union (“Central 1”). The Credit Union was incorporated on April 1, 2003 and was organized for the benefit of its members. The Credit Union provides financial services including, but not limited to, personal and commercial mortgages and loans and deposit taking to its members.

The registered office of the Credit Union is at 8111 Jane Street, Unit 1, Vaughan, Ontario, L4K 4L7.

2. Basis of preparation

Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”).

The consolidated financial statements for the year ended December 31, 2017 were authorized for issue by the board of directors on April 4, 2018.

Basis of preparation

These consolidated financial statements are presented in Canadian dollars which is the Credit Union’s functional currency. They are prepared on the historical cost basis except for available-for-sale investments (“AFS”), derivative financial instruments, licences, other financial assets and liabilities held for trading (“HFT”), and financial assets and liabilities designated at fair value through profit or loss (“FVTPL”) which are stated at their fair value.

Use of significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities at the date of these consolidated financial statements, and the reported amounts of revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates made in these consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on these consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

2. Basis of preparation (continued)

Use of significant accounting judgments, estimates and assumptions (continued)

The notes to the consolidated financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the Credit Union's consolidated financial statements such as:

a) *Business combinations*

In the current year, the Credit Union completed two business combinations, with Durham Educational Employee Credit Union Limited and London Fire Fighters Credit Union Limited. In determining the fair value of assets and liabilities as at the business combination date, the Credit Union used information derived from observable markets. Where the fair values could not be derived from observable markets, they were determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models were derived from observable market data where possible, but where observable market data was not available, judgment was required to establish fair values. The business combination is described in more detail in Note 30.

b) *Impairment of available-for-sale investments*

The Credit Union reviews its debt securities and equity instruments classified as available-for-sale at each consolidated statement of financial position date to assess whether they are impaired.

The Credit Union records impairment charges on available-for-sale equity instruments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

c) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from observable markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

The judgments include considerations of liquidity and model inputs such as volatility for longer dated discount rates. The valuation of financial instruments is described in more detail in Note 28.

d) *Impairment losses on loans*

The Credit Union reviews its individually significant loans at each consolidated statement of financial position date to assess whether an impairment loss should be recorded in the consolidated statement of comprehensive income. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors such as historical recovery rates and bankruptcy indicators, and actual results may differ, resulting in future changes to the allowance.

Loans that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, historical write off rates, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, and the performance of different individual groups).

The impairment loss on loans is disclosed in further detail in Notes 11 and 12.

2. Basis of preparation (continued)

Use of significant accounting judgments, estimates and assumptions (continued)

e) Employee benefits

At the consolidated statement of financial position date, the cost of the accrued employment contract benefit is measured in full, on a discounted basis, using a discount rate determined by reference to the market yields on high quality corporate bonds. The calculation involves making assumptions about the discount rate. See Note 19 for further details on the assumptions used.

f) Provisions and contingent liabilities

At the consolidated statement of financial position date, a provision related to the prepaid card program has been recorded related to a shortfall between the total value of prepaid cards outstanding and the funds on deposit (Note 18). The calculation of the recorded provision includes the assumptions that the recoverability of the shortfall from the distributor is unlikely and that a portion of the outstanding prepaid card balances that have no recent activity or have small balances remaining, will never be redeemed.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing these consolidated financial statements are reasonable. Actual results in the future may differ from those reported.

New standards implemented

a) Income taxes

In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses as an amendment to IAS 12 – Income Taxes. These amendments address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments are effective for annual periods beginning on or after January 1, 2017. The implementation of the IAS 12 amendments did not have a significant impact on the Credit Union.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to the existing standards have been issued by the IASB, but are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these financial statements:

a) Financial instruments

In July 2014, the IASB issued IFRS 9 - *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 - *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities are classified in a similar manner to under IAS 39 except that for financial liabilities measured at fair value, fair value changes due to changes in the Credit Union’s credit risk are presented in other comprehensive income (loss) instead of profit or loss unless this would create an accounting mismatch.

Impairment - The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized.

2. Basis of preparation (continued)

New standards and interpretations not yet adopted (continued)

a) *Financial instruments (continued)*

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect their actual risk management activities.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. The Credit Union is assessing the potential impact of this standard.

b) *Revenue from contracts with customers*

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"), which replaces IAS 11 - Construction Contracts, IAS 18 - Revenue and IFRIC 13 - Customer Loyalty Programmes, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. It will be applied retrospectively for annual periods beginning on or after January 1, 2018. The Credit Union is assessing the potential impact of this standard.

c) *Leases*

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), which replaces IAS 17, *Leases* ("IAS 17") and related interpretations. This new standard includes a comprehensive model for the identification and treatment of lease arrangements in the financial statements of both the lessee and lessor. From a lessee perspective, this new standard eliminates the classification of leases as operating or finance leases, and instead requires the recognition of all leases on the statement of financial position, subject to limited exceptions. From a statement of comprehensive income perspective, depreciation and interest expense will be recorded for leases in a manner similar to that for current finance leases. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. The Credit Union is assessing the potential impact of this standard.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Credit Union to all periods presented in these consolidated financial statements, without exception.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Credit Union and entities controlled by the Credit Union and its subsidiaries. Control is achieved when the Credit Union (i) has the power over the investee; (ii) is exposed, or has rights, to variable returns from the involvement of investee; and (iii) has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

3. Significant accounting policies (continued)

Basis of consolidation (continued)

Intra-group balances and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Income or loss and each component of other comprehensive income are attributed to the members of the Credit Union and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the members of the Credit Union and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations and goodwill

The Credit Union accounts for acquisitions using the acquisition method as at the acquisition date, which is the date on which control is acquired by the Credit Union. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Credit Union takes into consideration potential voting rights that are currently exercisable or de facto control which is the ability to control because no other party has the power to govern.

At the acquisition date, the assets and liabilities of the acquiree are included in the consolidated statement of financial position at their fair value, which are also used as the basis for subsequent measurement in accordance with the Credit Union's accounting policies.

The Credit Union measures goodwill, if any, as the fair value of the consideration transferred, less the net recognized amount of identifiable assets acquired and liabilities assumed at fair value at the acquisition date. When negative goodwill arises, the amount is recognized in the consolidated statement of comprehensive income immediately. Goodwill is subsequently carried at cost less accumulated impairment losses.

Transaction costs incurred with the acquisition, other than those associated with the issuance of debt or equity securities, are expensed as incurred.

Financial instruments

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Credit Union's designation of such instruments. Settlement date accounting is used.

The Credit Union is required to classify all financial assets either as fair value through profit or loss, available-for-sale, held-to-maturity, or loans and receivables and, financial liabilities are classified as either fair value through profit or loss, or other liabilities. The standards require that all financial assets and financial liabilities, including all derivatives, be subsequently measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, available-for-sale financial assets that do not have quoted market prices in an active market and whose fair value cannot be reliably estimated, and other liabilities.

3. Significant accounting policies (continued)

Financial instruments (continued)

a) <u>*Classification*</u>

Financial asset/liability	Classification
Cash and cash equivalents	Loans and receivables
Investments - debt securities	
Term deposits	Loans and receivables
Liquidity reserve deposit	Loans and receivables
Guaranteed investment certificates	Loans and receivables
Bonds	Held to maturity
Marketable debt securities	Fair value through profit and loss
Privately held bonds	Available-for-sale (cost)
Term certificate	Available-for-sale (cost)
Investments - equity instruments	
Central 1 shares	Available-for-sale (cost)
CUCO Co-op - Class B investment shares	Available-for-sale (fair value)
Marketable equity securities	Fair value through profit and loss
Other shares	Available-for-sale (cost)
Loans to members	Loans and receivables
Index-linked derivative contracts	Fair value through profit and loss
Other assets	
Accounts receivable	Loans and receivables
Funds held in trust account	Loans and receivables
Deposits from members	Other liabilities
Other liabilities	
Accounts payables and accrued liabilities	Other liabilities
Prepaid card program	Other liabilities
Preference shares	Other liabilities
Class A profit shares	Other liabilities
Class B investment shares	Other liabilities

b) <u>*Fair value through profit or loss (“FVTPL”)*</u>

Financial assets and financial liabilities are classified as at FVTPL when the financial asset or financial liability is either held for trading or it is designated as at FVTPL.

