



strength from within
2007 ANNUAL REPORT
GULF & FRASER
FISHERMEN'S
CREDIT UNION



G&F
FINANCIAL GROUP
where members belong

FOR OVER 65 YEARS, G&F FINANCIAL GROUP HAS BEEN MAKING DREAMS HAPPEN. WE ARE PASSIONATE ABOUT SUPERIOR SERVICE AND COMMITTED TO A MEMBER-FIRST PHILOSOPHY.

AS A PEOPLE-ORIENTED ORGANIZATION, OUR COMMITMENT EXTENDS BEYOND OUR CREDIT UNION WALLS TO HELPING LOCAL COMMUNITIES THRIVE. WE SHOW OUR SUPPORT THROUGH COMMUNITY PARTICIPATION AND SPONSORSHIP, AND THROUGH NUMEROUS CAUSES AND EVENTS, SPANNING SIX REGIONS IN THE LOWER MAINLAND.



Judy Lau
Branch Manager,
Steveston Branch
Richmond

Steveston Marina

ON OUR COVER | The recognizable *Fisherman* relief at Steveston's branch also identifies the Hastings branch in Vancouver, reflecting our credit union's unique fishing history.

SUPPORT FOR OUR LOCAL COMMUNITIES CAN ONLY OCCUR WITH THE TIME AND EFFORT OF OUR HARD WORKING EMPLOYEES, WHO DEDICATE NUMEROUS HOURS AND DOLLARS TO THE COMMUNITY AND TO CHARITY ON WEEKENDS, EVENINGS AND EVEN HOLIDAYS.

THEIR ACTIONS REVEAL A STRENGTH THAT RADIATES FROM WITHIN OUR CREDIT UNION — THE STRENGTH OF OUR PEOPLE.



Supporting our history and heritage

To this day, the fishing community plays a large role in G&F Financial Group's history and heritage at one of our oldest branches, the Steveston branch. Many of our long time members belong to the fishing industry, and the branch's strong support of the annual Steveston Salmon Festival recognizes their bond with the community.

Branch Manager Judy Lau and her staff participate each year in the festival, setting up a mustering station for the Children's Bike Parade in the parking lot of G&F Financial Group. In the past, Judy also coordinated with G&F Financial Group employees and students from Manoah Steves Elementary to enter a float on behalf of our credit union in the annual festival parade.

Aside from their work with the festival, Judy and her staff are active fundraisers for Manoah Steves Elementary, and donate funds toward scholarships at R.A. McMath and London Secondary schools.

Judy is a current director and an assistant treasurer for the Steveston Rotary Club. Last year, she raised money for over 30 gift boxes for donation to orphans in Zambia; and she provided support for a variety of corporate initiatives, such as G&F Financial Group's Annual Charity Golf Tournament, the United Way Employee Campaign and the Vancouver Sun Run.



BOARD OF DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to report that 2007 was a year of solid performance for Gulf and Fraser Fishermen's Credit Union. A year of change for us and instability within the financial services industry, 2007 saw the credit union rise to the challenge and once again post substantial earnings while furthering our efforts to build for the future of the credit union, our members, and the communities in which we operate.

Sharing our Success

At G&F Financial Group, we recognize the importance of sharing the success of our credit union with our members — one of the keys to our success. To ensure our members' financial well-being, we have remained committed to offering top-of-market rates on our products and services. Our High Interest Savings and RRSP High Interest Savings accounts were shining examples of the credit union's commitment to offering products that provide our members with the flexibility they need coupled with a high return on their investment. In addition, the Board of Directors was pleased to declare a 5% dividend on Membership Equity Shares and a 1% dividend on Non-Equity Shares. Returning income to our members through dividends acknowledges that the success of our credit union can only be achieved with their continued support.

Even though 2007 was a year of change within G&F Financial Group, we still maintained our external focus, especially on one of our key objectives — making a difference in our communities. Throughout last year, our credit union and our staff supported hundreds of community initiatives and charitable organizations through sponsorships, donations, scholarships and countless volunteer hours. For example, employees once again increased their contributions to the United Way while the credit union matched employee contribution up to \$25,000 — in total, we donated over \$53,000 to a variety of causes through United Way. We also increased our presence in the community by attending more local events, illustrating the dedication of our staff and our credit union to making a positive impact in the communities we serve.

As always, the coming year will present new and interesting opportunities, and we are excited about the potential they offer. At this time, the Board of Directors would like to thank the management and staff for their efforts and commitment this past year. They continue to focus on delivering exceptional service to our members and on creating a positive impact in our communities. Their dedication only further highlights why our people are our strength. In closing, the Board would also like to thank the membership for their support and patronage in 2007, and look forward to our continuing partnership in the years to come.

Respectfully submitted,

A handwritten signature in black ink that reads "Vince Fiamengo". The signature is written in a cursive, flowing style.

Vince Fiamengo
Chair, Board of Directors

BOARD OF DIRECTORS



Joseph Boroevich,
Second Vice President



Lewis Bubl ,
First Vice President



Vila Nova Carvalho,
Director



Vince Fiamengo,
Chair and President



Brian Hamaguchi,
Director



Howard Normann,
Director*



Aubrey Searle,
Director*



John Secord,
Director



Al Wagner,
Director*



Gary Williamson,
Director



Mercedes Wong,
Director*



Floyd Yamamoto,
Director

* terms expire at the 67th Annual General Meeting



CHIEF EXECUTIVE OFFICER'S REPORT

Our people are our strength, and throughout 2007 the people of G&F Financial Group proved that over and over again. Looking back on last year, I feel an enormous sense of pride in our staff and our credit union for what we were able to accomplish in the face of trying times. Not only did we make a complete change to our systems that affected every aspect of our business, but the financial environment itself presented us with some interesting twists. A soaring Canadian dollar, record oil prices and the sub-prime mortgage problems south of the border all contributed to a volatile marketplace. No matter the challenge, G&F Financial Group rose to meet it, achieving excellent financial results while maintaining a clear focus on meeting the needs of our membership and the communities we serve.

