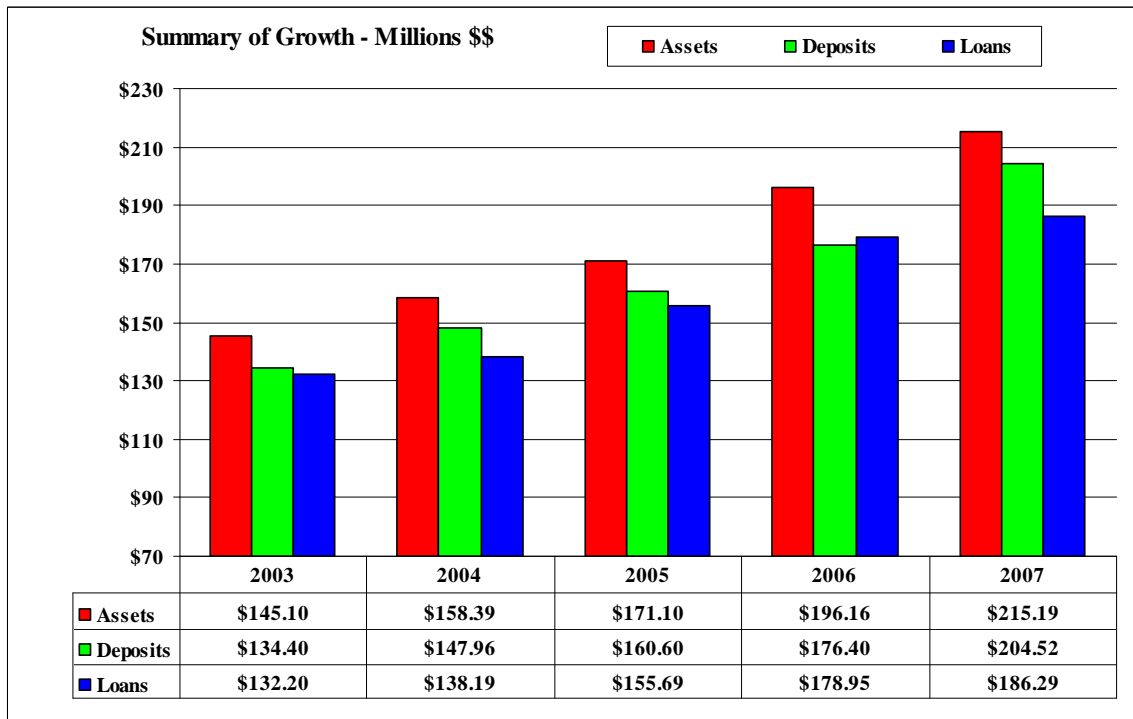


Report of the Board of Directors

For the year ending October 31, 2007, the Shell Employees' Credit Union again achieved excellent performance results due to the continuing support from our growing Membership, a committed Board, and the hard work of our dedicated Staff.

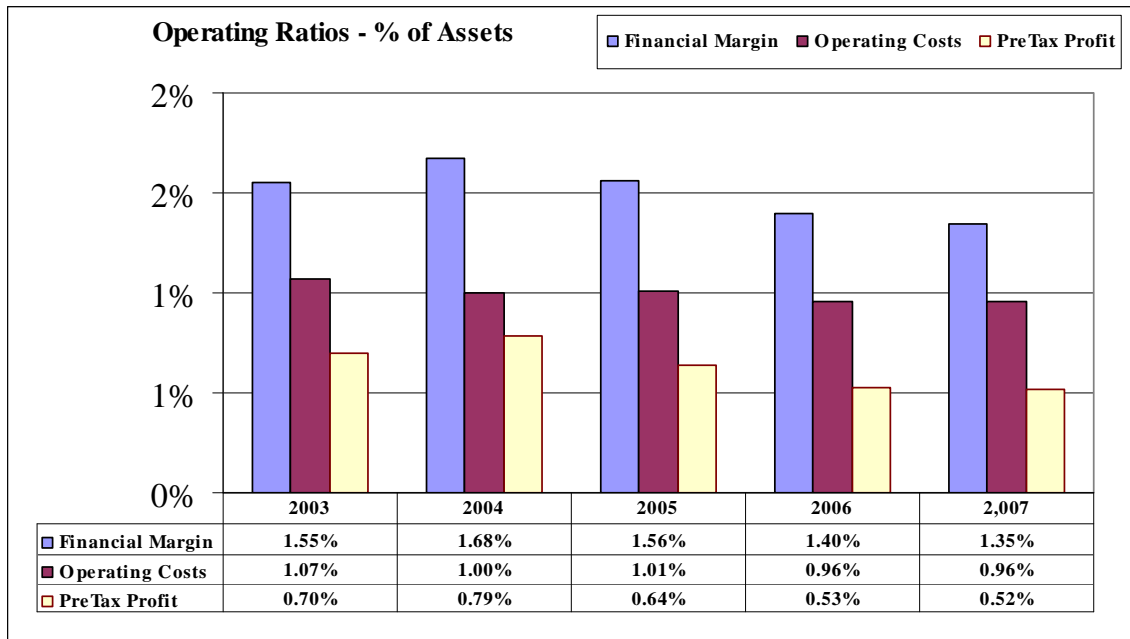
- Total Member assets increased by almost 10% over 2006 to \$215 million,
- Loans to Members grew by only 4% over 2006 to \$186 million,
- Deposits by Members grew by an amazing 16% over 2006 to \$204 million,
- Net Membership grew by 2% again over the previous year's similar growth to 5,682.

