

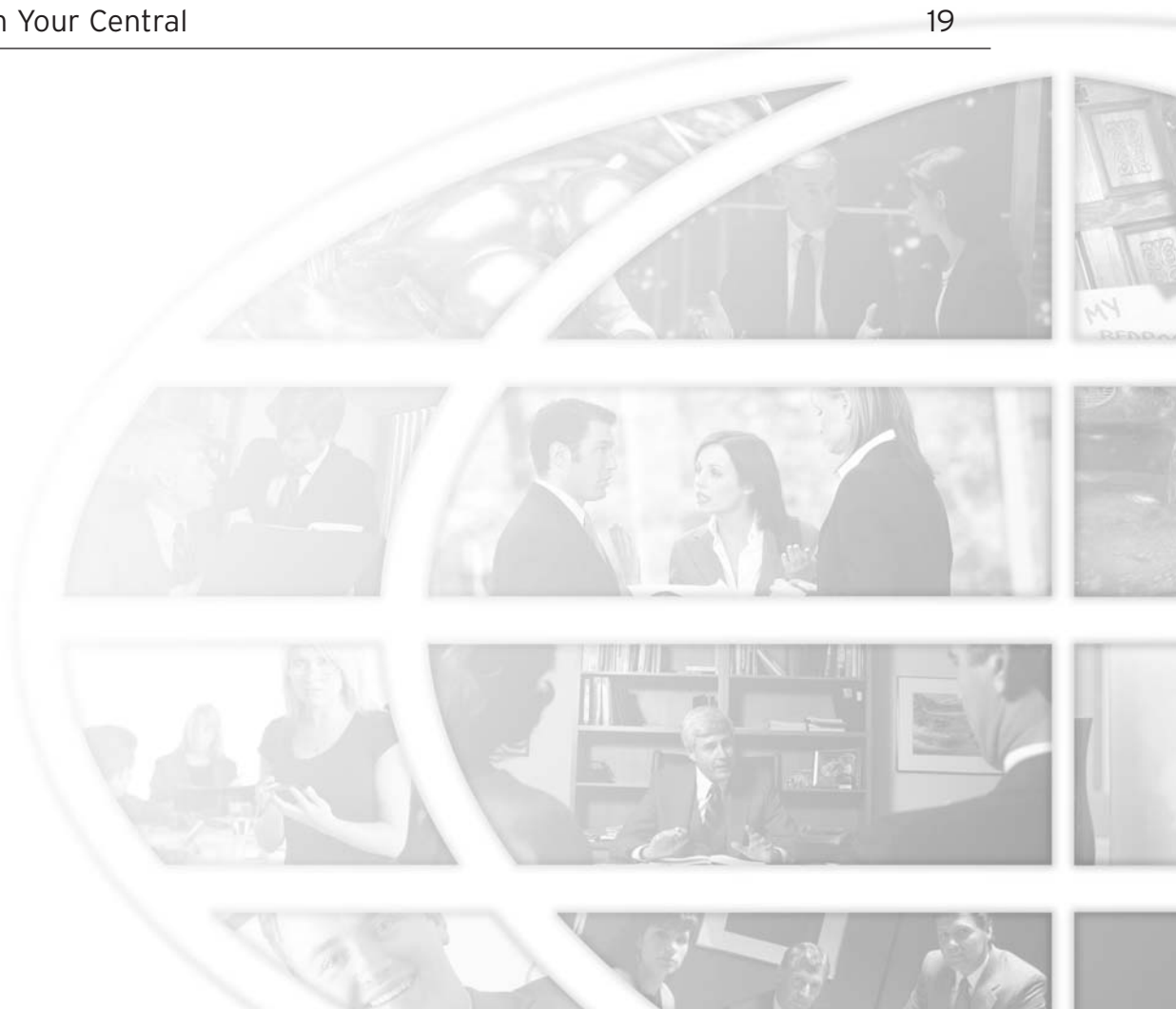


**CREDIT UNION
CENTRAL**

NEW BRUNSWICK

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Brunswick Credit Union Federation Limited
Joint Report of the President and CEO

YEAR ENDED DECEMBER 31, 2005

It is with great pleasure that we present the report of the Brunswick Credit Union Federation Limited, operating as Credit Union Central of New Brunswick ("your Central"), for the year ended December 31, 2005.