Investing in the Future

Over the last few years G&F Financial Group has made substantial investments to better serve our members. A project almost two years in the making, the migration of our banking system to a new platform — The Complete Credit Union Solution (TCCUS) — occurred on the September 1 long weekend. This was *the* major initiative for 2007 and required significant investment of time and resources to bring it to fruition. Our decision to convert to TCCUS is a cornerstone of our strategic plans for the foreseeable future and the completion of the banking system migration is only the beginning. With numerous benefits and infinite potential, our new systems will form the foundation on which we build to meet the future needs of the credit union and our members.

Excellent Growth

Throughout the year, G&F Financial Group maintained strong financial and risk management positions, leading to first-rate year-end results. Our 2007 net income of \$3.4 million was particularly satisfying given the significant investments made in technology, training and the conversion of our banking system. The relatively strong housing market in the Lower Mainland, although slowing slightly, continues to fuel the growth of our loan portfolio. With healthy results posted for both Retail and Commercial Credit, our total loan portfolio grew by over \$68 million, with our deposit portfolio practically keeping pace with member accounts growing \$63 million, to end the year at just under \$813 million. In total, our assets grew 8.4% to \$927 million dollars on balance sheet, with total funds under administration increasing to just over the \$1 billion mark.

In closing, I would like to extend my sincere thanks to the Board of Directors, management and staff for their hard work and dedication over the last year. Through their commitment to achieving our corporate objectives, we were able to maintain steady growth and excellent member service throughout this period of internal transformation. Our people truly are our strength and their outstanding efforts this last year were reflected in the resounding success of our initiatives and the results posted by our credit union. I would also like to thank the members of G&F Financial Group for your continued patience and support. Together, we will build toward a strong and successful future.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Richard Davies'. The signature is fluid and cursive, written over a white background.

Richard Davies
Chief Executive Officer

CONSOLIDATED REPORT

To the Members of Gulf and Fraser Fishermen's Credit Union:

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

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2007 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Financial Institutions Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS
Vancouver, BC
February 6, 2008.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These consolidated financial statements have been prepared by the management of Gulf and Fraser Fishermen's Credit Union which is responsible for their reliability, completeness and integrity. They were developed in accordance with requirements of the Financial Institutions Act of British Columbia and conform in all material respects with Canadian generally accepted accounting principles. The financial information presented in the annual report is consistent with the consolidated financial statements.

Systems of internal control and reporting procedures are designed to provide reasonable assurance that financial records are complete and accurate so as to safeguard the assets of the Credit Union. These systems provide assurance that all transactions are authorized and proper records are maintained. Internal audit procedures provide management with the ability to assess the adequacy of these controls. In addition, they are reviewed by the Credit Union's external auditors.

The Board of Directors has approved the consolidated financial statements. The Audit Committee of the Board has reviewed the statements with the external auditors, in detail, and received regular reports on internal control findings. Berris Mangan, Chartered Accountants, the independent external auditors appointed by the membership, examined the consolidated financial statements of the Credit Union in accordance with Canadian generally accepted auditing standards. They have had full and free access to the management and staff of the Credit Union and the Audit Committee of the Board. Their report appears as noted.



Richard Davies
Chief Executive Officer



William Kiss
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

For the year ended December 31, 2007 (in thousands of dollars)

ASSETS	2007	2006
Cash resources	\$70,084	\$66,526
Loans (Notes 1(b) and 2)	841,629	773,410
Investments (Note 3)	3,115	2,946
Receivables and prepaid expenses	1,600	1,846
Premises and equipment (Notes 1(c) and 4)	10,130	9,786
Future income tax asset (Note 9)	477	524
	\$927,035	\$855,038
LIABILITIES		
Deposits		
Deposits withdrawable on demand	\$301,053	\$234,284
Term deposits	324,926	333,523
Registered savings plans (Note 5)	173,316	166,965
Accrued interest	8,947	10,276
Share savings (Note 6)		
Members' non-equity shares	840	970
Members' equity shares	3,674	3,786
Dividends payable (Note 1(d))	182	189
Total members' accounts	812,938	749,993
Loan payable (Note 12)	58,000	54,982
Accounts payable and other liabilities (Note 7)	5,969	3,170
Patronage refund payable (Note 1(d))	∅	367
	876,907	808,512
MEMBERS' EQUITY		
Contributed surplus	17,291	17,291
Retained earnings (Note 8)	32,635	29,235
	49,926	46,526
Accumulated other comprehensive income (Note 1(h))	202	∅
	50,128	46,526
	\$927,035	\$855,038

Approved on behalf of the board,



Vince Fiamengo
Chair, Board of Directors



Joseph Boroovich,
Chair, Audit Committee

Commitment (Note 10)
See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended December 31, 2007 (in thousands of dollars)

	2007	2006
CONTRIBUTED SURPLUS	\$17,291	\$17,291
RETAINED EARNINGS		
Retained earnings at beginning of year	29,235	25,765
Net income for year	3,400	3,335
Withdrawals from training trust fund	∅	135
Retained earnings at end of year	32,635	29,235
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Accumulated other comprehensive income at beginning of year	(12)	∅
Other comprehensive income for year (Note 1(h) and 18)	214	∅
Total accumulated other comprehensive income	202	∅
TOTAL EQUITY	\$50,128	\$46,526

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the year ended December 31, 2007 (in thousands of dollars)

	2007	2006
FINANCIAL INCOME		
Loan interest	\$48,999	\$42,057
Investment and cash resource income	3,647	3,050
	<u>52,646</u>	<u>45,107</u>
FINANCIAL EXPENSES		
Interest on members' deposits	26,786	20,704
Interest on borrowed money	3,214	1,939
	<u>30,000</u>	<u>22,643</u>
Financial Margin	<u>22,646</u>	<u>22,464</u>
OTHER INCOME (EXPENSE)		
Member Services Income	4,625	4,386
Other Income	607	790
Provision For Doubtful Loans	(500)	(500)
	<u>4,732</u>	<u>4,676</u>
OPERATING MARGIN	<u>27,378</u>	<u>27,140</u>
OPERATING EXPENSES		
Salaries and employee benefits	12,635	12,333
Office	2,765	2,438
Occupancy	1,972	1,821
Amortization	1,554	1,363
Data processing	1,504	1,472
Advertising and promotion	894	1,022
Professional and other services	692	930
Other	607	606
Capital tax	539	504
	<u>23,162</u>	<u>22,489</u>
INCOME FROM OPERATIONS	<u>4,216</u>	<u>4,651</u>
DONATION TO GFFG FOUNDATION	<u>(75)</u>	<u>(100)</u>
DISTRIBUTION TO MEMBERS (Note 1(d))	<u>(158)</u>	<u>(520)</u>
INCOME BEFORE INCOME TAXES	<u>3,983</u>	<u>4,031</u>
INCOME TAXES (Note 9)		
Current	536	395
Future	47	301
	<u>583</u>	<u>696</u>
Net Income for Year	<u>3,400</u>	<u>3,335</u>
OTHER COMPREHENSIVE INCOME		
Gains on derivatives designated as cash flow hedges	214	∅
Comprehensive Income	<u>\$3,614</u>	<u>\$3,335</u>