A financial asset or financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Credit Union manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset and financial liability other than a financial asset or financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

3. Significant accounting policies (continued)

Financial instruments (continued)

b) *Fair value through profit or loss ("FVTPL")*

- the financial asset/liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Credit Union's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets and financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in net income. The net gain or loss recognized in net income incorporates any dividend or interest earned/paid on the financial asset/liability and is included in the 'other operating income' line item in the consolidated statement of comprehensive income.

c) *Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Credit Union has the positive intent and ability to hold to maturity, other than those that the entity upon initial recognition designates as at fair value through profit or loss as available for sale.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, net of impairment losses.

d) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Credit Union does not intend to sell immediately or in the near term. Loans and receivables are measured at amortized cost using the effective interest method, net of impairment losses.

Interest income is recognized by applying the effective interest rate.

e) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Debt securities that are not traded in an active market are classified as available-for-sale. Available-for-sale debt instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Central 1 Class A shares, Central 1 Class E shares, CUCO Co-op Class B investment shares, other shares and term certificates held by the Credit Union are not traded in an active market and therefore classified as available-for-sale. Available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividend income is recognized in net income when the Credit Union's right to receive the dividends is established. Interest income is recognized in income using the effective interest method. Foreign exchange gains or losses on debt securities are recognized immediately in net income and is included in the 'other operating income' line item in the consolidated statement of comprehensive income.

3. Significant accounting policies (continued)

Financial instruments (continued)

f) *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income/ expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the asset / liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

g) *Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each consolidated statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans to members, where the carrying amount is reduced through the use of an allowance account. When a loan to a member is considered uncollectible, it is written off against the allowance for impaired loans.

Subsequent recoveries of amounts previously written off are credited against the allowance for impaired loans. Changes in the carrying amount of the allowance for impaired loans are recognized in net income. The impairment loss on financial assets is based on a review of all outstanding amounts at period end. The Credit Union has established percentages for the allowance for doubtful accounts which are based on historical collection trends for each loan type with similar risk characteristics. Loans that are considered to be uncollectible are reserved for in the allowance until they are written off or collected.

For financial assets other than available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

h) *Derecognition of financial assets*

The Credit Union derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Credit Union continues to recognize the transferred asset to the extent of the Credit Union's continuing involvement in that asset. If the Credit Union retains substantially all the risks and rewards of ownership of a transferred financial asset, the Credit Union continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received / receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in net income.

3. Significant accounting policies (continued)

Financial instruments (continued)

h) Derecognition of financial assets (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Credit Union retains an option to repurchase part of a transferred asset or retains a residual interest that neither results in the retention nor transfer of substantially all the risks and rewards of ownership), the Credit Union allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in OCI is recognized in net income.

i) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

j) Derecognition of financial liabilities

The Credit Union derecognizes financial liabilities when, and only when, the Credit Union's obligations are discharged, cancelled or they expire.

k) Transaction costs

Transaction costs related to financial assets and liabilities at fair value through profit and loss are expensed as incurred. Transaction costs include fees and commissions paid to agents, advisors, suppliers, broker and dealers, levies by regulatory agencies and transfer taxes and duties related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are amortized over the expected life of the instrument using the effective interest method. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative costs.

l) Derivative instruments

The Credit Union enters into derivative financial instruments to manage its exposure to market risk, including interest rate, foreign currencies and equity indices. Further details of derivative financial instruments are disclosed in Note 17.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net income immediately unless the derivative is designated and effective as a cash flow hedging instrument, in which event the effective portion of the gain or loss is recognized in other comprehensive income while the ineffective portion is recognized in net income.

A derivative with a positive fair value is recognized as a financial asset. A derivative with a negative fair value is recognized as a financial liability.

m) Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. As at December 31, 2017, the Credit Union does not have any embedded derivatives that require separation.

3. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with other chartered banks and Central 1, and other highly liquid investments with original maturities of three months or less. Cash and cash equivalents are used by the Credit Union in the management of its short term commitments.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is considered to be equivalent to fair value due the short term nature of these assets.

Investments in associates

An associate is an entity over which the Credit Union has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Credit Union’s share of the net income and equity movements of the associate after adjustment to align the accounting policies with those of the Credit Union from the date that significant influence commences until the date that significant influence ceases. When the Credit Union’s share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long-term investment is reduced to nil and the recognition of future losses is discontinued to the extent that the Credit Union has an obligation or has made payments on behalf of the associate.

Loans to members

Loans to members including personal loans, mortgages and commercial loans, are recognized when the cash is advanced to the borrower. All loans to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables, which are subsequently measured at amortized cost using the effective interest method.

Allowance for impaired loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb incurred 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 currently recognized. The allowance for impaired loans consists of a specific provision component attributable to individually significant exposures and a collective provision, established for groups of loans with similar risk characteristics. Each component of the allowance for impaired loans is reviewed at least on the reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating or days delinquent), the previously recognized impairment loss is reversed either directly or by adjusting the allowance for impaired loans. The reversal does not result in a carrying amount of a financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in net income.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery. The methodology and assumptions used are reviewed regularly (i.e. back tested).

3. Significant accounting policies (continued)

Whole loan sales

The Credit Union periodically sells mortgages to other financial institutions to manage its overall portfolio diversification risk. In these circumstances the contractual rights to receive the cash flows from these mortgages ceased to exist and/or substantially all of the risk and rewards of the mortgages have been transferred to the purchasing institution. As such, these mortgages are removed from the consolidated statement of financial position. The Credit Union continues to administer these mortgages. A minimal administration fee is paid to the Credit Union monthly, which is recorded in other operating income when received.

A gain or loss is recognized at the time of the sale and recorded in other operating income on the consolidated statement of comprehensive income based on the difference between the proceeds received on sale and the carrying value of the derecognized mortgage.

Prepaid card program

The Credit Union partnered with various distributers to manage a prepaid card program. The Credit Union acts as an issuer of the prepaid credit cards and the restricted cash and related deposits are held in trust accounts for the distributors. Accordingly, the $14,395,809 in cash held in trust and associated deposits from members are removed from the consolidated statement of financial position of the Credit Union (2016 - $22,755,910). Fees paid to the Credit Union monthly are recorded in other operating income when received. Expenses incurred are recorded in the consolidated statement of comprehensive income in accordance with their nature.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The residual values, useful lives and depreciation methods are reviewed each year end and changed if necessary. Cost includes expenditures that are directly attributable to bring the asset into working condition for their intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in net income.

Depreciation

Depreciation is recognized in net income on a declining basis or straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation of property and equipment for the current and comparative periods is based on their estimated useful life using the following annual rates:

Buildings	4% declining-balance
Computer equipment	20% straight-line
Furniture and equipment	10% straight-line
Leasehold improvements	term of lease, straight-line

3. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating.

(a) The Credit Union as Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

(b) The Credit Union as Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Cost of such intangible assets includes expenditures directly attributable to the acquisition of the asset and required to establish the asset in working condition given its intended use as well as borrowing costs.

Amortization is recognized in the consolidated statement of comprehensive income and is computed on a straight-line basis using the rates and estimated useful lives indicated below. These rates most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset.

Asset description	Amortization rate
Computer software	20% straight-line
Core deposits	10 years
Customer relationships	10 years

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are initially recorded at cost. The cost of self-constructed intangible assets includes the cost of materials and direct labour, any other costs required to establish the asset in working condition given its intended use as well as borrowing costs. Subsequent to initial recognition, indefinite life intangible assets are reported using the revaluation method with changes recorded in other comprehensive income.

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or assets within a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or assets within a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in net income. No impairment losses on tangible or intangible assets were identified as at December 31, 2017.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment property is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in net income.

Property acquired by foreclosure and held for resale

Properties acquired by foreclosure and held for resale represent assets which have been repossessed on delinquent member mortgages and are recorded at the lower of their prior carrying value and fair value less costs to sell. Such investments are intended to be sold as soon as practicable. Revenues and costs related to property acquired by foreclosure are booked as an adjustment to the carrying value of the investment.

Deposits from members

Deposits from members include personal chequing accounts, savings accounts, term deposits, registered retirement savings plans, registered retirement income funds and tax free savings accounts and are the Credit Union’s main source of funding. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

3. Significant accounting policies (continued)

Employee benefits

a) Short term employee benefits

Short term employee benefits include salaries and wages, employee benefits, allowances, bonuses and burdens. Short term employee benefits are expensed as the related service is provided.

b) Post retirement benefits

The Credit Union is party to employment contracts with its executives that require the Credit Union to pay a fixed amount on retirement or termination of the employment contract.

The employee benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation.

Actuarial gains and losses arising from defined benefit post-employment plan are recognized immediately in other comprehensive income.