The past year was one of change, beginning early in the year with two additions to our senior management team. Kim Walker joined us from the Southeast Regional Healthcare Authority at the beginning of January as our new Controller. Later that same month Gerard Adams returned to the New Brunswick Credit Union system, after an absence of roughly four years, in the dedicated position of Chief Executive Officer. In April, Anthony (Tony) Baker replaced Brian Taylor as President and Chair of the Board of Directors.

The focus of most annual reports is on the financial performance of the organization, and we will touch on that later in this report. With a trade

association as active as your Central, though, the financial numbers do not tell the story of the various activities which have been undertaken in the past year on behalf of you, our owners. As is always the case, a number of these activities are ongoing in nature, and as such are not confined to the calendar year.

In conjunction with Credit Union Central of Canada (CUCC), your Central has participated in the Special Strategy Committee deliberations related to the potential that bank branches might become available for acquisition if chartered banks are allowed to merge in the not-too-distant future. Your Central met with all

New Brunswick Credit Unions that were likely to have the opportunity to purchase such branches, and also met with the Risk Management Agency (RMA) to identify concerns they had related to this potential expansion. From these meetings a targeted branch acquisition strategy was identified. However, late in the year the Board decided to temporarily



LEFT: **Tony Baker**, *President, CUCNB Board of Directors, Exofficio all Committees* RIGHT: **Gerard Adams**, *Chief Executive Officer*

suspend provincial activity regarding bank mergers, due to other priorities at the time. However, this activity may well be restarted in the near future as these priorities are dealt with, and the federal political scene, at least for the time being, has been clarified. Clearly, we still have no control over when the mergers will be allowed, but we hope to be ready to participate when they are.

INITIATIVES Initiatives

Another joint initiative with CUCC related to a renewed emphasis on small and medium enterprises, or SMEs. As a system, we are still in the process of evaluating our degree of readiness to fully participate in this project, but we have already committed to CUCC that we will be a part of delivering these much-needed products and services to this region. In doing so, we recognize that small business is the most important economic driver in this area, and that in fact we are a part of that very sector ourselves. Once again, this project requires the involvement and ultimately the support of the RMA, and we are working with them in that regard.

We also participated in meetings of the Chip Card Technology Task Force of CUCC, as the system prepares for a radical change in the way debit and credit transactions will be initiated and processed in coming years. It is important that we stay informed of the developments and particularly of the substantial costs that are likely to occur in this area.

Another initiative that continued in 2005 was the implementation of the People Development Strategy (PDS). Training took place related to Phases I and II

of this project, which is designed to allow Credit Unions to identify and develop the specific competencies of their staff members in alignment with the goals of the Credit Union. Phase III, involving compensation, began late in the year. The key element of PDS, which was sourced from Credit Union Central of Saskatchewan, is that it focuses on the employee's development. We are very pleased with the level of participation from the Credit Unions which has contributed greatly to the acceptance of this initiative. As is the case with any organization, particularly one which is as reliant on people skills as ours, human resources are our greatest asset and this project will strengthen our ability to attract and retain only the best to serve our owners.

As part of its strategic plan, your Central's Board has established a number of task forces and committees which are working on your behalf on a number of issues of common concern. Among these is the Brand Task Force, chaired by the CEO of your Central, which is mandated with ensuring the understanding and implementation of the branding strategy brought forward by the Atlantic Marketing Group. One of the key tenets of this strategy involves a shift in terminology from referring to our clientele as members to referring to them as owners. Research has shown that the value proposition which appeals to the general public, and which differentiates us most from banks, lies in ownership more so than in membership.



Bill Brown
*Director Training
Advisory Committee*



Frank Carroll
*Second Vice President
Executive Committee,
Finance & Audit
Committee, Chair -
Resolutions Committee
and Legislative Affairs
Committee*



This is clearly and not surprisingly a difficult transition for many of our provincial Credit Union leaders to make, and it does require a considerable amount



Bob Christie
*Governance
Committee*

of trust in the findings of the focus groups and related marketing research. New television commercials have been produced emphasizing the ownership and individuality themes, and point-of-sale material has been developed to support the campaign as well. Your comments on the branding approach are always welcome, as we need to be sure that we balance the comfort level of our existing owners with our attempts to attract new owners into the fold. The overall objective of the branding strategy is to put forward a unified system message to entice current bank customers, particularly the youth segment of the population, to consider Credit Union ownership as an option for their financial future.