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2007 (in thousands of dollars)

	2007	2006
OPERATING ACTIVITIES		
Net income for the year	<u>\$3,400</u>	<u>\$3,335</u>
Adjustments:		
Amortization	1,554	1,363
Provision for doubtful loans	500	500
Future income taxes (recovery)	47	301
	<u>5,501</u>	<u>5,499</u>
Changes in non-cash working capital		
Decrease (increase) in:		
Accrued interest on loans	(184)	(357)
Accounts receivable and prepaid expenses	246	(1,118)
Increase (decrease) in:		
Accrued interest on deposits	(1,329)	2,258
Accounts payable and other liabilities	2,799	552
	<u>7,033</u>	<u>6,834</u>
INVESTING ACTIVITIES		
Acquisition of investments	(168)	(51)
Increase in loans	(68,535)	(104,489)
Acquisition of premises and equipment	(1,898)	(2,804)
Proceeds on disposition of equipment	∅	17
Withdrawals from training trust fund	∅	135
	<u>(70,601)</u>	<u>(107,192)</u>
FINANCING ACTIVITIES		
Increase in members' accounts	64,481	64,094
Increase in loan payable	3,018	34,482
Decrease in dividends payable	(6)	(36)
Decrease in patronage refund payable	(367)	(118)
	<u>67,126</u>	<u>98,422</u>
INCREASE (DECREASE) IN CASH	<u>3,558</u>	<u>(1,936)</u>
CASH, BEGINNING OF YEAR	<u>66,526</u>	<u>68,462</u>
CASH, END OF YEAR	<u>\$70,084</u>	<u>\$66,526</u>

Supplemental information (Note 19)
See notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2007 (all tabular amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation

The consolidated financial statements include the accounts of Gulf and Fraser Fishermen's Credit Union (the "Credit Union"), Gulf and Fraser Insurance Services Ltd. and Gulf and Fraser Holdings Ltd. Gulf and Fraser Insurance Services Ltd. is a wholly-owned subsidiary of the Credit Union. Gulf and Fraser Holdings Ltd. was a wholly-owned subsidiary of Gulf and Fraser Insurance Services Ltd.

During the year, Gulf and Fraser Holdings Ltd. was wound up into the Credit Union (Note 20).

b) Loans and Revenue Recognition

Loans are stated net of an allowance for doubtful loans. Interest income from loans is recorded on the accrual method, except where a loan is impaired.

An allowance is provided on loans for which collection is doubtful in management's opinion. The allowance consists of specific and general provisions. The specific provision is determined on the basis of specific loans which may not be fully collectible. The specific provision is the difference between the carrying value of an impaired loan and its estimated realizable amount. The general provision is determined by management's opinion based on historical loss experience, current economic conditions and trends, and known risks in the loan portfolio. Loans determined to be uncollectible are written off.

c) Amortization

Amortization is provided for on the following basis:

Buildings	Straight line over 25 – 45 years
Furniture and equipment	Straight line over 2 – 10 years
Leasehold improvements	Straight line over 5 years

The Credit Union reviews for the impairment of premises and equipment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected future cash flows, and makes any appropriate adjustments to the carrying amount at that time.

d) Distribution To Members

Distribution to members consists of dividends and patronage refunds. Distributions are accounted for by a charge to earnings in the year of declaration by the Board of Directors.

e) Future Income Taxes

The Credit Union and its subsidiaries follow the liability method of accounting for income taxes. Under this method, a current income tax liability is recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, as well as for the benefit of tax losses available to be carried forward to future years that are likely to be realized. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date the financial statements and the reported amount of revenues and expenses during the reporting year. Actual results could differ from those estimates.

g) Accounting Changes — Financial Instruments

The Canadian Institute of Chartered Accountants (CICA) has issued three new accounting standards: Comprehensive Income, Handbook Section 1530, Financial Instruments — Recognition and Measurement, Handbook Section 3855 and Hedges, Handbook Section 3865. These standards have been adopted by the Credit Union effective January 1, 2007.

h) Classification and measurement of financial assets and liabilities

Under the new standards, all financial assets must be classified as held to maturity, loans and receivables, held for trading or available for sale and all financial liabilities must be classified as held for trading or other.

Financial instruments classified as held for trading will be measured at fair value with changes in fair value recognized in net income. Financial assets classified as held to maturity or as loans and receivables and financial liabilities not classified as held for trading will be measured at amortized costs. Available for sale financial assets will be measured at fair value with changes in fair value recognized in other comprehensive income (OCI).

All derivative financial instruments will be reported on the balance sheet at fair value with changes in fair value recognized in net income unless the derivative is part of a hedging relationship that qualifies as a fair value hedge or a cash flow hedge. In a fair value hedging relationship, the hedging item is recorded at fair value with the related gain or loss recognized in net income. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging item is recognized in OCI and the ineffective portion is recognized in net income.

Commencing January 1, 2007, the Credit Union has presented OCI and its components as well as the components of accumulated OCI in its financial statements.

2. LOANS

	2007	2006
Residential mortgages	\$508,302	\$457,363
Commercial mortgages	220,387	211,628
Less: syndicated	(4,695)	(6,171)
	723,994	662,820
Other loans	19,572	23,855
Lines of credit	99,437	87,858
Accrued interest	2,389	2,204
	845,392	776,737
Less: allowance for doubtful loans	(3,763)	(3,327)
	\$841,629	\$773,410

3. INVESTMENTS

	2007	2006
Credit Union Central of British Columbia	\$2,493	\$2,364
Other	622	582
	\$3,115	\$2,946

Shares in Credit Union Central of British Columbia are a required investment condition of membership in Credit Union Central of British Columbia and provincial legislation. The amount of the investment is determined based on the Credit Union's membership and asset base and is realizable only on withdrawal from membership.