Once again the robust Alberta economy, growth at Shell and Albion due to the expanding oil sands business, and the buyout by Royal Dutch Shell was reflected in deposit growth of \$28 million and loan growth of only \$7 million. Most of the new funds went into short-term investment accounts and to pay down member loans; and, while mortgages continue to make up 67% of the loan advances, the consumer loan portfolio decreased by 15% over last year while the mortgage portfolio increased by 7%. Additionally, SECU liquidity improved in 2007 so the Credit Union's \$5 million line of credit and \$15 million term loan with Credit Union Central of Alberta were not used compared to accessing these funds at the end of 2006 to a total of \$9.8 million

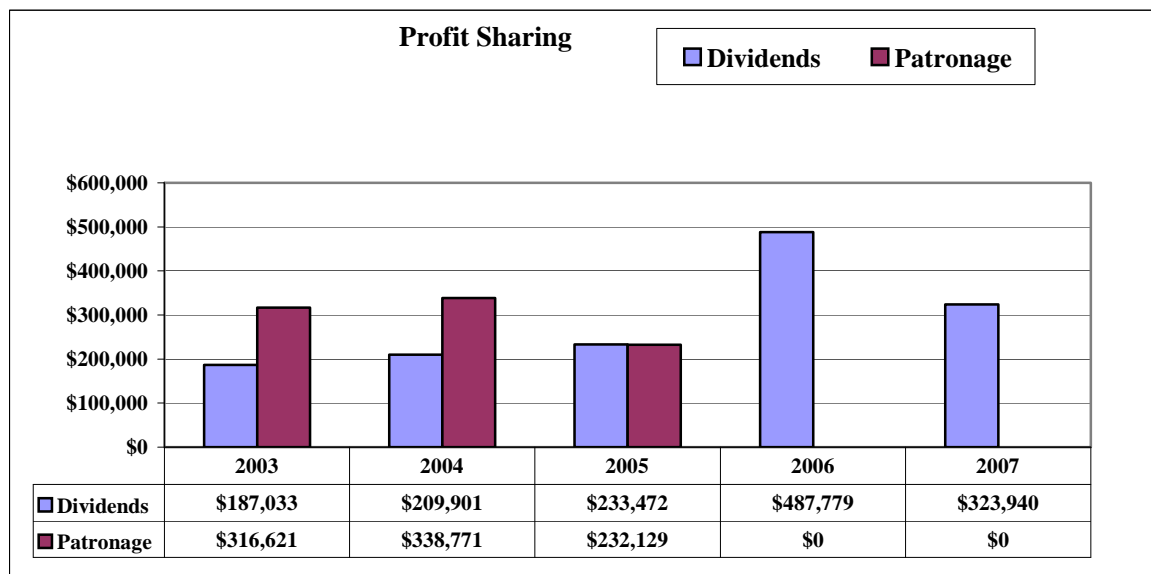


For the second year in a row, the Shell Employees' Credit Union continues to lead the industry with operating costs of .96% of assets, mainly due to our growing asset base. Continued focus on managing costs helps maintain our position as a low cost leader;

which enables the Credit Union to offer excellent deposit and loan interest rates. This aggressive pricing strategy, in conjunction with the tight market pricing of 2006 resulted in a slightly lower financial margin than 2006 of 1.35% of assets, but a consistent pretax profit of over .50% of assets.



In an effort to ensure a reasonable profit sharing amount for members while enhancing our equity position, the Board of Directors approved a 7.5 % common share dividend.



In 2007, member growth remained constant thanks to a number of initiatives that were started in late 2006. These included information sharing with new hires through the on-boarding process, the continued marketing of the new grad student loan product and

increased visibility at Shell functions like the Shell United Way campaign. In addition, the continued strategy to offer superior interest rates to borrowers and depositors helped to attract new business.

The Board of Directors also appointed the General Manager's successor, the current Operations Manager, Badrieha Taha. The Operations Manager position will be filled in this fiscal year after some re-assignment of existing staff. Our retiring General Manager of almost 16 years, Bob Desruisseaux, will be missed and we thank him for his years of dedicated service to the SECU.

On behalf of the Board of Directors of the Shell Employees' Credit Union I thank you for your on-going support for our Credit Union's financial services. I will also take this opportunity to thank all of the Credit Union management and staff for the service and support they provide to the Members and the Board of Directors. Our sincere appreciation goes out to all of you.

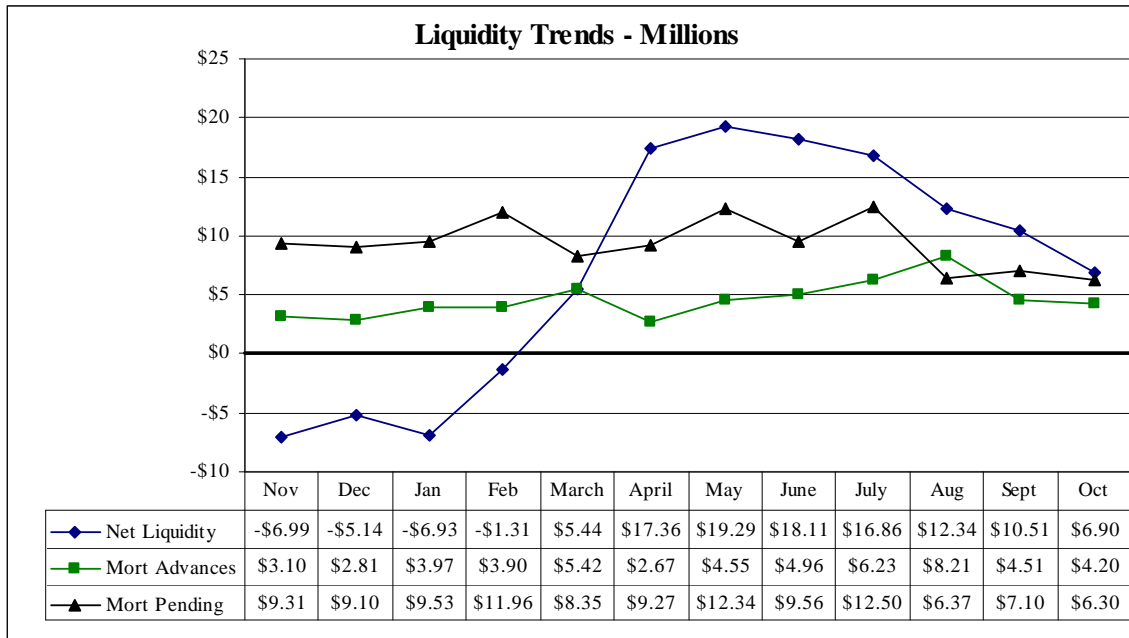
Margot Willison
President,
Board of Directors