Vance Craig
*Finance & Audit
Committee,
Expansion Task Force*

An Expansion Task Force was also struck, chaired by Ms. Pat Duffield of Omista Credit Union, with its mandate to identify any and all options for growth of the New Brunswick Credit Union system. For obvious reasons, the topic which has dominated the meetings of this group to this point is the aforementioned bank branch acquisition strategy. However, this task force is also mandated to look at other areas, such as the appetite for and impact of Credit Union mergers, the SME initiative and a youth strategy in concert with the aforementioned brand initiative, as they relate to growth potential.

LEGISLATIVE Legislative

The Legislative Affairs Committee, chaired by Mr. Frank Carroll of McAdam Credit Union and your Central Board, was created with the responsibility of fostering good relations with the provincial government. It also has as part of its mandate the review of the legislative environment, with a view toward ensuring that Credit Union legislation is kept current and provides us with a competitive situation that allows us to grow. The Credit Union movement should be viewed very positively with our legislators, since we both have many of the same objectives, such as the prosperity of the New Brunswick economy and the creation of jobs, particularly in the SME sector. We were very pleased in 2005 to have had new regulations proclaimed which provided Credit Union owners with unlimited deposit protection, and which raised the commercial lending limits of Credit Unions from 35% to 50% of Credit Union assets. The Board of your Central has mandated that every effort must be made to sell the many positive aspects of Credit Unions and raise our awareness level in Fredericton. The subject of our relationship with the Federation of Caisse Populaires is also one that this group is examining. The general consensus is that, since we operate under the same legislation, that relationship

should indeed be very close on issues of a regulatory nature. There needs to be a greater recognition of your Central as the voice of the Credit Union movement in New Brunswick, but it will require the continuing, and in fact increased, support of our owner Credit Unions to do so.



Marc Griffiths
*Governance
Committee*

BY-LAWS



Garth Lawson
*Director Training
Advisory Committee,
Brand Task Force*

A comprehensive review of your Central's policies and by-laws was initiated during the year. The first review was done by senior management and the suggested revisions were presented to the Governance Committee and the Board. The zone structure, which is a cornerstone of the

existing by-laws, must be revisited in light of a potential disparity between zones which may be caused by changes to our ownership in 2006. All by-law changes will, of course, be discussed with the ownership in advance of being presented to them for approval. The approval process for by-law changes involves not only approval by a two-thirds majority of our ownership, but by the Superintendent of Credit Unions as well. The investment policy of your Central is also being reviewed as part of this process, in consultation with Scotia Cassels, our investment advisors. Scotia Cassels replaced CIBC Wood Gundy as your Central's portfolio manager in late 2004. It has been quite some time since these policies and by-laws have been reconsidered, and we believe the time is right to undertake such a project.

EDUCATION

In the area of director training, our Director Training Advisory Committee, chaired by Ms. Alberta (Bobbie) McNutt of NBTA Credit Union and your Central Board, has been very active and has been in frequent consultation with CUSOURCE, our system provider of training. These consultations are designed to ensure that CUSOURCE is aware of our training needs, and

the paper tabled by the RMA in 2005 clearly indicated that this is an important issue. While there will always be issues surrounding the cost, logistics and content for director training, we must not lose sight of the fact that the cost of not doing the training will likely far outweigh the cost of overcoming any and all of these obstacles. Credit Union directors have said they want more training, and we will continue to attempt to meet their needs. The 2005 Fall Conference session on corporate governance with David Brown was a tangible example of the work of the Director Training Advisory Committee.

In particular, we are very pleased to report that your Central's relationship and level of participation with the Credit Union Managers Association (CUMA), chaired for the past year by Ms. Jeannette Holmden of PSE Credit Union, has been excellent. We believe that the operational issues being discussed at CUMA will form an integral part of any growth and expansion plans we have as a system.

As mentioned above, the emergence of director training as a priority issue has strengthened our relationship with CUSOURCE, our training services provider and we believe that an open communication and feedback between our system and CUSOURCE will ensure that our educational needs continue to be met in a most efficient and complete manner.

As discussed at the 2005 Fall Conference, meetings between the three CEOs of the Maritime Centrals are planned in 2006 to investigate the possibility



Bobbi McNutt
*First Vice President
Executive Committee,
Chair - Director
Training
Advisory Committee*

of a greater sharing of services among these Centrals. As is the case with respect to the subject of Credit Union mergers, this must be looked at from primarily one perspective - whether or not it enhances the value proposition to our owners. We will continue to investigate the potential benefits that might accrue to you from such arrangements.