4. PREMISES AND EQUIPMENT

	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$3,468	\$0	\$3,468	\$2,930
Buildings	4,616	1,910	2,706	2,939
Furniture and equipment	7,523	3,864	3,659	3,586
Leasehold improvements	3,003	2,706	297	331
	\$18,610	\$8,480	\$10,130	\$9,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2007 (all tabular amounts in thousands of dollars)

5. REGISTERED SAVINGS PLANS

	2007	2006
Registered Retirement Savings Plans	\$135,159	\$128,563
Registered Retirement Income Funds	35,536	36,110
Registered Education Savings Plans	2,621	2,292
	\$173,316	\$166,965

6. SHARE SAVINGS

Members' non-equity shares are withdrawable on demand by the member and may be redeemed by the Credit Union. Members' equity shares are voting, have a par value of \$1 and may be withdrawn by the member subject to certain restrictions. Equity shares may be issued in the form of patronage refunds or dividends by the Credit Union.

7. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2007	2006
Accounts payable and accrued liabilities	\$5,809	\$2,977
Deferred revenue	160	193
	\$5,969	\$3,170

8. CAPITAL REQUIREMENT

The Capital Adequacy Requirement under the Financial Institutions Act of British Columbia provides that the Credit Union must maintain a capital base of at least 8% of the total value of risk-weighted assets as defined by the Act, to avoid certain operating restrictions. The Credit Union has satisfied this requirement at December 31, 2007.

9. INCOME TAXES

Details of the components of income taxes are as follows:

	2007		2006	
Combined Basic Federal And Provincial Statutory Income Tax	\$1,426	34.1%	\$1,375	34.1%
Decrease in tax due to:				
Preferred rate deduction available to credit unions	(454)	(10.9)%	(370)	(9.2)%
Non deductible and other items, net	(389)	(9.2)%	(309)	(7.6)%
Total income taxes	\$583	14.0%	\$696	17.3%

At December 31, 2007, taxes payable of \$537,392 (2006: \$353,667) are included in accounts payable and other liabilities.

The income tax effects of temporary differences that give rise to the net future income tax (asset) liability is presented below:

	2007	2006
Future Income Tax Assets		
Allowance for doubtful loans	\$(95)	\$(75)
Deferred revenues and expenses	15	(24)
Loss carryforward	(1)	∅
Premises and equipment	(395)	(424)
Intangible asset	(1)	(1)
Net Future Income Tax Asset	\$(477)	\$(524)

10. COMMITMENT

The Credit Union has committed to the following minimum lease payments for various branch premises over the next five years of approximately the following amounts (in 000's):

2008	\$858
2009	806
2010	758
2011	598
2012 and subsequent years	1,975
	\$4,995

11. OTHER INFORMATION

- At December 31, 2007, outstanding loans to directors, officers, employees and related parties, as specified under the Financial Institutions Act of British Columbia, totalled \$12,923,360 (2006: \$12,614,458).
- Employees of the Credit Union are eligible for reduced interest rates on personal loans, lines of credit and mortgages. Directors are not eligible for these benefits. Employees and directors must comply with the credit policies of the Credit Union.
- Two long-term Credit Union employees participate in a multi-employer defined benefit pension plan that covers approximately 3,900 plan members. The Credit Union no longer offers this plan. The annual cost of the pension plan benefits has been determined by an independent actuary based on the accrued benefit actuarial cost method. The most recent actuarial valuation was as of December 31, 2006, at which time it was determined that the market value of pension plan assets under administration exceeded the actuarial liability by \$15,159,000.
- During the year, directors, in their capacity as directors, received aggregate remuneration of \$133,752 (2006: \$151,796).

12. CREDIT FACILITIES

The Credit Union maintains an operating line and term loan facility of \$110,000,000 (2006: \$70,000,000) with Credit Union Central of British Columbia, bearing interest that varies with the bankers acceptance rate. This facility is secured by an assignment of book accounts and a debenture in favour of Credit Union Central of British Columbia.

13. CONCENTRATIONS OF CREDIT RISK

Credit risk is the risk that a member will fail to meet an obligation, causing the Credit Union to incur a financial loss. Concentrations of credit risk arise when members are engaged in similar economic activities or in similar geographic areas. The Credit Union's market service area is primarily the Lower Mainland and Greater Victoria regions of British Columbia and as a result, repayment by members is dependent in part upon the general economic conditions of these geographic regions.

14. LIQUIDITY RISK

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its obligations to members. To manage this risk, the Credit Union is required by Provincial Legislation to maintain with Credit Union Central of British Columbia in the form of cash and term deposits, an 8% liquidity at all times, based on total members' deposits and non-equity shares. At December 31, 2007, the Credit Union had exceeded statutory liquidity requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2007 (all tabular amounts in thousands of dollars)

15. INTEREST RATE SENSITIVITY

Interest rate risk is the risk that the value of the Credit Union's assets will fluctuate due to changes in market interest rates. The Credit Union manages this risk through the maturity terms of interest sensitive assets and liabilities, and interest rate swaps. The Credit Union's management estimates the interest rate risk as follows:

ASSETS	WEIGHTED AVERAGE RATE	WITHIN 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	3 TO 4 YEARS	OVER 4 YEARS	NOT INTEREST SENSITIVE	TOTAL
Cash resources	4.03%	\$32,816	\$13,426	\$11,776	\$5,900	\$1,100	\$5,066	\$70,084
Loans	5.95%	429,958	91,623	111,406	99,102	110,915	(1,375)	841,629
Investments and other		Ø	Ø	Ø	Ø	Ø	5,192	5,192
Premises and equipment		Ø	Ø	Ø	Ø	Ø	10,130	10,130
		462,774	105,049	123,182	105,002	112,015	19,013	927,035

