

**Mid Island Consumer Services Co-operative
Consolidated Financial Statements**

February 3, 2007



Mid Island Consumer Services Co-operative Contents

For the year ended February 3, 2007

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To the Shareholders of Mid Island Consumer Services Co-operative:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Co-operative. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Co-operative's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Board and management to discuss their audit findings.

April 4, 2007

David Hoy, General Manager

To the Shareholders of Mid Island Consumer Services Co-operative:

We have audited the consolidated balance sheet of Mid Island Consumer Services Co-operative as at February 3, 2007 and the consolidated statements of operations, reserves, retained savings and cash flows for the year then ended. These financial statements are the responsibility of the Co-operative'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.

The Co-operative reflects its patronage rebate to members as an allocation from retained savings. Canadian generally accepted accounting principles require that patronage rebates to members be a reduction of net savings for the year. The effect on these consolidated financial statements is that net savings are overstated by \$1,402,167 (2006 - \$1,216,389) and there is no effect on retained savings.

In our opinion, except for the effect on net savings referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Co-operative as at February 3, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Nanaimo, British Columbia

April 4, 2007

Meyers Morris Penny LLP

Chartered Accountants

Mid Island Consumer Services Co-operative Consolidated Balance Sheet

As at February 3, 2007

	<u>2007</u>	<u>2006</u>
Assets		
Current		
Cash	146,206	246,713
Special deposit with Federated Co-operatives Limited	1,800,000	-
Accounts receivable - customers	1,885,992	1,896,082
Accounts receivable - other	28,405	13,059
Inventories	1,220,652	1,268,087
Prepaid expenses and deposits	234,723	224,184
Current portion of loans receivable <i>(Note 5)</i>	69,141	29,068
	5,385,119	3,677,193
Investments <i>(Note 3)</i>	8,277,743	8,813,844
Future income taxes	242,435	41,319
Long-lived assets held for sale	-	51,028
Property, plant and equipment <i>(Note 4)</i>	12,962,133	10,274,220
Prepaid commissions	63,886	74,085
Loans receivable <i>(Note 5)</i>	208,314	79,386
Goodwill	70,000	70,000
Deposits on land	-	188,557
	27,209,630	23,269,632
Liabilities		
Current		
Accounts payable - Federated Co-operatives Limited	1,047,206	1,650,805
Accounts payable - other	675,982	798,951
Income taxes payable	349,508	47,996
Project advances owing to Federated Co-operatives Limited	1,853,666	-
Unearned gas card revenue	270,743	266,284
Unearned rent subsidy	-	17,211
Patronage rebate payable to members - cash portion	366,297	488,122
Current portion of long-term debt <i>(Note 6)</i>	1,005,694	872,409
	5,569,096	4,141,778
Long-term debt <i>(Note 6)</i>	2,650,313	3,135,266
Patronage rebate payable to members - non-cash portion	1,098,889	728,692
Contingencies <i>(Note 10), (Note 11)</i>		
Subsequent events and Commitments <i>(Note 10), (Note 12), (Note 14)</i>		
Share capital <i>(Note 7)</i>	8,893,842	8,754,614
Reserves	8,997,490	6,509,282
	27,209,630	23,269,632

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these consolidated financial statements

Mid Island Consumer Services Co-operative Consolidated Statement of Operations

For the year ended February 3, 2007

	<u>2007</u>	<u>2006</u>
Sales	56,337,740	54,673,898
Cost of sales	51,693,650	50,195,128
Gross margin	4,644,090	4,478,770
Other income		
Rental income	847,970	529,772
Other	342,293	339,945
	1,190,263	869,717
	5,834,353	5,348,487
Expenses		
Operating and administration	4,959,361	4,976,490
Interest on long-term debt	221,983	212,451
Amortization	791,120	798,441
	5,972,464	5,987,382
Loss from operations	(138,111)	(638,895)
Other items		
Gain on disposal of assets	10,713	-
Patronage rebate from Federated Co-operatives Limited	4,953,459	3,838,940
	4,964,172	3,838,940
Savings before income taxes	4,826,061	3,200,045
Income taxes (Note 8)	891,381	797,254
Net savings before discontinued operations	3,934,680	2,402,791
Net loss from discontinued operations	-	(8,464)
Net savings	3,934,680	2,394,327

The accompanying notes are an integral part of these consolidated financial statements

Mid-Island Consumer Services Co-operative
Consolidated Statement of Retained Savings
For the year ended February 3, 2007

	2007	2006
Balance, beginning of year	-	-
Net savings	3,934,680	2,394,327
	3,934,680	2,394,327
Patronage rebated to members		
Current year	(1,465,186)	(1,216,814)
Adjustment to prior year's estimate	18,840	425
	(1,446,346)	(1,216,389)
Transfer to general reserve	(2,488,334)	(1,177,938)
Balance, end of year	-	-

The accompanying notes are an integral part of these consolidated financial statements