Provisions and contingent liabilities

a) Provisions

Provisions are recognized when the Credit Union has a present obligation (legal or constructive) as a result of a past event, it is probable that the Credit Union will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

b) Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortization recognized in accordance with IAS 18 *Revenue*.

As at December 31, 2017, the Credit Union has recorded a provision related to its prepaid card program (Note 18). This is a contingent liability acquired in the business combination with All Trans Financial Service Credit Union. In the current year, the Credit Union did not have any provisions or contingent liabilities acquired in a business combination.

3. Significant accounting policies (continued)

Membership shares

Membership shares issued by the Credit Union are only classified as equity to the extent that they do not meet the definition of a financial liability.

Type of shares	Classification
Membership shares	Equity
Class A profit shares	Liability and equity
Class B investment shares	Liability and equity

The Credit Union's membership shares are presented in the consolidated statement of financial position as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. These shares qualify as capital for regulatory purposes. Payments of dividends on membership shares, profit shares and investment shares presented as equity are recognized as a distribution directly in equity.

Dividends are recorded when declared by the board of directors.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognized when the right to receive payment is established. Dividends are included in interest income on the consolidated statement of comprehensive income.

Other fees and commission income include account service fees, transaction fees and investment management fees which are recognized over the period the services are performed.

Income taxes

Income tax expense represents the sum of the current taxes payable and deferred income taxes.

Current tax

Current tax is based on taxable income in the period. Taxable income may differ from income as reported in the consolidated statement of comprehensive income because of the items of income and expenses that are taxable or deductible in other years and items that will never be taxable or deductible. The Credit Union's current income tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying values of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the fiscal year. The measurement of the deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Credit Union expects, at the end of the fiscal year, to recover or settle the carrying value of its assets and liabilities.

3. Significant accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars.

Transactions in foreign currencies are initially translated into Canadian dollars at the rate of exchange in effect at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into Canadian dollars at the rate of exchange at the consolidated statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation gains and losses are recognized immediately in net income and are included in the 'other operating income' line item in the consolidated statement of comprehensive income.

4. Interest income

	2017	2016
	$	$
Mortgage	**11,160,002**	10,392,351
Personal	**3,116,189**	2,945,560
Commercial	**20,056,682**	16,392,225
	34,332,873	29,730,136

Included within the various line items under interest income for the year ended December 31, 2017 is a total of $1,313,243 (2016 - $1,238,708) accrued interest on impaired financial assets.

Total interest income reported above is calculated using the effective interest method, and relates to financial assets not carried at FVTPL.

5. Interest expense

	2017	2016
	$	$
Personal chequing accounts	**23,453**	13,965
Savings accounts	**2,516,096**	2,196,175
Term deposits	**6,820,838**	4,914,716
Registered retirement savings plans	**1,409,495**	1,531,577
Registered retirement income funds	**1,185,189**	1,069,040
Tax free savings accounts	**949,379**	805,191
Interest on borrowings	**23,182**	12,806
	12,927,632	10,543,470

Total interest expense reported above is calculated using the effective interest method, and relates to financial liabilities not carried at FVTPL.

(In Canadian dollars)

6. Other operating income

	2017	2016
	$	$
Commissions and fees	**1,285,866**	1,151,137
Service charges	**660,176**	584,735
Rental income	**147,261**	157,201
Administration charges	**703,738**	355,281
Foreign exchange gains	**289,802**	254,707
Prepaid card program	**1,199,783**	150,000
Other income	**3,988,457**	2,649,957
	8,275,083	5,303,018

All other operating income items detailed above relate to financial assets and liabilities that are not at FVTPL and do not include any amounts used in determining the effective interest rate.

7. Components of other comprehensive loss

	2017	2016
	$	$
Items that may be reclassified subsequently in net income		
Unrealized loss on available for sale investment arising during the year (net of taxes 2017 - $271,008, 2016 - $7,237)	**(1,118,778)**	29,876
Items that may not be reclassified subsequently in net income		
Actuarial gain on employee benefits (net of taxes - $84,240, 2016 - $94,700)	**347,760**	390,300
Other comprehensive (loss) income, net of income taxes	**(771,018)**	420,176

8. Cash and cash equivalents

	2017	2016
	$	$
Cash on hand	**3,962,826**	3,811,107
Cash held with Central 1	**18,418,372**	25,810,488
Cash held with other chartered banks	**7,428,396**	14,781,640
	29,809,594	44,403,235

The average yield on the above accounts as at December 31, 2017 is 0.49% (2016 - 0.55%)

The Credit Union has available lines of credit with Central 1 in the amounts of $7,500,000 Cdn and $250,000 USD, and a demand loan with Central 1 in the amount of $4,000,000 Cdn, to cover shortfalls in cash resources. These lines of credit and demand loan were unutilized as at December 31, 2017 and 2016.

The Credit Union has a letter of credit with Central 1 in the amount of $2,000,000, of which $436,296 is unutilized as at December 31, 2017 (2016 - $1,217,425).

(In Canadian dollars)

8. Cash and cash equivalents (continued)

The Board of Directors has set an overall borrowing limit of $30,000,000.

These lines of credit, demand loan and letter of credit are secured by an assignment of book debts and a general security agreement covering all assets of the Credit Union.

9. Investments

The following tables provide information on the investments held by the Credit Union and its subsidiaries.

Debt securities

	2017	2016
	$	$
Loans and receivables		
Central 1 - term deposits	18,000,000	6,000,000
Central 1 - liquidity reserve deposits	62,391,757	51,201,487
RBC - guaranteed investment certificates	1,188,495	3,399,510
Concentra - guaranteed investment certificates	308,087	-
Lora Bay Corporation	2,180,000	-
Held to maturity		
Laurentian Bank - Bonds	5,583,146	5,772,496
Available for sale		
The Co-operators Group Limited term certificate	156,816	156,816
Fair value through profit and loss		
Marketable debt securities	53,842,158	-
	143,650,459	66,530,309
Accrued interest on investments	1,069,734	311,833
	144,720,193	66,842,142

Equity instruments

	2017	2016
	$	$
Available for sale		
Central 1 - Class A shares	3,241,543	3,096,177
Central 1 - Class E shares	2,813,800	2,919,500
CUCO Co-op - Class B investment shares	45,631	1,583,371
Other shares	4,972,800	1,328,795
Fair value through profit and loss		
Marketable equity securities	3,429,169	-
	14,502,943	8,927,843

	2017	2016
	$	$
Debt securities	144,720,193	66,842,142
Equity securities	14,502,943	8,927,843
Total investments - carrying value	159,223,136	75,769,985
Market value	159,310,389	75,887,333

(In Canadian dollars)

9. Investments (continued)

Central 1 - liquidity reserve deposit

As a condition of maintaining membership in Central 1 in good standing, the Credit Union is required to maintain on deposit in Central 1 an amount equal to 6% of the total assets as at each month end. At maturity, these deposits are reinvested at market rates for various terms as determined by management. The deposit can be withdrawn only if there is a sufficient reduction in the Credit Union's assets or upon withdrawal of membership from Central 1.

Shares in Central 1

As a condition of maintaining membership in Central 1, the Credit Union is required to maintain an investment in shares of Central 1. These shares are dividend bearing. No market exists for shares of Central 1 except that they may be surrendered on withdrawal from membership for proceeds equal to the paid-in value, to be received in accordance with Central 1 by-law providing for the redemption of its share capital. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors.

In addition to the above, Central 1 Class A shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

The Credit Union classified these shares as available-for-sale. As no market exists for shares of Central 1 and the fair value of these shares cannot be reliably measured, the Credit Union holds these shares at cost, subject to review for impairment. The Credit Union has no intention of withdrawing from membership in Central 1.

Credit Union Central of Ontario Cooperative Association ("CUCO Co-op")

The Credit Union classified CUCO Co-op Class B Investment Shares as available for sale and is measured at fair value. As no market exists for these investment shares, the fair value is determined based on an independent valuation performed on the underlying investments of the CUCO Co-op, utilizing valuation techniques based on discounting expected future cash flows. The valuation was based on conditions existing at the statement of financial position date. The Credit Union continues to monitor the investment on a go forward basis. Possible changes that could have a material impact on the future of the assets held by CUCO Co-op include the following: (i) current economic conditions; and (ii) future developments related to the liquidity of the underlying assets.