As well, we began exploring in a very preliminary sense the establishment of a commercial lending function at your Central. In this area, we would need to clearly define the split between any role we might play and the RMA's necessary continuing involvement as a regulator.



Kevin Murphy
*Chair - Finance &
Audit Committee,
Director Training
Advisory Committee*

Obviously there would be an incremental cost associated with a new service coming out of your Central. If that is a major concern, the responsibility will likely remain as it is with RMA and subject to their discretion as to what it entails. The RMA's involvement may be considered "free" in that there is no incremental cost attached but it does leave a regulatory body

controlling what some would see as a business development role. The provision of internal audit services to Credit Unions is another likely subject that your Central will investigate in 2006.

FINANCIALS Financials

From a financial perspective, 2005 was a very successful year for your Central. The net income before taxes and dividends of \$1,014,543 represented a 121% increase over last year's figure. This was accomplished despite assessment dues remaining unchanged from the previous



Charlie Parker
*Chair - Governance
Committee*

year. Most of this surplus, however, has been garnered through capital gains which occurred in the process of realigning our investment portfolio, and as such is of a non-recurring nature. Dividend distribution, recommended at 5% (up from 4% last year), reflects the Board's prudence in

recognizing both the non-recurring nature of the 2005 income and the pressures on your Central's revenue that lie ahead. Administrative expenses increased by only 4.7% in total over 2004, a relatively low amount when you consider the increase in personnel costs stemming from the two additional management positions.

With regard to the dues remaining unchanged from 2004, it must be noted that the dues formula which was approved by the Credit Unions in 2001, if fully implemented, would have yielded almost \$890,000 in dues in 2005. However, reductions of 15% in two separate years and the decision to retain 2005 at 2004 levels, combined with the fact that Credit Union growth has been ignored as a dues factor since 2001, resulted in dues revenue for the past year being only \$585,000, or approximately 35% less than the approved formula. This is a trend that is not sustainable in the future.

As your Central looks to that future and to the services we can and should be providing to you, our owners, we will be considering the roles we need to play in new areas such as commercial lending and internal audit, as well as our existing roles in marketing,



Paul Emile Rioux
*Governance
Committee*



**Jacqueline
Robichaud-Hebert**
*Director Training
Advisory Committee*

financial management services, training and education. We will continue to represent New Brunswick's Credit Unions vigorously at the National level with CUCC and with our provincial lawmakers in Fredericton. One thing we can almost guarantee is that the financial services industry will continue to change, and our purpose will be to help Credit Unions manage that change, always keeping uppermost in our minds the needs of your owners.

We would like to take this opportunity to express our sincere appreciation to the people who make up the small, but dedicated and talented, staff of your Central. As indicated above, we have made significant changes and been involved with many projects throughout the year, resulting in both new opportunities, and new responsibilities. The staff has in every instance responded positively to these changes and have met new challenges with the spirit of co-operation and teamwork that characterizes our movement. We would like to publicly acknowledge their service to you, our owners.

And finally, we would like to acknowledge the Board of Directors of your Central for their many hours of Committee and Board deliberations on your behalf. The committees of the Board, aside from those mentioned earlier in this report, are the Executive, chaired by Mr. Anthony (Tony) Baker of Trico Credit Union; Governance, chaired by Mr. Charles Parker of Prosper Credit Union; and Finance and Audit, chaired by Mr. Kevin Murphy of Dalhousie Credit Union. In this era of increased emphasis and scrutiny on Board governance practices and accountability, we are sure all of you who serve as Credit Union directors can respect and appreciate the additional commitment required to serve on the Board of a Federation as well.

Respectfully submitted by:

Anthony (Tony) Baker, *President of the Board*
Gerard M. Adams, C.A., *Chief Executive Officer*