Report of the Audit Finance Committee

The Audit Finance Committee meets monthly to review the financial performance of the Credit Union with a special focus on managing interest rate risk and approving interest rate strategies for our loan and deposit products to ensure our interest rates are among the best available. The Committee also reviews internal and external audit results and recommends auditing services to the Board of Directors.

Another area that the Committee monitors is liquidity. At the outset of the fiscal year, the Credit Union had a debt to our central bank of \$9.88 million as a result of mortgage loan growth outpacing member deposit growth during the previous fiscal year. With the sale of Shell Canada and the subsequent deposit by members of their Shell Canada share proceeds, we were able to quickly pay off our debt. As a result we ended this fiscal year with surplus funds invested with the Alberta Credit Union System. All Credit Union investments, by policy, are made with Credit Union Central of Alberta or Alberta Credit Unions so we have the added security of guarantees by the Province of Alberta.

The following chart details our net liquidity for the fiscal year along with two key components that impact liquidity: mortgage advances and mortgage pending (approved mortgages not yet funded).



Interest rates were relatively stable over the last fiscal year, with the prime rate at 6% until June and then increasing to 6.25% for the balance of the fiscal year. In spite of

stable interest rates, the Credit Union increased its derivative position from \$15 million in interest rate caps to \$25 million to help alleviate our interest rate risk. Due to the fact that the majority of member deposits carry a floating rate of interest while most of our mortgages carry a fixed rate, the interest rate caps help mitigate the risk of our deposit costs increasing at a faster pace than our mortgage revenue.

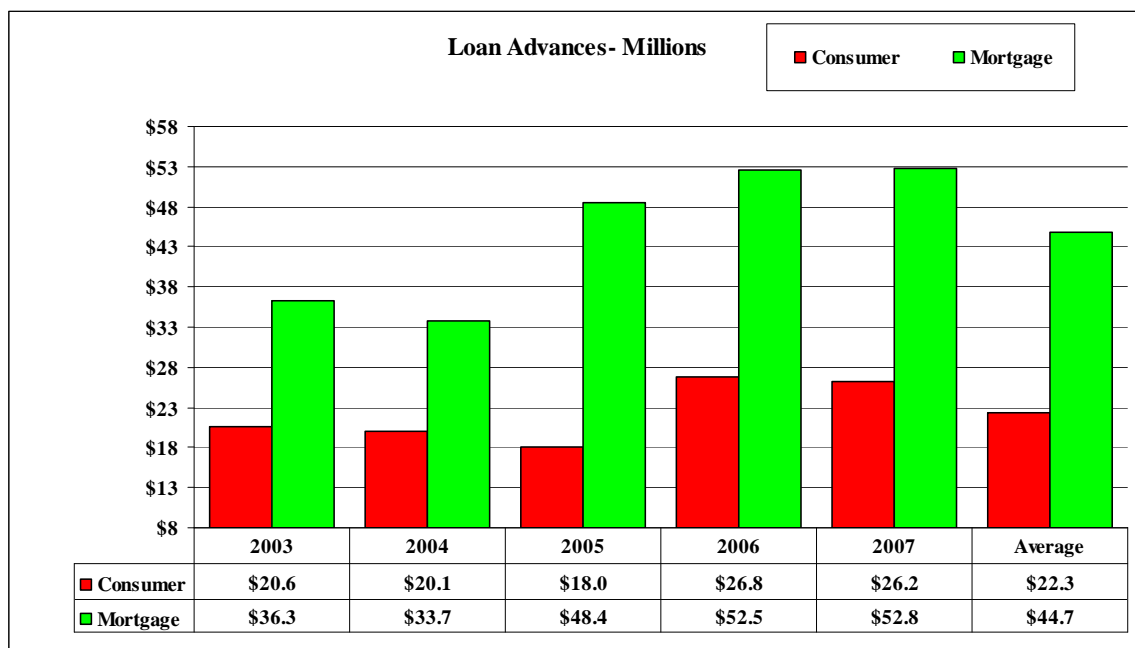
In addition to our usual audit process, our regulator conducted an audit of our Credit Union in February 2007. The Committee is pleased to advise that this audit report as well as our usual audits were all very satisfactory.

In closing, the Audit Finance Committee remains committed to delivering outstanding interest rates to our members while ensuring our Credit Union continues on a sound financial foundation.