10. Investments in associates

Details of the Credit Union's associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation	2017	2016
			%	%
Geranium Homes (Ballantrae)	Homes development	n/a	**30**	30
Geranium Homes (Ninth Line)	Homes development	n/a	**30**	30
Aurora Highland Gate	Homes development	n/a	**30**	30
Bloomington Woods	Homes development	n/a	**30**	30
Claremont	Homes development	n/a	**30**	30
Geranium Homes (Scugog)	Homes development	n/a	**30**	30
Continental Currency Exchange (CCE)	Currency services	n/a	**30**	-

10. Investments in associates (continued)

Summarized financial information for equity accounted investees, not adjusted for the percentage ownership held by the group, financial statements as of December 31st, in respect of the Credit Union's associates is set out below.

(in thousands)							2017
	Ballantrae	**Ninth Line**	**Aurora Highland Gate**	**Bloomington Woods**	**Claremont**	**Scugog**	**CCE**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Total assets	**453**	**4,919**	**12,847**	**1,018**	**1,279**	**2,335**	**35,859**
Total liabilities	**177**	**898**	**747**	**1,215**	**79**	**5**	**7,674**
Net assets	**276**	**4,021**	**12,100**	**(197)**	**1,200**	**2,330**	**28,185**
Total revenue	**-**	**-**	**-**	**28,670**	**-**	**-**	**14,328**
Total net income for the year	**-**	**-**	**-**	**1,013**	**-**	**-**	**1,805**
Share of net income attributable to the Credit Unioı	**-**	**-**	**-**	**506**	**-**	**-**	**350**
Share of other comprehensive income attributable to the Credit Union	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(in thousands)						2016
	Ballantrae	Ninth Line	Aurora Highland Gate	Bloomington Woods	Claremont	Scugog
	$	$	$	$	$	$
Total assets	1,143	6,632	8,245	13,145	1,200	1,504
Total liabilities	368	1,411	-	12,240	-	5
Net assets	775	5,221	8,245	905	1,200	1,499
Total revenue	12,132	32,629	-	-	-	-
Total net income (loss) for the year	1,805	7,607	-	(120)	-	-
Share of net income (loss) attributable to the Credit Union	602	3,804	-	(60)	-	-
Share of other comprehensive income attibutable to the Credit Union	-	-	-	-	-	-

(In Canadian dollars)

10. Investments in associates (continued)

The carrying value of the investment is as follows:

2017

	Ballantrae	Ninth Line	Aurora Highland Gate	Bloomington Woods	Claremont	Scugog	CCE	Total
	$	$	$	$	$			$
Opening investment	**266,650**	**3,110,128**	**8,245,000**	**1,007,793**	**1,020,000**	**1,370,000**	**-**	**15,019,571**
Capital contribution	**-**	**-**	**3,855,000**	**-**	**-**	**960,000**	**8,927,400**	**13,742,400**
Withdrawals during the year	**-**	**(400,000)**	**-**	**(1,369,425)**	**-**	**-**	**-**	**(1,769,425)**
Net income during the year	**-**		**-**	**506,523**	**-**	**-**	**350,000**	**856,523**
	266,650	**2,710,128**	**12,100,000**	**144,891**	**1,020,000**	**2,330,000**	**9,277,400**	**27,849,069**

2016

	Ballantrae	Ninth Line	Aurora Highland Gate	Bloomington Woods	Claremont	Scugog	Total
	$	$	$	$	$		$
Opening investment	1,746,681	2,706,126	5,410,000	2,282,793	1,020,000	1,310,000	14,475,600
Capital contribution	-	-	2,835,000	-	-	60,000	2,895,000
Withdrawals during the year	(2,081,645)	(3,400,000)	-	(1,215,075)	-	-	(6,696,720)
Net income during the year	601,614	3,804,002	-	(59,925)	-	-	4,345,691
	266,650	3,110,128	8,245,000	1,007,793	1,020,000	1,370,000	15,019,571

In 2016, one of the investment in associates, Highland Aurora Gates, received an offer to sell the lands, currently held as inventory for development, in the amount of $90 million. In the best interest of the investment, Highland Aurora Gates declined the offer and continues to plan to develop the lands as originally intended. In accordance with IAS 2 - Inventories, the lands held for development are recorded at cost. The Credit Union’s portion of the estimated fair value of this investment is approximately $19 million.

(In Canadian dollars)

11. Loans to members

	2017	2016
	$	$
Mortgages	**365,311,600**	332,565,542
Personal	**50,115,205**	46,564,511
Commercial	**396,884,364**	309,320,821
	812,311,169	688,450,874
Add: accrued interest on loans	**1,241,314**	1,071,849
Less: allowance for impaired loans (Note 12)	**(3,132,202)**	(3,368,541)
Net loans to members	**810,420,281**	686,154,182

The loan classifications set out above are as defined in the regulations to the Act.

Mortgages are repayable in weekly, bi-weekly and monthly blended principal and interest installments over a maximum term of five years based on a maximum amortization period of thirty years. Mortgages are secured by residential properties.

Commercial loans and personal loans, including line of credit loans, are repayable to the Credit Union in weekly, bi-weekly and 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 loans, except for mortgage loans, are open and, at the option of the borrower, may be repaid at any time without notice. Types of collateral generally obtained by the Credit Union include, but are not limited to, the following: member's personal property such as vehicles; cash and marketable securities; mortgage charges; fixed, floating or specific general security agreements; and personal guarantees.

Concentration of risk and credit quality of loans

The Credit Union has exposure to groupings of individual loans, which concentrate risk and create exposure to particular segments as noted below. The maximum exposure to credit risk of loans to members at December 31 is below. In addition, below is a breakdown of the security held on a portfolio basis:

	2017	2016
	$	$
Unsecured loans	**394,708,095**	257,094,080
Loans secured by cash	**1,110,593**	2,111,367
Loans secured by real property	**401,627,135**	424,178,475
Loans guaranteed by CMHC	**13,613,298**	1,883,475
Mortgages insured by Genworth	**765,766**	2,486,314
Mortgages insured by AIG	**486,282**	697,163
	812,311,169	688,450,874

Loan commitments

The Credit Union has authorized additional credit loans, which are unutilized at December 31, 2017, for a sum of $158,774,195 (2016 - $158,918,307).

As at December 31, 2017, the Credit Union has committed to the issuance of $80,753,364 in new commercial loans to members (2016 - $81,216,389).

See Note 29 for additional disclosures related to management's policies and procedures to manage its credit risk.

(In Canadian dollars)

11. Loans to members (continued)

Letters of credit

The credit union has issued letters of credit in the amount of $5,039,584 as at December 31, 2017 (2016 - $1,470,427).

Whole loan sales

At December 31, 2017, the Credit Union was administering, for a fee, on behalf of Concentra Financial ("Concentra"), members' mortgage loans aggregating $41,628,870 (2016 - $45,343,002). In the current year, $849,871 (2016 - $20,262,804) of mortgage loans were transferred to Concentra. As these mortgage loans do not belong to the Credit Union, they are not included in these consolidated financial statements.

12. Allowance for impaired loans

The activity in the allowance for impaired loans is summarized as follows:

	Personal	Mortgages	Commercial	2017 Total	2016 Total
	$	$	$	$	$
Balance, beginning of year	**1,144,253**	**88,914**	**2,135,374**	**3,368,541**	3,024,273
Business combination	**-**	**-**	**-**	**-**	163,100
Collection of loans written off	**597,705**	**-**	**1,242,211**	**1,839,916**	155,855
Loans written-off as uncollectible	**(466,011)**	**-**	**-**	**(466,011)**	(4,835,401)
(Recovery of) provision for impaired loans	**(348,964)**	**(50,672)**	**(1,210,608)**	**(1,610,244)**	4,860,714
Balance, end of year	**926,983**	**38,242**	**2,166,977**	**3,132,202**	3,368,541
Aggregate impaired loans, end of year	**535,653**	**348,504**	**13,054,300**	**13,938,457**	16,497,173

Credit quality of member loans is summarized as follows:

	Personal	Mortgages	Commercial	2017 Total	2016 Total
	$	$	$	$	$
Neither past due nor impaired [(1)]	**48,121,963**	**357,703,115**	**379,893,931**	**785,719,009**	660,510,593
Past due but not impaired	**1,457,589**	**7,259,981**	**3,936,133**	**12,653,703**	11,443,108
Impaired	**535,653**	**348,504**	**13,054,300**	**13,938,457**	16,497,173
	50,115,205	**365,311,600**	**396,884,364**	**812,311,169**	688,450,874
Less: specific allowance	**385,539**	**-**	**347,540**	**733,079**	730,112
	49,729,666	**365,311,600**	**396,536,824**	**811,578,090**	687,720,762
Less: collective allowance	**541,444**	**38,242**	**1,819,437**	**2,399,123**	2,638,429
	49,188,222	**365,273,358**	**394,717,387**	**809,178,967**	685,082,333

[(1)] A loan is considered to be past due when the counterparty has not made a payment the day of the contractual payment date.