LIABILITIES AND MEMBERS' EQUITY								
Deposits	3.58%	444,168	167,880	46,827	7,860	5,375	140,827	812,937
Other	4.63%	58,000	Ø	Ø	Ø	Ø	5,970	63,970
Members' Equity		Ø	Ø	Ø	Ø	Ø	50,128	50,128
		502,168	167,880	46,827	7,860	5,375	196,925	927,035
Interest Sensitivity Position		\$(39,394)	\$(62,831)	\$76,355	\$97,142	\$106,640	\$(177,912)	Ø

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following information represents the estimated fair values of the Credit Union's financial instruments. Fair values have not been disclosed for those assets and liabilities which are not considered financial instruments. The under-noted fair values, presented for information only, reflect conditions that existed only at December 31, 2007, and do not necessarily reflect future value or the amounts which the Credit Union might receive or pay if it were to dispose of any of its financial instruments prior to maturity:

ASSETS	BOOK VALUE	FAIR VALUE	FAIR VALUE OVER (UNDER) BOOK VALUE
Cash	\$70,084	\$70,057	\$(27)
Loans	841,629	830,967	(10,662)
Investments and other	2,697	2,697	Ø
	\$914,410	\$903,721	\$(10,689)

LIABILITIES AND MEMBERS' EQUITY			
Deposits	\$812,938	\$815,843	\$2,905
Other	62,689	62,690	1
	\$875,627	\$878,533	\$2,906

The fair values of highly liquid or short term items approximate their carrying values. Such items would include cash, investments, other assets and other liabilities. The fair value of loans and member deposits with fixed rates have been calculated using present value techniques and are based on market conditions at December 31, 2007. The fair value of loans and member deposits with variable rates of interest approximate their carrying value.

17. OFF BALANCE SHEET

Funds Under Administration

Funds under administration by the Credit Union comprise loans that have been syndicated, sold, and administered in the capacity as an agent. It also includes investment portfolios and mutual fund accounts that are managed on behalf of members. Funds under administration are kept separate from Credit Union assets and therefore are not reflected in the consolidated balance sheet.

	2007	2006
Syndicated Loans	\$4,695	\$6,171
Investment portfolios and mutual funds, at market value	76,716	67,652
	\$81,411	\$73,823

Letters of Credit

In the normal course of business, the Credit Union enters into various off balance sheet commitments such as letters of credit. Letters of credit are not reflected in the balance sheet. At December 31, 2007, the Credit Union has outstanding letters of credit on behalf of members in the amount of \$8,553,601 (2006: \$8,220,042).

18. DERIVATIVE FINANCIAL INSTRUMENTS

On June 1, 2007, the Credit Union entered into a hedging transaction, whereby it used a cross-currency swap contract in the amount of \$20,000,000 USD (receiving \$20,000,000 USD and paying \$21,500,000 CAD, maturing on June 1, 2008), to hedge a \$20,000,000 USD term deposit maturing on the same date.

At year end the term deposit liability had a fair value of \$19,606,000 CAD. The swap receivable also had a fair value of \$19,606,000 CAD.

At year end this derivative contract was marked to market, which involves present-valuing the price of the equivalent forward rate at year end. The difference between the forward rate and the swap rate is a gain of \$213,714, which is included in other comprehensive income for the year.

19. NOTE TO THE STATEMENT OF CASH FLOWS

	2007	2006
Income taxes paid (received)	\$409	\$(137)
Dividends paid	\$531	\$674
Interest paid	\$31,415	\$20,385

20. WIND UP OF GULF AND FRASER HOLDINGS LTD.

During the year, Gulf and Fraser Holdings Ltd. was wound up into the Credit Union. All assets and liabilities of the subsidiary were assumed by the Credit Union, and Gulf and Fraser Holdings Ltd. was dissolved.

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2007 (in thousands of dollars)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	2007	2006	2005	2004	2003
Cash and Investments	\$73,199	\$69,472	\$71,357	\$102,582	\$63,485
Loans	841,629	773,410	669,064	575,626	244,291
Other Assets	12,207	12,156	10,077	10,624	5,209
Total Assets	\$927,035	\$855,038	\$750,498	\$688,832	\$312,985
Member Deposits	\$812,937	\$749,993	\$683,677	\$645,218	\$290,990
Other Liabilities	63,970	58,519	23,765	4,028	2,654
Members' Equity	50,128	46,526	43,056	39,586	19,341
Total Liabilities and Members' Equity	\$927,035	\$855,038	\$750,498	\$688,832	\$312,985

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	2007	2006	2005	2004	2003
Interest Income	\$52,646	\$45,107	\$36,265	\$27,780	\$17,329
Interest Expense	30,000	22,643	16,465	11,689	8,231
Other Income	4,732	4,676	5,655	4,512	2,278
Operating Expenses	23,162	22,489	20,364	16,867	9,327
Earnings before Income Tax and Distributions	\$4,216	\$4,651	\$5,091	\$3,736	\$2,049

SELECTED STATISTICAL DATA (UNAUDITED) (AS A PERCENTAGE OF AVERAGE ASSETS)