Lance Rees
Chairman,
Audit Finance Committee

Report of the Credit Committee

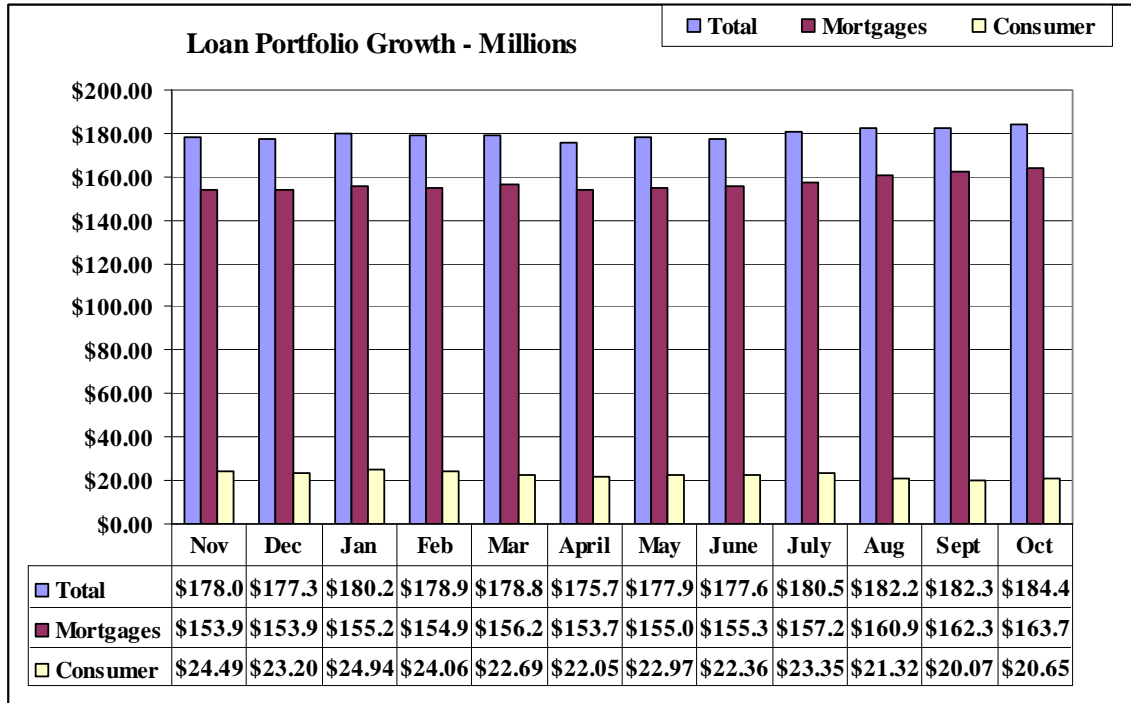
The fiscal year that ended October 31, 2006 saw another very active year for lending services with a total of \$79.0 million in both consumer and mortgage loans, just shy of last years record year of \$79.3 million. The actual net increase of the loan portfolio, after payments and payouts, was only \$7.2 million or just over 4% as, we believe, many members chose to pay down debt from funds received from their redemption of Shell Canada shares on the sale of Shell Canada.



Impaired loans at year end stood at \$122,451, an increase of \$61,369 from the year before due a single mortgage under foreclosure. We do not anticipate a loss on this foreclosure. Loan write offs for the fiscal year were \$14,833 well down from last years total of \$43,840. The loan portfolio continues to be closely monitored to keep losses to a minimum.

The consumer loan portfolio declined by \$3.8 million from \$24.49 million to \$20.65 million while mortgage loans increased \$9.8 million during the fiscal year. This is primarily as a result of our policy to allow members to borrow funds against an existing mortgage loan. As a result many members have chosen mortgage refinancing for vehicle purchases and debt consolidation at more favourable mortgage interest rates.

The following chart illustrates the loan portfolio growth during the year. A sharp portfolio drop occurred in April from members selling Shell Canada shares after which growth resumed for the remainder of the year as a result of a continuing robust real estate market.



Your Credit Committee will remain focused on delivering valued lending services within a prudent, low risk framework.

Jason Cutts
 Chairman,
 Credit Committee

Board of Directors

Executive Committee

Margot Willison, President**
James Brown, 1st Vice President
Rummy Serediuk, 2nd Vice President**

Audit Finance Committee

Lance Rees, Chairman**
Mark Barber
Duncan Carey
Marc Hill
Satinder Malik

Credit Committee

Jason Cutts, Chairman**
Adam Battistessa
Ryan Birse
Craig Thompson

** Indicates Term is Expiring

Staff Members

Bob Desruisseaux, General Manager
Badriea Taha, Operations Manager
Bruce Wilson, Controller

Calgary Office

Louise LeCaine, Financial Services Officer
Marie Line Fleming, Loan Officer
Darlene Olson, Loan Officer
Shelley Schmitz, Member Service Supervisor
Sandra Smith, Loan Officer
Yunhu Guo, Member Service Representative
Elizabeth Snowball-Beggs, Member Service Representative
Molly McCutcheon, Member Service Representative
Lori Rans, Member Service Representative

Scotford Office

Dorothy Lowrie, Scotford Office Manager
Debbie Kwashuk, Administrator Lending
Caroline Ross, Financial Services Officer

SHELL EMPLOYEES' CREDIT UNION LIMITED

FINANCIAL STATEMENTS

October 31, 2007

K.R. VICKARYOUS PROFESSIONAL CORPORATION

Chartered Accountant

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of
Shell Employees' Credit Union Limited

The financial statements of Shell Employees' Credit Union Ltd. and all other information contained in the annual report are prepared and presented by management, which is responsible for their accuracy, objectivity and completeness. This responsibility includes presenting the statements in accordance with Canadian generally accepted accounting principles. The preparation of the statements necessarily involves the use of estimates which are made using careful judgement.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors has the ultimate responsibility for these financial statements. The Board oversees management's responsibilities for financial reporting through an Audit Committee, which is composed entirely of directors who are not officers or employees of Shell Employees' Credit Union Ltd. The Committee reviews the financial statements and recommends them to the Board for approval.