(In Canadian dollars)

12. Allowance for impaired loans (continued)

Member loans past due but not impaired:

	Personal	Mortgages	Commercial	2017 Total	2016 Total
	$	**$**	**$**	**$**	$
Past due but not impared					
Under 30 days	**1,121,065**	**5,972,072**	**3,935,351**	**11,028,488**	6,942,717
30 to 89 days	**336,524**	**1,287,909**	**782**	**1,625,215**	4,500,391
	1,457,589	**7,259,981**	**3,936,133**	**12,653,703**	11,443,108

13. Property and equipment

	Land	Buildings	Computer equipment	Furniture and equipment	Leasehold improve-ments	2017 Total
	$	**$**	**$**	**$**	**$**	**$**
Cost						
Balance, beginning of year	**1,585,197**	**9,012,677**	**1,695,699**	**1,898,852**	**803,392**	**14,995,817**
Additions	**-**	**2,137,205**	**1,001,560**	**115,901**	**-**	**3,254,666**
Disposals	**-**	**-**	**(618,281)**	**-**	**(48,554)**	**(666,835)**
Balance, end of year	**1,585,197**	**11,149,882**	**2,078,978**	**2,014,753**	**754,838**	**17,583,648**
Accumulated depreciation						
Balance, beginning of year	**-**	**2,020,106**	**956,658**	**1,168,878**	**477,322**	**4,622,964**
Depreciation	**-**	**329,742**	**381,184**	**184,620**	**145,550**	**1,041,096**
Disposals	**-**	**-**	**(618,281)**	**-**	**(48,554)**	**(666,835)**
Balance, end of year	**-**	**2,349,848**	**719,561**	**1,353,498**	**574,318**	**4,997,225**
Net book value 2017	**1,585,197**	**8,800,034**	**1,359,417**	**661,255**	**180,520**	**12,586,423**
Net book value 2016	1,585,197	6,992,571	739,041	729,974	326,070	10,372,853

(In Canadian dollars)

14. Intangible assets

	Computer software	Core deposits	Customer relationships	License *	Total
					2017
	$	**$**	**$**	**$**	**$**
Cost					
Balance, beginning of year	**2,988,954**	**4,299,446**	**714,000**	**585,000**	**8,587,400**
Additions	**338,833**	**58,685**	**158,725**	**-**	**556,243**
Disposals	**(48,017)**	**-**	**-**	**-**	**(48,017)**
Balance, end of year	**3,279,770**	**4,358,131**	**872,725**	**585,000**	**9,095,626**
Accumulated amortization					
Balance, beginning of year	**2,024,595**	**3,359,610**	**343,800**	**-**	**5,728,005**
Amortization expense	**185,387**	**250,958**	**87,273**	**-**	**523,618**
Disposals	**(48,017)**	**-**	**-**	**-**	**(48,017)**
Balance, end of year	**2,161,965**	**3,610,568**	**431,073**	**-**	**6,203,606**
Net book value, 2017	**1,117,805**	**747,563**	**441,652**	**585,000**	**2,892,020**
Net book value, 2016	964,359	939,836	370,200	585,000	2,859,395

* Intangible asset has indefinite life, therefore not amortized.

15. Investment properties

	2017	2016
	$	$
Cost		
Balance, beginning of year	**5,119,797**	4,345,288
Additions	**-**	3,630,597
Transfer (out) in	**(167,439)**	(254,780)
Disposals	**-**	(2,607,083)
Capitalized development costs	**-**	5,775
Balance, end of year	**4,952,358**	5,119,797
Rental income from investment properties	**112,000**	-

Rental income is collected on a monthly basis for any properties leased.

(In Canadian dollars)

16. Other assets

	2017	2016
	$	$
Accounts receivable	**14,321,189**	12,613,319
Prepaid expenses	**1,228,549**	1,856,245
Funds held in trust (Note 19)	**6,995,205**	6,485,205
Property acquired by foreclosure and held for resale	**12,596,209**	13,080,089
	35,141,152	34,034,858

Property acquired by foreclosure and held for resale

As at December 31, 2017 the Credit Union was in possession of four commercial properties with a carrying value of $12,596,209 (2016 - four commercial properties with a carrying value of $13,080,089).

17. Deposits from members

	2017	2016
	$	$
Personal chequing accounts	**219,902,595**	184,567,805
Savings accounts	**235,262,283**	199,158,195
Term deposits	**301,195,463**	227,813,180
Registered retirement savings plans	**84,769,307**	92,473,822
Registered retirement savings funds	**49,567,556**	45,922,792
Tax free savings accounts	**55,389,341**	46,617,696
	946,086,545	796,553,490
Add: accrued interest on deposits from members	**10,490,731**	10,006,616
	956,577,276	806,560,106

Term deposits

Term deposits for periods of one to five years generally may not be withdrawn, prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Withdrawal privileges on all deposit accounts are subject to the overriding right of the Board of Directors to impose a waiting period.

Registered retirement plans

Concentra Trust is the trustee for the registered retirement plans offered to members. Under an agreement with the Concentra Trust, 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 the parties designated by them, by the Credit Union, on behalf of Concentra Trust.

Index-linked term deposits

At December 31, 2017, the Credit Union has issued $946,517 (2016 - $1,465,393) of index-linked term deposit products to its members. These term deposits have maturities of 3 and 5 years and pay interest to the depositors at the end of the term, based on the performance of various Toronto Stock Exchange ("TSX") indices.

(In Canadian dollars)

17. Deposits from members (continued)

Index-linked term deposits (continued)

The Credit Union has entered into hedge agreements with Central to offset the exposure to the indices associated with these products. The Credit Union pays Central a fixed amount on the face value of these term deposit products. At the end of the respective terms, the Credit Union receives payments from Central equal to the amount required to be paid to the depositors based on the performance of the specified TSX indices.

The purpose of these agreements is to provide a hedge against market fluctuations. These agreements have a fair value that varies based on the particular contract and changes in interest rates. The fair value of these agreements is $89,512 at December 31, 2017 (2016 - $201,814) and has been accounted for as a derivative in accordance with the Credit Union's accounting policy.

18. Other liabilities

	2017	2016
	$	$
Accounts payable and accrued liabilities	**3,216,384**	2,488,554
Income taxes payable (Note 20)	**668,125**	1,144
Prepaid card program	**1,081,000**	1,400,000
Employment benefits (Note 19)	**4,454,893**	4,600,125
Preference shares	**11,453,454**	-
Margin accounts for investment purposes	**29,921,011**	-
Due to investment carrying broker	**9,051,429**	-
	59,846,296	8,489,823

Prepaid card program

At December 31, 2017, one distributor in the prepaid card program had a shortfall between the total value of prepaid cards outstanding of $1.5 million and the funds on deposit of $NIL. The Credit Union estimates that approximately $1.0 million of the outstanding prepaid card balances that have had no recent activity or have small balances remaining, will never be redeemed. Therefore, a liability in the amount of $1.1 million (2016 - $1.4 million) has been recorded to allow for the amount the Credit Union may not be able to recover from the distributor.

Preference shares

1,186,435 redeemable cumulative preference shares with a coupon rate of 5% per annum were issued during the year at an issue price of $10 per share. The shares are redeemable up to five and one-half years from the subscription date with a fixed redemption date of December 31, 2022. The shares are unsecured borrowings of PACE Financial Limited. These redeemable cumulative preference shares do not contain any equity component and are classified as financial liabilities in their entirety. Dividends of $285,340 were accrued on redeemable cumulative preference shares and are included in comprehensive income.

19. Employment benefits

Unfunded defined benefit post-employment plan

The Credit Union has an unfunded defined benefit post-employment plan, based on fixed salaries, open to certain senior management personnel of the Credit Union meeting certain eligibility conditions. The defined benefit post-employment plan exposes the Credit Union to actuarial risks such as; investment risk and interest rate risk.

(In Canadian dollars)

19. Employment benefits (continued)

Unfunded defined benefit post-employment plan (continued)

Investment risk

The present value of the defined benefit post-employment liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the net assets available for benefits. This risk arises from differences in the timing and amount of cash flows related to the assets. The value of the assets is affected by short-term changes in nominal interest rates and equity markets both domestic and foreign. The plan uses investment diversification to mitigate this risk.