Zones and Locations

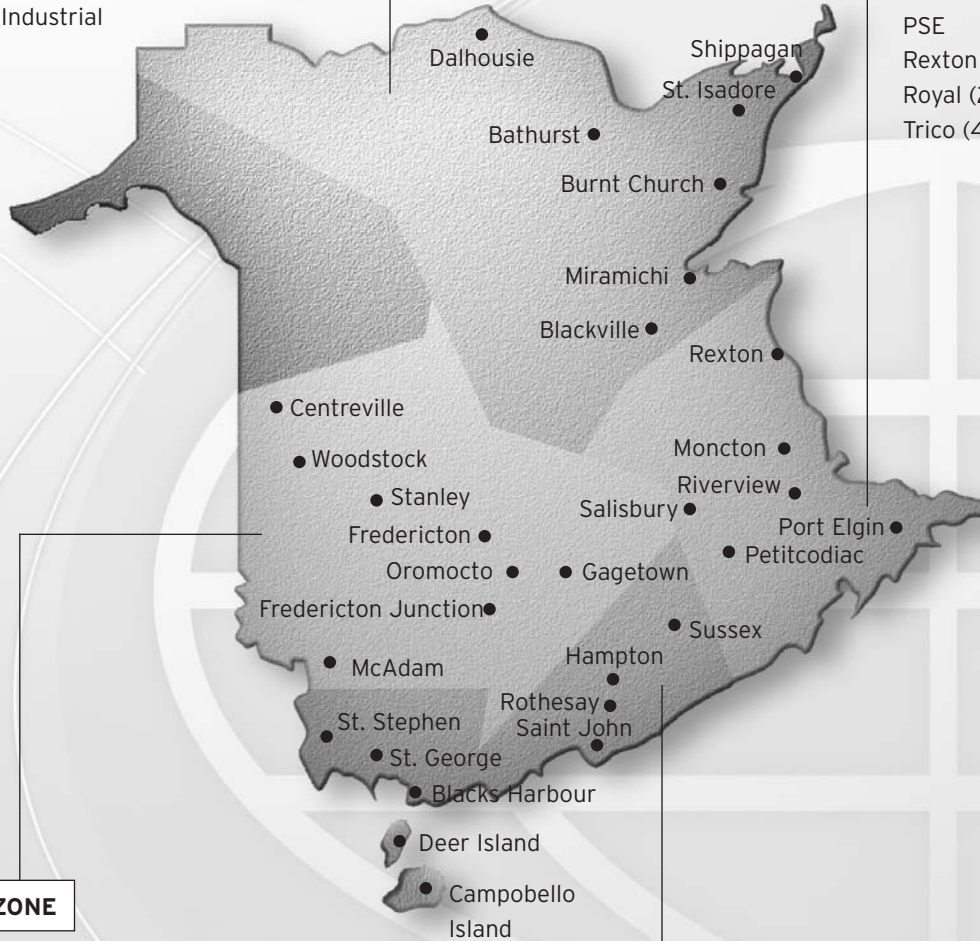


NORTH SHORE ZONE

- Beaubear (2 locations)
- Blackville
- Church River
- Consolidated Bathurst
- Caisse Populaire Shippagan (3 locations)
- Dalhousie Industrial

HUB ZONE

- Moncton Civic
- Omista (3 locations)
- PSE
- Rexton
- Royal (2 locations)
- Trico (4 locations)



VALLEY ZONE

- Capital (2 locations)
- Carleton Pioneer (2 locations)
- Citizens (2 locations)
- College Hill
- McAdam
- NBTA
- York (2 locations)

FUNDY ZONE

- Bayview (7 locations)
- Charlotte County (4 locations)
- Deer Island
- Prosper

Auditors' Report

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The Shareholders,
Brunswick Credit Union Federation Limited

We have audited the balance sheet of Brunswick Credit Union Federation Limited as at December 31, 2005 and the statements of retained earnings, earnings and cash flows for the year then ended. These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Federation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2004 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated January 25, 2005.



February 15, 2006

Deloitte & Touche LLP
Chartered Accountants

Statements of Earnings and Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
Revenue		
Portfolio investment income	\$ 5,220,991	\$ 4,396,454
Other interest income	221,146	216,933
Finance income	349,412	420,863
	5,791,549	5,034,250
Expenses		
Interest on deposits	3,388,945	3,419,796
Other interest expense	255,235	39,439
Finance expense	286,173	358,126
	3,930,353	3,817,361
Net financial margin	1,861,196	1,216,889
Other revenue		
Assessment dues	584,590	584,590
Other income (Note 10)	46,504	68,601
Net revenue	2,492,290	1,870,080
Operating expenses		
Personnel costs	672,703	551,577
Association dues	253,143	237,775
Board of Directors	135,083	127,530
Office and administration	134,617	155,864
Staff training and travel	86,302	94,048
Depreciation	49,025	37,480
Communications and marketing	45,462	25,708
Professional fees	44,394	92,112
Donations	25,856	29,043
Meeting and conferences	17,942	48,818
Credit Union director training program	13,220	10,798
	1,477,747	1,410,753
Earnings before income taxes	1,014,543	459,327
Income taxes (Note 11)	226,200	-
NET EARNINGS FOR THE YEAR	\$ 788,343	\$ 459,327
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 1,048,543	\$ 865,160
Net income for the year	788,343	459,327
Dividends (Note 8)	(375,417)	(275,944)
Reduction in income taxes (Note 11)	112,200	-
RETAINED EARNINGS, END OF YEAR	\$ 1,573,669	\$ 1,048,543

See accompanying notes to the financial statements.