To carry out its duties, the Audit Committee reviews the annual financial statements, as well as issues related to them. The Audit Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems. The Audit Committee's review of financial reports includes an assessment of key management estimates and judgements material to the financial results.

The external auditor, appointed by the Board of Directors, conducted an audit of these financial statements in accordance with Canadian generally accepted auditing standards. The external auditor has full and unrestricted access to the Audit Committee to discuss their audit findings as to the integrity of Shell Employees' Credit Union Ltd.'s financial reporting and adequacy of internal controls.

K. R. Vickaryous Professional Corporation has examined these financial statements and their report follows.

Calgary, Alberta
January 8, 2008

Bob Desruisseaux
GENERAL MANAGER

Bruce Wilson
CONTROLLER

AUDITOR'S REPORT

To the Members of
Shell Employees Credit Union Limited

I have audited the accompanying balance sheet of Shell Employees Credit Union Limited as at October 31, 2007, and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Credit Union's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit of these financial statements in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform the 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Credit Union as at October 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
January 8, 2008

K.R. Vickaryous Professional Corp.
CHARTERED ACCOUNTANT

SHELL EMPLOYEES' CREDIT UNION LIMITED

BALANCE SHEET

AS AT OCTOBER 31, 2007

ASSETS	<u>2007</u>	<u>2006</u>
Cash	\$ 1,823,980	\$ 102,472
Investments and accrued interest (Note 3)	26,791,028	16,754,705
Other assets (Note 4)	120,917	170,365
Loans to members and accrued interest (Note 5)	186,299,601	178,959,156
Capital assets (Note 6)	<u>162,146</u>	<u>175,690</u>
	<u>\$ 215,197,672</u>	<u>\$ 196,162,388</u>

LIABILITIES

Loans payable (Note 7)	\$ -	\$ 9,883,296
Accounts payable and member dividends payable	216,623	202,238
Income taxes payable	11,576	-
Deposit accounts and accrued interest (Note 8)	<u>204,529,413</u>	<u>176,407,147</u>
	<u>204,757,612</u>	<u>186,492,681</u>

Commitment and contingencies (Note 10 and 13)

MEMBERS' EQUITY

Common shares (Note 9)	4,646,845	4,519,678
Retained earnings	<u>5,793,215</u>	<u>5,150,029</u>
	<u>10,440,060</u>	<u>9,669,707</u>
	<u>\$ 215,197,672</u>	<u>\$ 196,162,388</u>

Signed on behalf of the board:

Margot Willison, President

James D Brown, Vice President

*K.R. Vickaryous Professional Corporation
Chartered Accountant*

SHELL EMPLOYEES' CREDIT UNION LIMITED

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED OCTOBER 31, 2007

	<u>2007</u>	<u>2006</u>
RETAINED EARNINGS, beginning of year	\$ 5,150,029	\$ 4,705,100
Net income for the year	<u>892,230</u>	<u>816,907</u>
	<u>6,042,259</u>	<u>5,522,007</u>
Dividends on common shares	(323,940)	(487,779)
Net of income tax recovery	<u>74,896</u>	<u>115,801</u>
	<u>(249,044)</u>	<u>(371,978)</u>
RETAINED EARNINGS, end of year	<u>\$ 5,793,215</u>	<u>\$ 5,150,029</u>

SHELL EMPLOYEES' CREDIT UNION LIMITED

STATEMENT OF INCOME
FOR THE YEAR ENDED OCTOBER 31, 2007

	<u>2007</u>	<u>2006</u>
Interest income		
Interest on members' loans	\$ 9,444,529	\$ 8,319,961
Interest on investments	<u>1,279,627</u>	<u>783,719</u>
	<u>10,724,156</u>	<u>9,103,680</u>
Interest expenses		
Interest on deposit accounts	7,672,697	6,078,124
Interest on financing	<u>147,005</u>	<u>279,340</u>
	<u>7,819,702</u>	<u>6,357,464</u>
Net interest margin	2,904,454	2,746,216
Charge for loan impairment	<u>(49,786)</u>	<u>(100,979)</u>
Net margin after charge for loan impairment	2,854,668	2,645,237
Other income	<u>299,894</u>	<u>267,779</u>
Net margin	3,154,562	2,913,016
Operating expenses - schedule page 14	<u>(2,035,661)</u>	<u>(1,877,679)</u>
Income before income taxes	1,118,901	1,035,337
Income taxes		
Current	207,193	233,620
Future	<u>19,478</u>	<u>(15,190)</u>
	<u>(226,671)</u>	<u>(218,430)</u>
Net income	<u>\$ 892,230</u>	<u>\$ 816,907</u>

SHELL EMPLOYEES' CREDIT UNION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2007**