As the defined benefit post-employment plan is unfunded, the Credit Union has funds held in trust, included in the consolidated statement of financial position of $6,995,205 as of December 31, 2017 (2016 - $6,485,205) pursuant to the terms of the employment contracts entered into by the Credit Union. The funds are managed by an external investment management firm and invested in a balance of cash, short-term, fixed income and domestic equities. Any interest earned on these funds is re-invested at the time of maturity of the investments. As at December 31, 2017 the funds held in trust are fully funded based on the Credit Union's current obligation.

The Credit Union measures its defined benefit obligation for accounting purposes at December 31 every year. The amount included in the consolidated statement of financial position arising from the Credit Union's obligation in respect of defined benefit post-employment plan is $4,454,893 as of December 31, 2017 (2016 - $4,600,125).

Movements in the present value of the defined benefit obligation are as follows:

	2017	2016
	$	$
Defined benefit obligation		
Opening defined benefit obligation	**4,600,125**	4,135,357
Current service cost	**-**	674,279
Interest cost	**286,768**	275,489
Remeasurement gains/losses		
Actuarial gain from changes in experience adjustments	**(432,000)**	(485,000)
Benefits paid	**-**	-
	4,454,893	4,600,125

Amounts recognized in comprehensive income in respect of the defined benefit plan is as follows:

	2017	2016
	$	$
Current service cost	**-**	674,279
Net interest expense	**286,768**	275,489
Components of defined benefit costs recognized in net income	**286,768**	949,768

The net interest expense for the year is included in personnel expense in net income. The remeasurement of the net defined benefit obligation is included in other comprehensive income.

(In Canadian dollars)

19. Employment benefits (continued)

Unfunded defined benefit post-employment plan (continued)

Interest rate risk (continued)

Remeasurements of the net defined benefit obligation recognized in other comprehensive income are as follows:

	2017	2016
	$	$
Cumulative amounts, opening	**(251,940)**	233,060
Actuarial loss (gain) from changes in experience adjustments	**432,000**	(485,000)
Cumulative amounts, closing	**180,060**	(251,940)

The principal assumption(s) used for the purposes of estimating the present value of the defined benefit obligation were as follows:

	2017	2016
	%	%
Discount rate	**2.79**	2.72

The sensitivity analyses below have been determined based on reasonably possible changes of the discount rate occurring at the end of the reporting period, while holding all other assumptions constant. If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by $144,760 (increase by $136,381).

Defined contribution plan

The Credit Union maintains a defined contribution pension plan. The total cost of $493,321 (2016 - $435,028) recognized in the statement of comprehensive income represents cash contributions made by the Credit Union to the plan.

20. Income taxes

The following are major components of the income tax expense:

	2017	2016
	$	$
Current tax		
Current tax expense in respect in the year	**1,170,000**	407,000
Deferred tax		
Deferred tax expense (recovery) in the year	**250,000**	(363,500)
	1,420,000	43,500

(In Canadian dollars)

20. Income taxes (continued)

The provision for income taxes reported for the year ended differs from the amount computed by applying the Canadian statutory rate to income before income taxes for the following reasons:

	2017	2016
	$	$
Income before taxes	**6,722,091**	2,282,762
Income tax expense based on statutory rate of 19.5% (2016 - 18.7%)	**1,310,808**	426,877
Effect of non-deductible expenses	**41,711**	16,000
Effect of permanent differences	**(86,344)**	(303,443)
Income tax rate changes in deferred taxes, return to provision and other	**153,825**	(95,934)
	1,420,000	43,500

Temporary differences which give rise to the following deferred income tax liability as at December 31 are as follows:

	2017	2016
	$	$
Deferred income tax asset (liability)		
Investments	**5,150**	(265,000)
Loans to members	**55,750**	75,000
Allowance for impaired loans	**467,850**	516,500
Property and equipment	**(176,250)**	(230,000)
Intangibles	**(564,000)**	(495,000)
Investment property	**-**	(65,000)
Members deposits	**130,000**	150,000
Employment benefit and other liabilities	**746,405**	895,000
Unused tax losses	**63,750**	210,100
Deferred income tax asset	**728,655**	791,600

(In Canadian dollars)

21. Members' shares

			2017		2016
	Authorized	**Liability**	**Equity**	Liability	Equity
		$	**$**	$	$
Membership shares	unlimited	**-**	**7,022,675**	-	6,319,599
Class A profit shares	unlimited	**478,786**	**4,309,078**	439,974	3,959,767
Class B investment shares, Series 3	unlimited	**709,391**	**6,384,515**	709,391	6,384,515
Class B investment shares, Series 4	unlimited	**246,096**	**2,214,868**	238,878	2,149,902
Class B investment shares, Series 5	unlimited	**63,747**	**573,719**	61,829	556,462
Class B investment shares, Series 1	unlimited	**130,026**	**1,170,235**	130,026	1,170,235
Class B investment shares, Series 2	unlimited	**61,115**	**550,037**	59,407	534,660
		1,689,161	**22,225,127**	1,639,505	21,075,140

Membership, Class A profit shares and Class B investment shares are recognized as a liability, equity or compound instrument based on their terms and conditions in accordance with IAS 32 Financial Instrument Presentation and IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments. If the shares are classified as equity, they are recorded at cost. If the shares are recognized as a liability, they are initially measured at fair value and subsequently recorded at amortized cost using the effective interest method.

a) *Authorized share capital and classification*

Membership shares rank junior to Class A Profit Shares and to Class B Investment Shares for priority in the declaration and payment of dividends and in the event of the liquidation, dissolution or winding-up of the Credit Union. In addition, Class A Profit Shares rank junior to the Class B Investment Shares. All classes of shares are redeemable at the amounts paid thereon, plus declared and unpaid dividends, under various conditions and in accordance with the terms set out in the articles of the Credit Union, and subject to certain restrictions which are set out in governing legislation.

Membership shares

The Credit Union is authorized to issue an unlimited number of membership shares, with an issuance price of $5 each. As a condition of membership, each member under eighteen years of age must hold at least two shares, while all other members must hold 35 shares.

As at December 31, 2017, there were 37,465 (2016 - 35,256 members) and 1,404,535 (2016 - 1,263,920) membership shares outstanding. Shares may be withdrawn on demand, subject to the Credit Union meeting capital adequacy requirements and the discretion of the Board of Directors, who may require notice.

21. Members' shares (continued)

a) *Authorized share capital and classification (continued)*

Class A profit shares

The Credit Union is authorized to issue an unlimited number of Class A non-cumulative, non-voting, non-participating special shares ("Class A Profit Shares") with an issue price of $1 each. The Class A Profit Shares are redeemable at the issuance price at any time on or after the date on which the shareholder reaches the age of 65 years, or upon termination of membership, or after the death of the shareholder. Redemptions in any fiscal year may not exceed 10% of the total Class A Profit Shares outstanding at the beginning of that fiscal year.

Class B investment shares, Series 03, Series 04 and Series 05

The Credit Union is authorized to issue an unlimited number of Class B, Series 03, Series 04 and Series 05 non-cumulative, non-voting, non-participating special shares "Class B investment shares"), issuable in series, with an issuance price of $1 each. Class B Investment Shares, Series 03, Series 04 and Series 05 may be redeemed in any fiscal year, after the first five years subsequent to issuance, to the extent of 10% of the total Class B Investment Shares, Series 03, Series 04 or Series 05 outstanding at the end of the previous fiscal year, or after the death of the shareholder, or if expelled from membership.

Class B investment shares, Series 01

The Credit Union is authorized to issue an unlimited number of Class B, Series 95 non-cumulative, non-voting, non-participating special shares ("Class B Investment Shares, Series 95"), issuable in series, with an issuance price of $1 each. Class B Investment Shares, Series 95 may be redeemed in any fiscal year, after the first five years subsequent to issuance, to the extent of 10% of the total Class B Investment Shares, Series 95 outstanding at the end of the previous fiscal year, or after the death of the shareholder.

Class B investment shares, Series 02

The Credit Union is authorized to issue an unlimited number of Class B, Series 97 non-cumulative, non-voting, non-participating special shares ("Class B Investment Shares, Series 97"), issuable in series, with an issuance price of $1 each. Class B Investment Shares, Series 97 may be redeemed in any fiscal year, to the extent of 10% of the total Class B Investment Shares, Series 97 outstanding at the end of the previous fiscal year.

b) *Dividends*

The holders of Class A profit shares and Class B investment shares are entitled to receive dividends when declared by the Board of Directors, subject to the availability of sufficient earnings to meet regulatory requirements of the Act, which is described in Note 22.