Balance Sheet

AS AT DECEMBER 31, 2005

	2005	2004
ASSETS		
Cash	\$ 3,187,274	\$ 1,510,514
Investments and accrued income receivable (Note 2)	110,008,557	106,299,632
Credit Union loans and investments (Note 3)	5,984,064	3,408,211
Capital assets (Note 4)	104,071	66,762
Other assets (Note 5)	79,137	238,115
	\$ 119,363,103	\$ 111,523,234
LIABILITIES		
Bank indebtedness (Note 6)	\$ -	\$ 2,621,713
Credit Union deposits (Note 7)	108,703,549	99,837,088
Accrued interest on deposits	716,706	726,206
Accounts payable and accrued charges	440,760	115,144
Income taxes payable	114,000	-
Dividends payable (Note 8)	376,301	275,944
	110,351,316	103,576,095
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	7,438,118	6,898,596
Retained earnings	1,573,669	1,048,543
	9,011,787	7,947,139
	\$ 119,363,103	\$ 111,523,234

Commitments (Note 13)

Contingency (Note 15)

Approved by the Board:



Director



Director

See accompanying notes to the financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
CASH PROVIDED (USED)		
OPERATING ACTIVITIES		
Net earnings for the year	\$ 788,343	\$ 459,327
Adjustments for:		
Depreciation	49,025	37,480
Changes in non-cash operating items:		
Other assets	158,979	32,815
Accounts payable and accruals	430,115	(152,642)
	1,426,462	376,980
FINANCING ACTIVITIES		
Increase in Credit Union deposits, net	8,866,461	317,988
Increase (decrease) in share capital	264,462	(258)
Net borrowing under line of credit	(2,621,713)	2,621,713
Reduction in income taxes from dividends	112,200	-
	6,621,410	2,939,443
INVESTING ACTIVITIES		
Increase in securities, net	(3,708,925)	(11,886,115)
(Increase) decrease in Credit Union loans and investments	(2,575,853)	1,310,417
Net capital asset additions	(86,334)	(45,507)
	(6,371,112)	(10,621,205)
NET CASH INFLOW (OUTFLOW)	1,676,760	(7,304,782)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,510,514	8,815,296
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,187,274	\$ 1,510,514
ADDITIONAL INFORMATION		
Interest paid on owners' deposits	\$ 3,939,857	\$ 3,631,424

See accompanying notes to the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and reflect the following significant accounting policies:

Investments

Investments are recorded at cost or amortized cost, net of adjustments to recognize other than temporary declines in value, in which case the investment would be written down to estimated realizable value. The difference between the cost of bonds and their redemption value is amortized to income on a straight-line basis over the life of the bond and the carrying value of the bond is adjusted accordingly. Realized gains and losses on investments are included in income. Interest income is recorded when earned. Dividend income is recognized when declared.

Capital assets

Capital assets are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful life of the assets.

Dividends

Dividends to owner credit unions are accrued and subject to formal approval by the ownership at the annual meeting.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Federation's management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from the estimates made by management.

Income taxes

The Federation follows the asset and liability method of accounting for income taxes, whereby future tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Future 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.

Cash and cash equivalents

Cash and cash equivalents include cash, balances with financial institutions, net of lines of credit and overnight deposits. Borrowings are considered to be financing activities.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2005

2. INVESTMENTS IN SECURITIES

	2005	2004
Liquidity investments		
Federal and federally guaranteed bonds	\$ 61,604,707	\$ 32,443,839
Provincial and provincially guaranteed bonds	9,931,668	39,612,852
Municipal bonds	-	199,496
Corporate securities	1,292,151	-
Financial institutional securities	5,720,640	2,546,772
	78,549,166	74,802,959
Other investments		
Federal and federally guaranteed bonds	\$ 18,966,811	\$ 22,001,452
Provincial and provincially guaranteed bonds	3,412,718	5,556,118
Municipal bonds	-	303,457
Corporate securities	258,548	162,942
Financial institutional securities	5,139,340	-
Co-operative movement securities	3,681,974	3,472,704
	31,459,391	31,496,673
	\$ 110,008,557	\$ 106,299,632