	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES		
Interest received	\$ 10,482,434	\$ 8,643,791
Other income received	295,088	260,067
Interest paid	(7,503,880)	(6,109,799)
Recovery of loans previously written off	4,903	7,780
Income taxes paid	(87,883)	(95,517)
Operating expenses paid	<u>(2,042,968)</u>	<u>(1,729,666)</u>
Cash flows from operating activities	<u>1,147,694</u>	<u>976,656</u>
FINANCING ACTIVITIES		
Common shares issued, net	(175,703)	(215,057)
Net increase in deposits	<u>27,787,674</u>	<u>15,797,334</u>
Cash flows from financing activities	<u>27,611,971</u>	<u>15,582,277</u>
INVESTING ACTIVITIES		
Capital assets purchased (net)	(37,053)	(112,308)
Net increase in loans	(7,242,412)	(22,924,308)
Net increase in investments	<u>(9,875,396)</u>	<u>(1,790,604)</u>
Cash flows from investing activities	<u>(17,154,861)</u>	<u>(24,827,220)</u>
INCREASE (DECREASE) IN CASH	11,604,804	(8,268,287)
CASH, beginning of year	<u>(9,780,824)</u>	<u>(1,512,537)</u>
CASH, end of year	<u>\$ 1,823,980</u>	<u>\$ (9,780,824)</u>
Cash represented by:		
Cash	\$ 1,823,980	\$ 102,472
Bank indebtedness	<u>-</u>	<u>(9,883,296)</u>
	<u>\$ 1,823,980</u>	<u>\$ (9,780,824)</u>

*K.R. Vickaryous Professional Corporation
Chartered Accountant*

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2007

1. NATURE OF OPERATIONS

The Credit Union was formed pursuant to the Credit Union Act of the Province of Alberta and operates one Credit Union branch.

The Credit Union serves Alberta based current and former employees of Shell Canada Limited and their immediate family members. Contractors working for Shell Canada Limited for a minimum of 6 months may join the Credit Union. Existing members may refer individuals for membership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Credit Union follows accounting policies appropriate to its activities and governing legislation, which conform to generally accepted accounting principles.

a) Investments

Investments in securities are valued at cost or amortized cost, adjusted to recognize other than a temporary impairment in the underlying value. They are purchased with the intention to hold them to maturity, or until market conditions cause alternative investments to become more attractive. Gains and losses on disposal of securities are included in income in the year in which they occur.

b) Loans to members

The Credit Union records loans to members at the lower of principal plus accrued interest and estimated realizable value.

Loans are classified as non-performing when (i) any interest or principal payment is contractually past due for 90 days or more, or (ii) any interest or principal payment is contractually past due for less than 90 days but there is reasonable doubt as to the ultimate collectibility of any part of the interest or principal balance.

The Credit Union accrues interest on a loan for a maximum of 90 days after payments are due or until it is classified as non-performing. If there is no reasonable doubt as to the collectibility of the principal and interest, interest income may continue to be accrued, with the Corporation's approval, to a maximum of 180 days. The Credit Union reverses all unpaid accrued interest on a loan once it attains non-performing status. It records any amounts received after that point as a loan loss recovery if a partial write-off of the principal has occurred or as a credit to the principal if a specific provision applies. Upon the full recovery of the partial write-off or specific provision, the Credit Union recognizes further interest income only as received until the loan returns to a performing status.

NOTES TO FINANCIAL STATEMENTS

October 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Allowance for impaired loans

The Credit Union maintains an allowance for impaired loans to absorb credit related losses in its portfolio. The allowance is increased by provisions for losses which are charged to income. Specific provisions are established through examination of individual loans in order to reduce the recorded amounts to their estimated net realizable values. An aggregate allowance is maintained in addition to specific provisions.

d) Foreclosed assets

Foreclosed assets held for sale are recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which the Credit Union obtains title to the property plus subsequent disbursements related to the property, less any revenues or lease payments received.

e) Capital assets

The Credit Union records capital assets at cost. Amortization is recorded on a straight-line basis over the following periods:

Office equipment	36 to 60 months
Computer hardware & software	36 months
Leasehold improvements	lesser of remaining term of lease or 60 months

f) Unauthorized overdrafts

At the end of each fiscal year, as required by the Credit Union Act, the Credit Union writes off all unauthorized overdrafts outstanding for at least 90 days.

g) Interest rate swaps and caps

Interest rate swap and cap transactions are entered into from time to time to manage the risks associated with interest rate exposures.

The income or expense associated with the interest rate swaps and caps is realized over the life of the agreements as an adjustment to net interest income or interest expense in the Statement of Income.

h) Prepaid interest

The Credit Union may purchase investment vehicles on behalf of depositors to fix a minimum rate of interest. The Credit Union pays a premium for this product and amortized the premium on a straight -line basis over the life of the related financial product.

SHELL EMPLOYEES' CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2007

i) Use of estimates

In preparing the financial statement, management must make estimates and assumptions considering values of certain assets, liabilities, and net income reported in these financial statements.

j) Income taxes payable

Income taxes are recorded on the tax allocation method. The Credit Union is taxed at an effective rate of 18.9 %.

3. INVESTMENTS AND ACCRUED INTEREST

	<u>2007</u>	<u>2006</u>
Credit Union Central Alberta Limited		
Shares (1)	\$ 2,942,000	\$ 2,566,604
Term deposits	<u>18,475,000</u>	<u>13,975,000</u>
	21,417,000	16,541,604
Other	<u>5,000,000</u>	<u>-</u>
	26,417,000	16,541,604
Accrued interest	<u>374,028</u>	<u>213,101</u>
	<u>\$ 26,791,028</u>	<u>\$ 16,754,705</u>
Effective Book Yield (2)	<u>4.65%</u>	<u>4.31%</u>

As required by the Credit Union Act, the Credit Union holds investments in Central to maintain its liquidity level.

(1) The shares have no specific date of maturity.

(2) The effective book yield does not include accrued interest.

4. OTHER ASSETS

	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ 34,323	\$ 29,517
Corporate tax prepayments	-	32,838
Future income taxes (Note 14)	66,315	85,793
Other (3)	<u>20,279</u>	<u>22,217</u>
	<u>\$ 120,917</u>	<u>\$ 170,365</u>

(3) The other assets include such items as prepaid insurance premiums, business taxes and prepaid rent.