As at December 31, 2017, the Board of Directors declared dividends of 3% (2016 - 3%) on Class A profit shares, all Class B investment shares and membership shares.

(In Canadian dollars)

22. Capital adequacy

Capital management

The Board approves annually the capital management policy and the annual business plan. This policy outlines the Credit Union's overall objectives and guidelines to ensure that the Credit Union has the required quantity, quality and appropriate composition of capital needed to address the inherent risks of the Credit Union and to support the current and future operating plans.

The Act requires credit unions to maintain regulatory capital of at least 4% of total assets (denoted as leverage ratio below) and 8% of risk-weighted assets. The risk weighting of assets is specified in the Regulations to the Act. The Credit Union is in compliance with its policies and the Act regarding regulatory capital as at December 31 as outlined in the table below.

	2017		2016
	$		$
Tier 1 capital			
Retained earnings	**35,977,030**		30,788,181
Contributed surplus	**3,544,262**		3,544,262
Membership shares	**7,022,675**		6,319,599
Class A profit shares, qualifying as Tier 1 capital	**2,052,146**		2,052,146
Class B investment shares, qualifying as Tier 1 capital	**10,332,004**		10,339,382
Less: assets deducted from regulatory capital	**-**		-
	58,928,117	-	53,043,570
Tier 2 capital			
Class A profit shares, qualifying as Tier 2 capital	**2,735,717**		2,347,595
Class B investment shares, qualifying as Tier 2 capital	**1,771,746**		1,655,923
Collective loan provision	**2,399,123**		2,638,429
Accumulated net after tax unrealized gain on available-for-sale debt and equity securities reported in other comprehensive income	**1,657,441**		2,428,459
	8,564,027	-	9,070,406
	67,492,144	-	62,113,976
	%		%
Leverage ratio	**6.23**		7.10
Risk weighted assets ratio	**8.74**		10.60

(In Canadian dollars)

23. Related party transactions

Key management personnel, directors and their related parties have transacted with the Credit Union during the year as follows:

	2017			2016
	Maximum balance	**Closing balance**	Maximum balance	Closing balance
	$	**$**	$	$
Loans to members	**38,267,074**	**36,141,738**	32,574,948	30,627,427
Member deposits	**n/a**	**19,709,398**	n/a	14,543,943
Membership shares	**n/a**	**1,561,094**	n/a	1,424,450
	38,267,074	**57,412,230**	32,574,948	46,595,820

The interest rates charged on balances outstanding from key management personnel, directors and their related parties are the same as those charged in an arm's length transaction. Loan and mortgages balances are secured as per the Credit Union lending policies.

There was no allowance for impaired loans required in respect of these loans as at December 31, 2017 and 2016.

Key management personnel and their related parties received compensation in the period which comprised of:

	2017	2016
	$	$
Salaries and other short-term employee benefits	**2,882,951**	2,733,595
Post-retirement benefits	**189,352**	162,628
	3,072,303	2,896,223

In addition to key management personnel's salaries, twelve (2016 - twelve) members of senior management have entered into employment contracts to provide for certain employment benefits. See Note 19 for further details.

Directors received the following amounts for serving the Credit Union:

	2017	2016
	$	$
Directors' expenses	**9,475**	16,923
Directors' remuneration	**64,549**	99,511

(In Canadian dollars)

24. Remuneration of officers and employees

In accordance with the requirements of the Act and accompanying Regulations the remuneration of the specified officers and employees for the 12 month period ended December 31, 2017, is set out below:

		Salary	Other	Benefits	Total
		$	$	$	$
L. Smith	President	575,000	61,010	55,539	691,549
P. Smith	Chief executive officer	325,000	186,750	49,134	560,884
M. Benincasa	Chief operating officer	150,000	75,800	51,990	277,790
K. Colacicco	Corporate secretary	130,000	88,000	38,344	256,344
S. Delabbio	Chief financial officer	120,000	75,000	22,823	217,823

25. Commitments

The Credit Union is committed to the following minimum annual payments for its leased premises:

	$
2018	522,391
2019	526,162
2020	467,781
2021	496,900
2022	456,965
2023 and thereafter	1,389,921
	3,860,120

The Credit Union has entered into an agreement to purchase retail space and parking spaces in Stouffville for $3,000,000, with a closing date at the earlier of August 31, 2018 or 10 days following the date that the retail area is severed from the remainder of the lands and residential condominium.

26. Contingencies

During the normal course of business, there are various claims and proceedings which have been or may be instituted against the Credit Union. Management believes the disposition of the matters that are pending or asserted is not expected to have a material adverse effect on the financial position or the results of operations of the Credit Union.

27. Other information

The total fees paid to Central 1 for the year ended December 31, 2017 amounted to $358,808 (2016 - $435,209). These fees were primarily related to banking functions, educational training courses and consulting fees.

28. Fair value of financial instruments

Fair value

The amounts set out below represent the fair values of the Credit Union's financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets that are not considered financial instruments, such as prepaid expenses, property and equipment, investments in associates, intangible assets, investment property, other property held for resale, deferred income taxes and employment benefits.

28. Fair value of financial instruments (continued)

Fair value (continued)

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

Except as detailed in the following table, the Credit Union considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

			2017	2016
(In thousands of dollars)	**Fair value**	**Carrying value**	**Fair value over (under) carrying value**	Fair value over (under) carrying value
	$	**$**	**$**	$
Assets				
Investments	**159,310**	**159,223**	**87**	117
Loans to members	**803,569**	**810,420**	**(6,851)**	(1,521)
Deposits				
Deposits from members	**971,806**	**956,577**	**15,229**	(2,765)

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

(i) The fair values of cash and cash equivalents, certain other assets and certain other liabilities are assumed to approximate their carrying values, due to their short-term nature.

(ii) The fair value of investments is based on quoted market values where available (see Note 9). Where no quoted market price is available, the following assumptions were used to determine the fair value, which was completed as at the statement of financial position date:

(a) CUCO Co-op - Class B investment shares - an independent valuation was completed on the underlying investments of CUCO Co-op, utilizing valuation techniques based on discounting expected future cashflows.

(b) Derivative financial instruments - fair value was calculated using a discounted cash flow approach, with the discount rate being the estimated receive and pay rates over the term of the swap.

Where the Credit Union has concluded that the fair value cannot be reliably measured, including Class A shares - Central 1, Class E shares - Central 1, and other shares as these investments do not have a quoted market price in an active market and therefore are carried at cost.

(iii) The estimated fair value of floating rate loans and floating rate deposits is assumed to be equal to book value as the interest rates on these loans and deposits reprice to market on a periodic basis.

(iv) The estimated fair value of fixed rate loans, fixed rate deposits and liabilities qualifying as regulatory capital is determined by discounting the expected future cash flows of these loans, deposits and capital accounts at current market rates for products with similar terms and credit risks.

28. Fair value of financial instruments (continued)

Fair value (continued)

Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The table below analyzes financial instruments by valuation method, for financial instruments where fair value is disclosed in the financial statements:

				2017
	Fair value measurements using			
(In thousands of dollars)	**Level 1**	**Level 2**	**Level 3**	**Assets at fair value**
	$	**$**	**$**	**$**
Assets				
Index-linked derivative contracts	**-**	**90**	**-**	**90**
Investments - debt securities	**-**	**138,792**	**6,015**	**144,807**
CUCO Co-op - Class B investment shares	**-**	**-**	**46**	**46**
Central 1 - Class A Shares	**-**	**-**	**3,241**	**3,241**
Central 1 - Class E Shares	**-**	**-**	**2,814**	**2,814**
Other shares	**500**	**2,929**	**4,973**	**8,402**
Loans to members	**-**	**803,569**	**-**	**803,569**
	500	**945,380**	**17,089**	**962,969**
Liability				
Deposits from members	**-**	**971,806**	**-**	**971,806**

28. Fair value of financial instruments (continued)

Fair value (continued)

Fair value hierarchy (continued)

				2016
	Fair value measurements using			
(In thousands of dollars)	Level 1	Level 2	Level 3	Assets at fair value
	$	$	$	$
Assets				
Index-linked derivative contracts	-	202	-	202
Investments - debt securities	-	60,830	6,130	66,960
CUCO Co-op - Class B investment shares	-	-	1,583	1,583
Central 1 - Class A Shares	-	-	3,096	3,096
Central 1 - Class E Shares	-	-	2,920	2,920
Other shares	-	-	1,329	1,329
Loans to members	-	684,633	-	684,633
	-	745,665	15,058	760,723
Liability				
Deposits from members	-	803,795	-	803,795

29. Nature and extent of risks arising from financial instruments

The Credit Union is exposed to the following risks as a result of holding financial instruments: credit risk, liquidity risk and market risk. The following is a description of these risks and how the Credit Union manages its exposure to these risks.