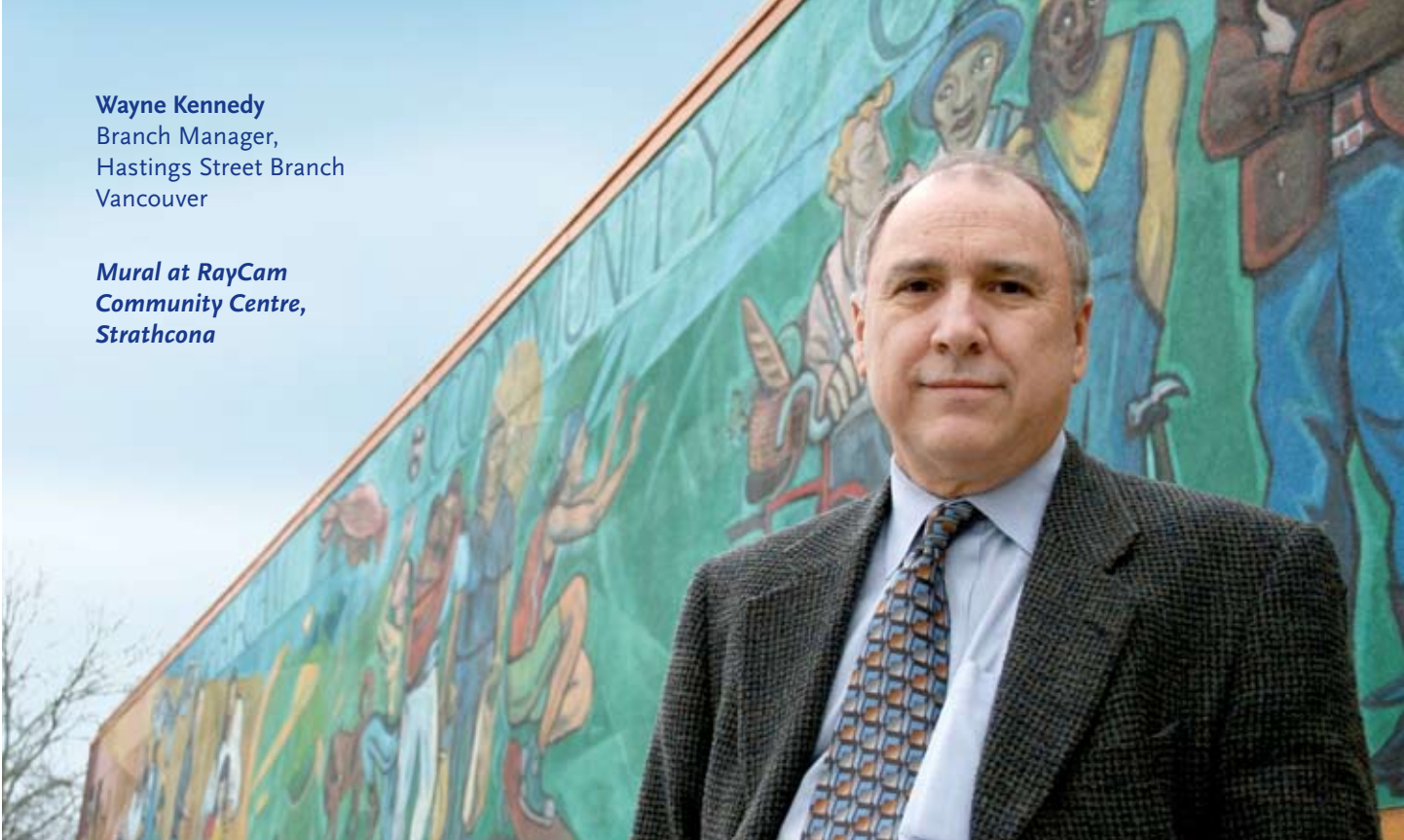
	2007	2006	2005	2004	2003
Financial Margin	2.50	2.79	2.78	3.07	2.89
Other Income	0.52	0.58	0.79	0.86	0.72
Operating Expenses	2.56	2.79	2.86	3.22	2.97
Income before Distribution and Taxes	0.47	0.58	0.71	0.71	0.65

ALLOWANCE FOR LOSSES ON LOANS

	2007	2006	2005	2004	2003
Closing Balance	\$3,763	\$3,327	\$3,304	\$3,494	\$2,298

Wayne Kennedy
Branch Manager,
Hastings Street Branch
Vancouver

**Mural at RayCam
Community Centre,
Strathcona**



Inspiring change for a stronger community

For Branch Manager Wayne Kennedy, commitment to the community comes in the form of inspiring change for the areas surrounding the Hastings Branch. As a founding board member of the **Strathcona Business Improvement Association (SBIA)** and Chair for the past three years, Wayne actively lobbies municipal and provincial officials on issues that benefit the Strathcona area, with programs that ensure safe and clean streets, graffiti free areas, and a liaison program with the **City of Vancouver Police Department**.

Each year, the Hastings branch also maintains a mural project depicting a historical aspect of **Strathcona**. To date, the branch has helped maintain seven murals in the area. To further bring physical improvements to the area, Wayne is

working with the SBIA to restore Hastings Street as the commercial spine of Strathcona by encouraging business owners to set up their businesses in the area.

Aware that the residents of the community are ultimately the ones who can inspire the most change for Strathcona, Wayne works with **Building Opportunities for Business (BOB)**, which focuses on creating employment opportunities for marginalized persons residing in the **Downtown East Side**. Currently, Wayne is working with BOB to ensure job opportunities from the **2010 Olympics** capital projects are made available to these underprivileged residents. The staff of the Hastings branch also organized a hugely successful **Clothing Drive** last year for local area residents, as well as a food drive benefitting the **Food Bank**.



Ruby Dhillon
Branch Manager,
Main Street Branch
Vancouver

*Telus World of Science
on Main Street*

Rallying for our neighbours

A strong, positive relationship with our neighbours results in a more prosperous community that benefits all of us, and no one understands that better than Ruby Dhillon.

The Main Street branch has been actively working with **Sir Charles Tupper Secondary** and **Florence Nightingale Elementary** to raise funds for the purchase of interactive learning tools and to send underprivileged children to camp. They also participated in the **Vaisakhi Parade** on Main Street with the 41st Avenue and Nordel branches, and worked with the **St. Patrick Secondary School and Seniors' Group** to raise funds at various events throughout the year.

In an artistically rich and diverse area such as Main Street, the branch supports the efforts of local artists, donating funds for **The Main Art Drift Society's** new website to display local art online. Ruby and her staff also provided donations to and helped with a stage production by **REAL WHEELS**, a society that engages artists to change the public's perception of people with disabilities.

In addition to these activities, Ruby is involved with the **Building & Construction Trades Council** and the **Vancouver City Employees**, both of which are an integral part of the Main Street branch, reflecting its unique history from our various mergers over the years.



Steven Hui
Branch Manager,
41st Avenue Branch
Vancouver
Avalon Dairy Farm

Contributing to meaningful partnerships

The history of our credit union is built on enduring partnerships with a variety of trade and employer associations and the 41st Avenue branch is one of many branches built on this strength. Branch Manager Steven Hui and his staff participate in a variety of events and causes to show their support and to contribute to these community associations.

Events such as the **Vancouver City Workers Family Day and Rodeo**; fundraising raffles for the **Collingwood Neighbourhood House**; sponsorship for the **Third Annual JT Charity Draft Tournament**; **Collingwood Day**; and **Avalon Day** are just some

of the activities Steven and his staff support throughout the community.