SHELL EMPLOYEES' CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2007

5. LOANS TO MEMBERS (\$000s tables)

	<u>2007</u>			<u>2006</u>
	Gross Amount	Allowance for Credit Losses	Net Amount	Net Amount
Consumer loans	\$ 7,186,182	\$ (24,060)	\$ 7,162,122	\$ 9,207,452
Residential mortgages	163,759,545	(409,399)	163,350,146	152,681,672
Other loans	<u>13,463,667</u>	<u>(44,418)</u>	<u>13,419,249</u>	<u>14,854,670</u>
	184,409,394	(477,877)	183,931,517	\$ 176,743,794
Accrued interest	<u>2,368,084</u>	<u>-</u>	<u>2,368,084</u>	<u>2,215,362</u>
Total	<u>\$ 186,777,478</u>	<u>\$ (477,877)</u>	<u>\$ 186,299,601</u>	<u>\$ 178,959,156</u>

The allowance for credit losses includes a general allowance of \$ 477,877 (2006 - \$442,924) and there were \$122,451. (2006 - \$61,082) in impaired loans as at the year end. It is the Credit Union's policy to maintain a general allowance for credit losses of 0.25% of total loans.

Credit risk is the risk of loss due to borrowers failing to meet their financial obligations. Credit risk arises from both on- and off-balance sheet transactions. The Credit Union's credit risk is significantly influenced by movement in the Alberta economy which in recent years has shown strong growth and occasional sharp declines. The loan portfolio is managed to ensure diversification by limiting concentrations to single borrowers. Further, policies and procedures are established to promote sound lending practices and ensure prompt attention to problem loans.

Details of the changes in the allowance for credit losses are as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 442,924	\$ 385,785
Less: Accounts written off, net of recoveries	(14,833)	(43,840)
Adjustment to allowance	<u>49,786</u>	<u>100,979</u>
Balance, end of year	<u>\$ 477,877</u>	<u>\$ 442,924</u>

SHELL EMPLOYEES' CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2007

6. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2007</u>	<u>Net 2006</u>
Office equipment	\$ 71,943	\$ 61,264	\$ 10,679	\$ 19,110
Computer hardware & software	263,768	160,854	102,914	105,485
Leasehold improvements	<u>97,441</u>	<u>48,888</u>	<u>48,553</u>	<u>51,095</u>
	<u>\$ 433,152</u>	<u>\$ 271,006</u>	<u>\$ 162,146</u>	<u>\$ 175,690</u>

7. LOANS PAYABLE

The Board of Directors have approved a line of credit of \$5,000,000 and a term loan of \$15,000,000 with Credit Union Central of Alberta. The line of credit bears interest at prime, less 1/2% and is due on demand. There was a balance outstanding at year end of \$ Nil. A general assignment of book debts and hypothecation of investments have been pledged as security. There was a balance outstanding at year end of \$ Nil.

8. DEPOSIT ACCOUNTS AND ACCRUED INTEREST

The repayment of all deposits, including accrued interest is guaranteed by Credit Union Deposit Guarantee Corporation for which the Credit Union pays a deposit guarantee assessment fee.

	<u>2007</u>	<u>2006</u>
Alberta Plus	\$ 60,283,753	\$ 43,453,664
Term deposits	70,644,815	61,910,140
RRSP	48,051,583	46,131,596
RRIF	20,749,276	20,845,562
RESP	2,065,363	1,666,155
Accrued Interest	<u>2,734,623</u>	<u>2,400,030</u>
	<u>\$ 204,529,413</u>	<u>\$ 176,407,147</u>

Concentra Financial acts as the trustee of the Registered Plans (RRSP, RRIF and RESP) offered to members. Under an agreement, Concentra Financial deposits the contributions to the plans, and the interest earned on them, in the Credit Union.

SHELL EMPLOYEES' CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2007

9. COMMON SHARES

The Credit Union Act establishes a class of equity shares, known as common shares, having the following characteristics:

- a) an unlimited number may be issued. The maximum number of shares that a member can hold is \$ 3,000. The excess is refunded to the members' daily interest account. Amounts over \$1,000 are redeemable with Board approval, subject to limitations in the Credit Union Act;
- b) a par value of \$1, but fractional shares may be issued;
- c) not transferable and non-assessable;
- d) redemption may occur upon closing of membership account, subject to limitations in the Credit Union Act;
- e) members may transfer to an associate account provided that the minimum amount remains in the master account;
- f) members with more than one account are required to have \$25.00 in each account.

A membership in the Credit Union requires the purchase of a minimum of 25 shares.

Common shares are "at risk" capital and are not guaranteed by the Corporation.

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 4,519,678	\$ 4,146,095
Purchases	77,910	8,728
Redeemed during the year	(253,613)	(223,785)
Dividends	<u>302,870</u>	<u>588,640</u>
Balance, end of year	<u>\$ 4,646,845</u>	<u>\$ 4,519,678</u>

The dividends were declared and paid on October 31, 2007 for non-registered equity shares and on November 3, 2007 for registered equity shares.

SHELL EMPLOYEES' CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2007

10. INTEREST RATE RISK AND OFF BALANCE SHEET ITEMS

To meet the needs of its members and manage its own exposure to fluctuations in interest rates, the Credit Union participates in various off-balance sheet instruments which these financial statements do not fully reflect. It subjects all of these financial instruments to its normal credit standards, financial controls, and risk management and monitoring procedures. The table below outlines the Credit Union's various off-balance sheet financial instruments expressed as the contractual (notional) amount of the related commitment of contract.