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 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 Credit Union uses a disciplined lending approach with standard underwriting parameters for each category of loans. These parameters are used to assist the Credit Union in implementing a prudent and effective process to assess the borrower's ability to repay.

The Credit Union mitigates credit risk by obtaining quality collateral. The Credit Union considers collateral to be of good quality if it can determine the legal validity and market value on an on-going basis. The Credit Union's internal policy provides additional information regarding the appropriate collateral based on the category of loan. Types of collateral generally obtained by the Credit Union include, but are not limited to, the following: member's personal property such as vehicles; cash and marketable securities; mortgage charges; fixed, floating or specific general security agreements; and personal guarantees.

In addition, the Credit Union monitors its loan concentration to ensure that it is in compliance with its policies.

(In Canadian dollars)

29. Nature and extent of risks arising from financial instruments (continued)

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.

The Credit Union's objective is to implement a policy that addresses limits on the sources, quality and amount of the assets to meet normal operational, contingency funding for significant deposit withdrawals and regulatory requirements.

The Board of Directors ("Board") is ultimately responsible for the liquidity risk management policy. Management reports monthly, to the Board, the Credit Union's compliance with the policy and regulatory requirements; concentration of large deposits of single/connected depositors as a percentage of total deposits; and reports borrowings for liquidity purposes, the level of borrowings and the liquidity less borrowings in relation to the statutory minimum.

Additional details are outlined in the Credit Union's internal policy manual.

The Act requires credit unions to maintain eligible assets for adequate liquidity. Assets held by the Credit Union for such purposes are outlined in the table below.

	2017	2016
	$	$
Cash and cash equivalents	**29,809,594**	44,403,235
Investments - Central 1 term deposits	**18,000,000**	6,000,000
Investments - Central 1 liquidity reserve deposits	**62,391,757**	51,201,487
Investments - Other financial institutions	**1,188,495**	3,399,510
Total assets held for liquidity	**111,389,846**	105,004,232

Contractual maturities of financial liabilities are shown under interest rate risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

Market risk

Market risk is the risk of loss that may arise from change in market factors such as interest rates and foreign exchange rates. The Credit Union is exposed to this market risk in its investing and asset/liability management activities.

Senior management is responsible for managing market risk in accordance with the Credit Union's internal policy. Senior management reports monthly to the Board its compliance with the policy and regulatory requirements; dollar volume and yields of all investments by investment category; and the particulars of all investment transactions entered into by the Credit Union. All exceptions noted are to be reported to the Board.

The Board is responsible for monitoring significant variances and to ensure that corrective measures are implemented.

29. Nature and extent of risks arising from financial instruments (continued)

Market risk (continued)

Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's net income when maturities of its financial liabilities are not matched with the maturities of its financial assets or which are priced on a different basis. 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.

The table below summarizes the carrying amounts of financial instruments exposed to interest rate risk by maturity dates and effective interest rates for the following financial instruments (in thousands of dollars):

(in thousands of dollars)						2017		2016
	Variable rate/on demand	**Less than one year**	**One to five years**	**Non-rate sensitive**	**Total**	**Effective interest rate**	Total	Effective interest rate
	$	**$**	**$**	**$**	**$**	**%**	$	%
Cash and cash equivalents	**27,608**	**-**	**-**	**2,202**	**29,810**	**0.49**	44,403	0.55
Investments	**63,978**	**36,942**	**46,729**	**11,574**	**159,223**	**0.70**	75,770	0.84
Loans to members	**210,723**	**309,075**	**289,667**	**955**	**810,420**	**4.46**	686,154	4.60
	302,309	**346,017**	**336,396**	**14,731**	**999,453**		806,327	
Deposits from members	**343,212**	**227,569**	**237,591**	**148,205**	**956,577**	**1.47**	806,560	1.38
On-balance sheet gap	**(40,903)**	**118,448**	**98,805**	**(133,474)**	**42,876**		(233)	

An analysis of the Credit Union's risk due to changes in interest rates determined that a 100bp increase in interest rates, with all other variables held constant, would result in an increase in net income of $428,974 while a 100bp decrease in interest rates, with all other variables held constant, would result in a decrease in net income of $556,726.

Foreign currency exchange risk

Foreign currency exchange risk refers to the potential impact of changes in foreign exchange rates on the Credit Union's net income when balances or currencies of its foreign currency liabilities are not matched with the balances of its foreign currency assets. It is the policy of the Credit Union to mitigate exposure to foreign exchange rate fluctuations by matching its foreign currency liabilities to its foreign currency assets.

Net foreign exchange gains of $289,802 (2016 - $254,707) have been included in other operating income on the consolidated statement of comprehensive income for the year ended December 31, 2017.

(In Canadian dollars)

30. Business combination

Durham Educational Employees' Credit Union Limited

On June 30, 2017, the Credit Union purchased the assets and assumed the liabilities, including all membership share account balances, of Durham Educational Employees' Credit Union Limited ("DEECU"), through an Asset Purchase Agreement. Under the terms of these agreements, the members of DEECU became members of the Credit Union. The members of DEECU were issued membership shares of the Credit Union as consideration for their membership shares in DEECU.

DEECU operated their head office in Whitby, and was owned by its members. The Board of Directors of both organizations felt that a business combination would be beneficial to the members of both credit unions. The Credit Union has been identified as the acquirer of DEECU in this transaction and as such, must account for this business combination using the acquisition method, which requires the assets and liabilities of DEECU to be recognized at their fair values as of the date of acquisition of June 30, 2017.

The net difference between fair value of the assets and liabiltiies was transferred to the Credit Union's contributed surplus balance. This balance was subsequently transferred to Retained Earnings.

Details of the fair value of identifiable assets and liabilities assumed on June 30, 2017 are as follows:

	$
Assets acquired	
Cash	2,713,542
Investments	308,380
Loans to members	1,242,028
Other assets	10,509
Property and equipment	2,054
Intangible assets	147,811
Total assets acquired	4,424,324
Liabilities assumed	
Deposits from members	(4,030,600)
Current liabilities	(4,684)
Membership shares	(120,300)
Total liabilities acquired	(4,155,584)
Gain on acquisition, transferred to contributed surplus	268,740

(In Canadian dollars)

30. Business combination (continued)

London Fire Fighters Credit Union Limited

On November 30, 2017, the Credit Union purchased the assets and assumed the liabilities, including all membership share account balances, of London Fire Fighers Credit Union Limited (“LFFCU”), through an Asset Purchase Agreement. Under the terms of these agreements, the members of LFFCU became members of the Credit Union. The members of LFFCU were issued membership shares of the Credit Union as consideration for their membership shares in LFFCU.

LFFCU operated their head office in London, and was owned by its members. The Board of Directors of both organizations felt that a business combination would be beneficial to the members of both credit unions. The Credit Union has been identified as the acquirer of LFFCU in this transaction and as such, must account for this business combination using the acquisition method, which requires the assets and liabilities of LFFCU to be recognized at their fair values as of the date of acquisition of November 30, 2017.

The net difference between fair value of the assets and liabiltiies was transferred to the Credit Union’s contributed surplus balance. This balance was subsequently transferred to Retained Earnings.

Details of the fair value of identifiable assets and liabilities assumed on November 30, 2017 are as follows:

	$
Assets acquired	
Cash	1,295,259
Investments	565,578
Loans to members	2,130,995
Other assets	5,568
Intangible assets	60,856
Total assets acquired	4,058,256
Liabilities assumed	
Deposits from members	(3,748,996)
Current liabilities	(10,119)
Membership shares	(129,210)
Total liabilities acquired	(3,888,325)
Gain on acquisition, transferred to contributed surplus	169,931

Between the two business combinations during the year, the total gain on acquisition that resulted in the net result being transferred to contributed surplus is as follows:

	$
Durham Educational Employees Credit Union Limited	268,740
London Fire Fighters Credit Union Limited	169,931
Total transferred to contributed surplus	438,671