Apart from his contributions to these meaningful partnerships, Steven also works to develop and strengthen the bond between local youth and the credit union through presentations on finances with **Killarney Secondary School** students and the Junior Achievement Program at **General Brock Elementary**. The 41st Avenue branch also supports a variety of charitable causes benefiting the **Canadian Cancer Society**, the **Greater Vancouver Food Bank**, the **Fijian community**, the **Chinese community**, and the **BC Centre for Abilities**.

Nelson Sandhu
Branch Manager,
Cloverdale Branch
Surrey

Cloverdale Fairgrounds



Dedicated to minor sports in the community

For Cloverdale Branch Manager Nelson Sandhu, the value of sports not only lies in health and wellness for a community, but also education for youth in friendship, solidarity and fair play.

In the past year, Nelson and his branch staff sponsored and participated in a variety of minor sports events in Cloverdale, including the **Cloverdale Ice Skating Club Championships**, the **Peewee Provincial Hockey Championships**, and the **Cloverdale Minor Softball Association Opening Day** ceremonies.

In addition to providing support for various sports, these events help the credit union gain greater recognition in this fledgling community.

When the Cloverdale branch participated in the **Surrey Canada Day** festivities of 2007, Nelson helped seal G&F Financial Group's reputation as a dedicated partner in the Cloverdale community, successfully reaching out to parents and children alike at the family event.



Shelley Campbell
Branch Manager,
Fleetwood Branch
Surrey

Fleetwood Library

Nurturing a new generation

The credit union system is a great way to teach children about the power of cooperation and sound financial management. Fleetwood Branch Manager Shelley Campbell shares this passion by passing on her financial expertise and teamwork experience to our leaders of tomorrow, nurturing a new generation of potential members.

During the past year, Shelley and the staff at Fleetwood have working tirelessly alongside a local elementary school to establish a “mini” credit union, attending numerous **Parent Advisory Council** meetings and hosting students field trips to the branch — so youth can see G&F Financial Group at work. The branch also supported a variety of

school events and causes, such as volunteering for the school’s **Sports Day**.

Shelley is keenly aware that the credit union philosophy is not limited to financial strength and profitability, but that community development and involvement are essential to our mission and growth. To promote the credit union spirit, Shelley and her staff dedicate their efforts and contribute to a variety of local causes that benefit youth, health and the community in general. **Fleetwood Park** and **Enver Creek Secondary, Surrey Memorial Hospital, the SPCA, and the Shriners** are just some of the local community groups that benefited from the Fleetwood branch’s contributions in 2007.

Victor Lall
Branch Manager,
Nordel Branch
Surrey

Kwantlen
University College



Focusing on cultural diversity

To support cultural diversity, our credit union participates in a variety of initiatives and events to broaden our exposure to different ethnic communities. Branch manager Victor Lall works continuously to increase our profile within the **South Asian** community in a number of ways.

Victor is closely involved with the **Indo Canadian Business Association**, sitting on the organizing committees for its scholarship and golf tournament. He also worked with several other branches in planning and organizing a **Business Appreciation Dinner** attended by over 400 people from the community.

In addition, the Nordel branch is involved in extensive advertising and talk shows through the South Asian radio station **RED FM**. In April 2007, the Nordel branch also teamed up with the 41st Avenue and Main Street branches to participate in the **Vaisakhi Parade** on Main Street.

On top of these activities, Victor is involved with the **Surrey Board of Trade**, the Board of Directors at **Kwantlen University College Foundation**, the **Child Development Centre** in Surrey, the **North Delta Skating Club**, and a number of local high schools.



Gill Sherwood
Branch Manager,
Kingsway and Southpoint branches
Burnaby

Metrotown

Focusing on youth

Gill Sherwood, Branch Manager for the South Burnaby and Southpoint ELCO locations, focuses on engaging and motivating youth in the Burnaby area.

This past year, staff from the Burnaby branches participated in a variety of events and fundraisers in support of the **Stride Avenue Elementary School**, the **Stride Avenue Food Bank**, the new **Burnaby Moresports Program**, and **Byrne Creek Secondary School**. Activities included food drives, in-branch fundraisers, scholarships, and participation and sponsorships at various events.

In addition, staff also volunteered and participated in a variety of events such as the **South Burnaby Neighbourhood House (SBNH) Diamond Ball and Car Rally**. A large part of the funds raised by SBNH go towards youth programs designed to build leadership skills and provide positive, productive, and healthy activities for youth in the community. By realizing the potential of our leaders of tomorrow, Gill is helping nurture our future, one activity at a time.



Peter Kobayashi
Branch Manager,
Port Coquitlam Branch
Port Coquitlam

*G&F Financial Group Computer Lab,
Douglas College*

Encouraging health and wellness

An integral part of a growing community, Port Coquitlam Branch Manager Peter Kobayashi continually works to make health and wellness a priority for the Tri-City area.

During 2007, Peter and his staff supported a multitude of events and causes related to health and wellness. The **Suburban Rush Adventure Race**; the **Eagle Ridge Hospital Foundation's Evening of Caring, Pancake Breakfast, Golf Tournament and Ball Drop Sale**; **Port Coquitlam Creek's Classic Duathlon and Triathlon**; the **Crossroads Hospice Society's Treasures of Christmas**; and the **Terry Fox Hometown Run** are just a few events that work to promote and further the development of health and wellness in the community.

In addition, the Port Coquitlam branch is also actively involved in the community supporting the educational pursuits of students. In 2007, the branch worked in partnership with **Douglas College** to apply for a \$15,000 grant from the G&F Financial Group Foundation to build a new computer lab — bearing the G&F Financial Group name — at their new **Health Sciences** wing.

Peter's continued drive and determination to encourage both mind and body exemplifies the spirit of our staff who serve the community. He is passionate about making our communities better and dedicated to making change happen.

Valuing education

Louise Perry, Manager of the New Westminster branch, is a firm believer in the value of education.

With a focus on broadening educational opportunities for youngsters in New Westminster, Louise, and the New Westminster branch staff and their families were involved in a variety of activities that benefit the **Royal City Education Foundation, Douglas College, Miss New West Ambassador Program, New Westminster Senior Secondary, Connaught Elementary, Sands Secondary, and Armstrong Elementary School** this past year.