To hedge its exposure to interest rate risk, the Credit Union enters into interest rate swaps, interest rate caps, and interest rate futures.

Financial instruments in place at end of fiscal year:

	<u>2007</u>	<u>2006</u>
Interest rate caps	<u>\$ 25,000,000</u>	<u>\$ 15,000,000</u>

The Credit Union has commitments in the form of authorized unadvanced member lines of credit in the amount of \$24,170,917. (2006 - \$20,258,476)

Interest Rate Risk (\$000s)

Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. The following table shows the matching of the Credit Union's assets and liabilities.

	<u>2007</u>			<u>2006</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Differential</u>	<u>Differential</u>
Interest Sensitive				
Maturing within 1 year	\$ 96,507	\$ 154,961	(58,454)	(13,538)
1-2 years	28,006	18,957	9,049	16,198
2-3 years	25,690	15,392	10,298	5,676
3-4 years	28,293	6,605	21,688	1,896
4-5 years	34,063	4,555	29,508	(412)
Non interest bearing items	<u>2,642</u>	<u>14,731</u>	<u>(12,089)</u>	<u>(9,820)</u>
Totals	<u>\$ 215,201</u>	<u>\$ 215,201</u>	<u>-</u>	<u>-</u>

SHELL EMPLOYEES' CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2007

11. ESTIMATED FAIR VALUE OF ON-BALANCE SHEET FINANCIAL INSTRUMENTS

a) Fair Values (\$000s)

The amounts are designed to approximate the fair values of the Credit Union's financial instruments using the valuation methods and assumptions described below. Since many of the Credit Union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as capital assets or intangible assets.

Estimated fair values of on-balance sheet financial instruments are summarized as follows:

	<u>2007</u>			<u>2006</u>		
	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair value over Book value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair value over Book value</u>
Assets:						
Cash	\$ 1,824	\$ 1,824	\$ -	\$ 102	\$ 102	\$ -
Investments	26,422	26,417	5	16,652	16,542	110
Loans	181,112	183,932	(2,820)	174,493	176,744	(2,251)
Other Assets	3,028	3,028	-	2,716	2,716	-
Less:						
Liabilities:						
Deposits	200,416	199,727	(689)	174,804	174,025	(779)
Other liabilities	2,931	2,931	-	12,458	12,458	-
	<u>\$ 9,039</u>	<u>\$ 12,543</u>	<u>\$ (3,504)</u>	<u>\$ 6,701</u>	<u>\$ 9,621</u>	<u>\$ (2,920)</u>

Fair Values were determined as follows:

Short-term Financial Instruments

For items which are short-term in nature, the estimated fair value is equal to book value. These include cash, short-term investments, other assets and other liabilities.

Floating Rate Financial Instruments

For floating rate financial instruments, fair value is equal to book value as the interest rates automatically reprice to market.

Fixed Rate Financial Instruments

For fixed rate loans, fair value is determined by discounting the expected future cash flows at market rates for loans with similar credit risks.

For fixed rates deposits, fair value is determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms.

SHELL EMPLOYEES' CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2007

12. RELATED PARTY TRANSACTIONS

Loans made to directors, management and staff are at the same rates as available to all members.

Directors, management and staff of the Credit Union had \$1,899,396 in loans outstanding October 31, 2007 (2006 - \$1,692,462). All loans were in good standing at that date.

Directors, management and staff of the Credit Union had \$ 1,269,182 in deposits with the Credit Union at October 31, 2007 (2006 - \$ 933,469).

13. LONG-TERM LEASE OBLIGATION AND COMMITMENT

The Credit Union leases premises at an annual base rent of \$52,350 effective for the period January 1, 2006 to December 31, 2010.

The Credit Union has a commitment to pay an implementation fee of \$263,879 effective on the conversion date of the new banking system anticipated for November, 2008. The implementation fee will be amortized over the 10 year life of the banking system contract.

14. FUTURE INCOME TAXES

The tax effects of temporary differences that give rise to the future tax asset are as follows.

	<u>2007</u>	<u>2006</u>
Capital assets	\$ (7,219)	\$ 8,203
Allowance for credit losses	<u>73,534</u>	<u>77,590</u>
	<u>\$ 66,315</u>	<u>\$ 85,793</u>

*K.R. Vickaryous Professional Corporation
Chartered Accountant*

SHELL EMPLOYEES' CREDIT UNION LIMITED

**SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2007**

	<u>2007</u>	<u>2006</u>
Personnel expenses	\$ <u>997,902</u>	\$ <u>892,503</u>
Occupancy expenses		
Amortization	15,558	12,049
Rent and other	<u>138,769</u>	<u>128,127</u>
	<u>154,327</u>	<u>140,176</u>
Security expenses		
Bonding	15,465	16,337
Deposit guarantee assessment	<u>339,709</u>	<u>299,199</u>
	<u>355,174</u>	<u>315,536</u>
Organization expenses		
Annual meetings	17,883	27,397
Central dues	37,390	36,109
Directors' expenses and Other	<u>14,438</u>	<u>17,630</u>
	<u>69,711</u>	<u>81,136</u>
Operating expenses		
Marketing & advertising	67,774	77,462
Audit & legal	25,200	24,514
Computer processing	127,378	120,436
Amortization	35,039	25,654
Cash & service charges & other fees	98,674	99,084
General office expense	<u>104,482</u>	<u>101,178</u>
	<u>458,547</u>	<u>448,328</u>
	<u>\$ 2,035,661</u>	<u>\$ 1,877,679</u>

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