The National Liquidity Pool Agreement requires the Federation to maintain qualified securities with a market value equivalent to at least 6% of the New Brunswick owner credit union assets. Provincial credit union assets are based on financial information at December 31 of the previous year. These securities are held by a custodian for the account of the Federation.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2005

2. INVESTMENTS IN SECURITIES (continued)

	2005	2004
Liquidity investments		
1 year or less	\$ 26,895,490	\$ 15,916,818
2 to 5 years	51,653,675	58,886,139
Other investments		
Less than 1 year	6,805,922	19,181,059
1 to 2 years	7,610,104	-
2 to 5 years	3,917,315	5,617,510
Greater than 5 years	9,695,506	4,295,093
No fixed maturity	3,430,545	2,403,013
	\$ 110,008,557	\$ 106,299,632

3. CREDIT UNION LOANS AND INVESTMENTS

	2005	2004
Development funds:		
- Preferred shares	\$ 2,130,000	\$ 630,000
- Temporary loans-interest bearing	-	1,500,000
Loans to Credit Unions - interest bearing	3,101,156	510,847
Salary deferral program (Note 7)	752,908	767,364
	\$ 5,984,064	\$ 3,408,211

The temporary loans of \$1,500,000 in 2004 were converted to interest bearing preferred shares in 2005.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2005

4. CAPITAL ASSETS

	Depreciation		Accumulated Depreciation	Net Book Value	
	Term	Cost		2005	2004
Automobile	3yrs	\$ 48,986	\$ 13,607	\$ 35,379	\$ -
Furniture and equipment	5 yrs	183,252	140,640	42,612	32,302
Computer equipment	3 yrs	435,578	409,498	26,080	34,460
		\$ 667,816	\$ 563,745	\$ 104,071	\$ 66,762

5. OTHER ASSETS

	2005	2004
Receivables	\$ 53,505	\$ 206,977
Prepays and deferred costs	19,572	25,078
Inventory of office supplies	6,060	6,060
	\$ 79,137	\$ 238,115

6. BANK INDEBTEDNESS

The Federation has authorized lines of credit at prime rate with the following financial institutions:

	2005	2004
	\$	\$
Credit Union Central of Nova Scotia	3,000,000	3,000,000
Credit Union Central of Canada	4,600,000	4,600,000
Bank of Nova Scotia	15,000,000	15,000,000
Credit Union Central of Ontario	100,000	100,000

At December 31, 2005, there were no borrowings on these operating lines of credit (2004 -\$2,621,713 on the Bank of Nova Scotia operating line).

The line of credit with Credit Union Central of Canada is not to be used for normal operations, but is for liquidity purposes only.

As security, the Federation has provided a general assignment of book debts shared "pari passu" among three of the lenders. The Credit Union Central of Ontario's line of credit is secured by a \$100,000 term deposit.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2005

7. CREDIT UNION DEPOSITS

	2005	2004
Current accounts	\$ 21,760,568	\$ 21,825,232
Term deposits	7,974,834	2,899,598
Liquidity deposits	75,864,685	72,106,270
Special deposits	2,350,554	2,238,623
	107,950,641	99,069,723
Provincial Government employees' salary deferral program	752,908	767,365
	\$ 108,703,549	\$ 99,837,088

Interest on current accounts is paid based on prime rate minus 2.5% to 4%, depending on monthly balances.

Liquidity deposits are to be made by owners in accordance with regulations under the Credit Unions Act and are calculated at 8% of the individual credit union's deposits and payables.

Interest on liquidity deposits is paid at 1/4 of 1% less than the corresponding rate earned by the Federation on its investments in securities (see Note 2). Interest on term and demand deposits is paid either at a rate linked to the Federation's prime rate which was 5% at December 31, 2005 (2004 - 4.25%), or at a rate linked to Government of Canada T-bills, depending on the type and amount of the deposits.