To inspire youngsters through economics and entrepreneurship, Louise also teaches business fundamentals to students through the **Junior Achievement Program** at **Lord Kelvin School**. As a past recipient of the **Community Spirit Awards**, the New Westminster branch is an active participant in the community through the **Chamber, Rotary, and New Westminster Firefighters**.

AS DIVERSE AS THE PEOPLE, NEIGHBOURHOODS, AFFILIATIONS, AND HISTORIES THAT ARE THIS CREDIT UNION, THE STAFF AT G&F FINANCIAL GROUP SHARE A COMMON GOAL TO FULFILL THE VISION, *where members belong.*

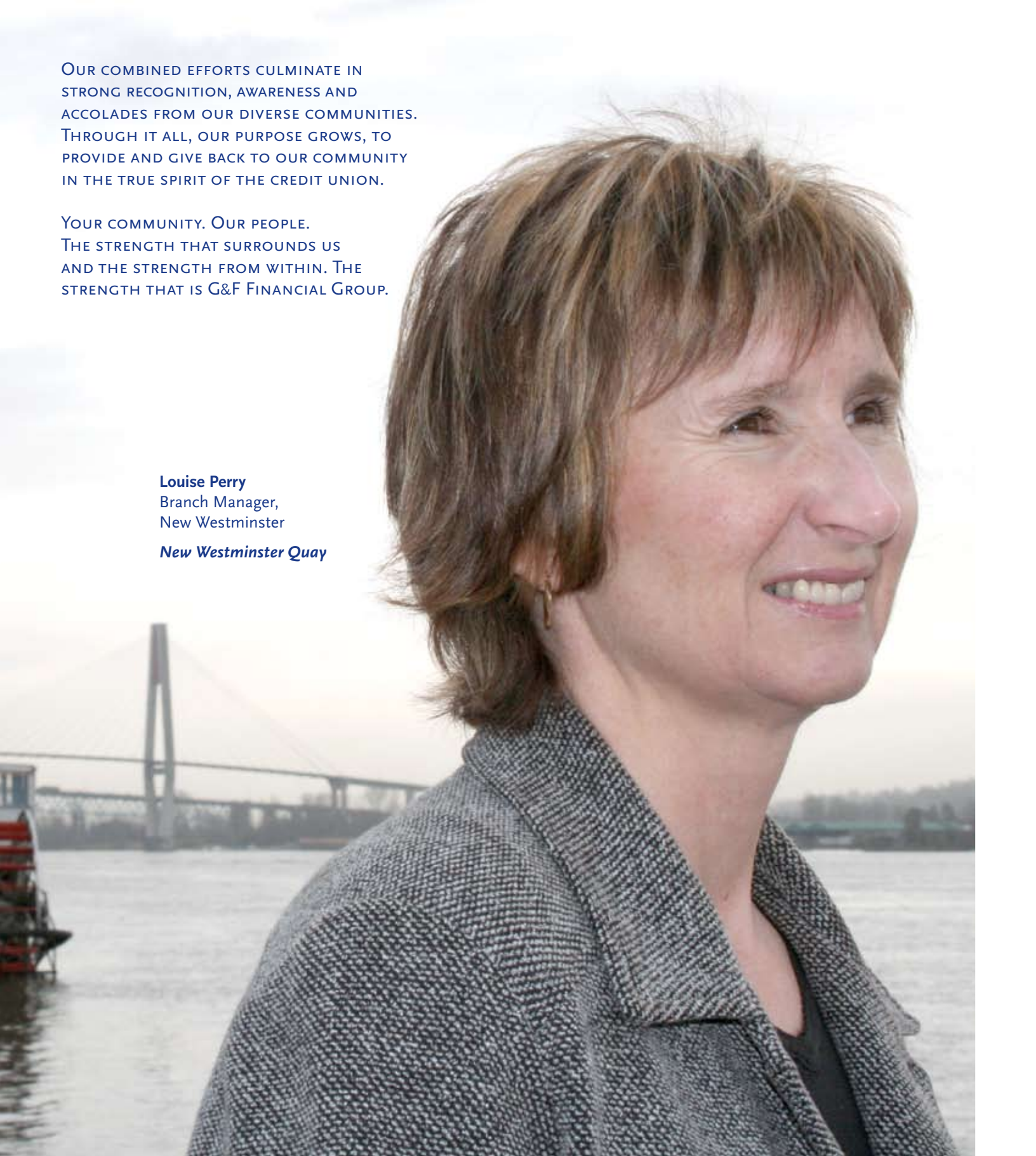
THROUGH VOLUNTEERING, SPONSORSHIPS AND FUNDRAISING, WE ARE ALL DEDICATED TO MAKING OUR NEIGHBOURHOODS AND COMMUNITIES A BETTER PLACE TO LIVE, WORK AND ENJOY. WE RALLY FOR OUR NEIGHBOURS, SUPPORT HEALTH AND WELLNESS, INSPIRE CHANGE, AND STRIVE TO PROVIDE EDUCATIONAL AND EMPLOYMENT OPPORTUNITIES.



OUR COMBINED EFFORTS CULMINATE IN STRONG RECOGNITION, AWARENESS AND ACCOLADES FROM OUR DIVERSE COMMUNITIES. THROUGH IT ALL, OUR PURPOSE GROWS, TO PROVIDE AND GIVE BACK TO OUR COMMUNITY IN THE TRUE SPIRIT OF THE CREDIT UNION.

YOUR COMMUNITY. OUR PEOPLE.
THE STRENGTH THAT SURROUNDS US
AND THE STRENGTH FROM WITHIN. THE
STRENGTH THAT IS G&F FINANCIAL GROUP.

Louise Perry
Branch Manager,
New Westminster
New Westminster Quay





MISSION STATEMENT

G&F FINANCIAL GROUP IS A PROGRESSIVE ORGANIZATION THAT CREATES OPPORTUNITIES BY INVESTING IN OUR PEOPLE, OUR MEMBERS AND OUR COMMUNITIES.

TOGETHER WE MAKE DREAMS HAPPEN.

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