8. DIVIDENDS PAYABLE

These financial statements include a 5% dividend accrual of \$375,417 for the 2005 fiscal year. Payment of the dividend is subject to approval by the ownership at the 2006 Annual Meeting scheduled for April 2006. At its last annual meeting, the ownership approved a 4% dividend payout of \$275,944 for the 2004 fiscal year.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2005

9. SHARE CAPITAL

	2005	2004
Share capital consists of basic and surplus shares.		
Authorized:		
an unlimited number of basic and surplus shares		
with a par value of \$100 each		
Issued:		
Basic shares		
Balance, beginning of year	\$ 4,986,787	\$ 4,986,787
Purchase of shares	264,462	-
Converted from surplus shares	1,359,990	-
Balance, end of year		
66,112 shares (2004 - 49,867 shares)	\$ 6,611,239	\$ 4,986,787
Surplus shares		
Balance, beginning of year	\$ 1,911,809	\$ 1,830,948
Converted to basic shares	(1,359,990)	-
Share dividends reinvested during year	275,060	80,861
Balance, end of year	826,879	1,911,809
Total par value of all shares issued	\$ 7,438,118	\$ 6,898,596

10. OTHER INCOME

	2005	2004
Bonding income	\$ 40,454	\$ 49,146
Billing refund	3,980	2,841
Other service fees	2,070	16,614
	\$ 46,504	\$ 68,601

11. INCOME TAXES

The provision for income taxes in 2005 reflects the application of prior years non-capital losses of \$33,199.

Dividends, which are reflected in retained earnings, are deductible in determining current income subject to income taxes. The reduction in income taxes resulting from these deductible dividends is also reflected in retained earnings.

The provision for income taxes in 2004 was nil as the application of prior years' losses and deductible dividends eliminated taxable income for that year.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2005

12. EMPLOYEE FUTURE BENEFITS

The Federation contributes annually to a defined contribution plan for employees, which is managed by CUMIS. Contributions for the year totaled \$35,917 (2004 - \$30,043).

13. COMMITMENTS

The Federation occupies premises under a lease agreement with the Brunswick Credit Union Federation Stabilization Board Ltd. The lease is for an initial term of 5 years and has a 5 year renewal option. Minimum payments for the remaining period of the initial term are as follows:

	\$
2006	45,000
2007	45,000
2008	45,000
2009	7,500

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash, accrued interest on investments, other assets, Credit Union deposits, accrued interest on deposits, dividends payable and accounts payable and accrued charges are equal to the respective book values given the short-term nature of the amounts. The fair value of loans to and investments in Credit Unions is estimated to approximate their carrying value.

The fair value of investments in securities is based on quoted market values where available. If quoted market values or other reliable estimates were not available, the fair value is assumed to approximate their carrying value. These fair values are disclosed in Note 2 to the financial statements.

15. CONTINGENCY

In accordance with the employee loan policy established in 1996, the Federation has guaranteed loans established with League Savings and Mortgage, which aggregate approximately \$708,000 at December 31, 2005 (2004 - \$664,000).

16. COMPARATIVE FIGURES

The figures for 2004, presented for comparative purposes, have been reclassified to conform to the current year's presentation.

Value From Your Central!

Just like a growing family, our Credit Unions need valuable assistance from people they trust to ensure that solid, healthy growth becomes the necessary and inevitable result.

Your support enables your Central to:

- Manage your liquidity requirements;
- Manage your Provincial Bonding program;
- Receive and manage Credit Union deposits;
- Manage provincial clearing contract and ensure adherence to CPA rules & standards;
- Promote and provide financial, advisory, director training and research services;
- Represent your interests on CUCC committees: Finance; Risk Management; Legislative Affairs; National Lenders; CEO Group; National Communications & Research committees;
- Participate on CUSOURCE Advisory Committee;
- Represent your interests on National Risk Management Credit Union Bonding Program;
- Represent your interests on CEDA (Co-operative EFT Development Association) Board;
- Represent your interests on League Data Board;
- Represent your interests on Wealth Management Committee;
- Participate in the Atlantic Branding Initiative through the Atlantic Marketing Group;
- Co-ordinate delivery of People Development Strategy;
- Co-ordinate and manage your Provincial Employee Benefits program;
- Liaise with your Employee Assistance Program (EAP);
- Represent your interests in national Credit Union initiatives such as: Bank Branch Acquisitions; Chip Card Technology; Small - Medium Enterprises (SMEs) Strategy;
- Encourage co-operation among co-operatives and Credit Unions;
- Provide support to provincial task forces for Branding, Expansion and the Legislative Affairs Committee;
- Provide support to CUCNB Board Governance, Finance and Audit, Director Training Advisory and Executive committees.



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Getting You There™