Mid Island Consumer Services Co-operative
Consolidated Statement of Reserves
For the year ended February 3, 2007

	<i>2007</i>	<i>2006</i>
General reserve		
Balance, beginning of year	6,509,282	5,329,882
Transfer from retained savings	2,488,334	1,177,938
Transfer of unallocated equity amount	(126)	1,462
<hr/>		
Balance, end of year	8,997,490	6,509,282

The accompanying notes are an integral part of these consolidated financial statements

Mid Island Consumer Services Co-operative
Consolidated Statement of Cash Flows

For the year ended February 3, 2007

	<i>2007</i>	<i>2006</i>
Cash provided by (used for) the following activities		
Operating activities		
Net savings	3,934,680	2,394,327
Amortization	791,120	798,441
Amortization of prepaid commissions	10,199	10,199
Future income taxes	(201,116)	169,482
Gain on disposal of property, plant and equipment	(10,713)	-
Loss on sale of long-lived assets	-	12,429
Loan receivable payment forgiven	16,000	-
	4,540,170	3,384,878
Changes in working capital accounts		
Accounts receivable	(5,256)	(114,965)
Income taxes payable	301,512	328,442
Inventories	47,435	(100,955)
Prepaid expenses and deposits	(10,539)	3,932
Accounts payable	(726,564)	373,267
Increase in gas card reserve	4,459	24,794
Decrease in unearned rent subsidy	(17,211)	(5,737)
	4,134,006	3,893,656
Financing activities		
Advances of long-term debt	768,772	4,290,435
Repayments of long-term debt	(1,120,440)	(5,887,782)
Project advances owing to Federated Co-operatives Limited	1,853,666	-
Increases in paid up share capital	10,963	11,940
Repayment of share capital	(1,069,837)	(795,872)
	443,124	(2,381,279)
Investing activities		
Purchases of property, plant and equipment	(3,450,515)	(1,082,989)
(Payment of) use of deposits on land	-	(188,557)
Proceeds on disposal of property, plant and equipment	221,778	83,084
Proceeds on disposal of Investments	536,101	571
Advances of prepaid commissions	-	(84,284)
Advances of loans receivable	(224,000)	(108,454)
Repayments of loans receivable	38,999	-
	(2,877,637)	(1,380,629)
Increase in cash resources	1,699,493	131,748
Cash resources, beginning of year	246,713	114,965
Cash resources, end of year	1,946,206	246,713

The accompanying notes are an integral part of these consolidated financial statements

Mid Island Consumer Services Co-operative
Consolidated Statement of Cash Flows

For the year ended February 3, 2007

	<i>2007</i>	<i>2006</i>
Cash resources are comprised of:		
Cash	146,206	246,713
Special deposit with Federated Co-operatives Limited	1,800,000	-
	1,946,206	246,713
Supplementary cash flow information		
Interest received	161,139	163,733
Interest paid	(221,983)	(212,451)
Income taxes paid	(790,985)	(295,365)

The accompanying notes are an integral part of these consolidated financial statements

Mid Island Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the year ended February 3, 2007

1. Incorporation and operations

Mid Island Consumer Services Co-operative (the "Co-operative") was incorporated under the laws of the Province of British Columbia on September 28, 1959. The Co-operative operates ten gas bars and commercial cardlock locations in the geographic area between Duncan and Parksville. The Co-operative also operates commercial rental buildings in Nanaimo. The Co-operative has approximately 25,500 members.

2. Significant accounting policies

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

Basis of consolidation

The Co-operative has consolidated the assets, liabilities, revenues and expenses of its subsidiary, after the elimination of inter-entity transactions and balances. The consolidated financial statements include the accounts of the Co-operative, and its wholly owned subsidiary 742875 BC Ltd. The subsidiary is described in note 10.

Special deposit with Federated Co-operatives Limited

The special deposit with Federated Co-operatives Limited is valued at the lower of cost and market value. Market value for this item is the same as cost.

Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories which are taken at retail values are discounted to cost by applying the standard discount rate for that commodity.

Investments

Investments have been recorded at cost, less any provisions for permanent impairment. They have been classified as long-term assets in concurrence with the nature of the investment.

Future income taxes

The Co-operative follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

Long-lived assets

Long-lived assets consist of property, plant and equipment and prepaid commissions. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Co-operative performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

Discounted cash flows are used to measure fair value of long-lived assets.

Mid Island Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the year ended February 3, 2007

2. Significant accounting policies – continued from previous page

Long-lived assets classified as held for sale are initially measured at the lower of the carrying amount and fair value less costs to sell, and are not amortized. Subsequent increases in fair value not in excess of the cumulative loss previously recorded are recognized as gains. Disposals are reported as discontinued operations if the operations and cash flows of a component of the business have been, or will be, eliminated from the Co-operative's ongoing operations and the Co-operative will not have any significant continuing involvement in its operations subsequent to the disposal.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives as follows:

	Method	Rate
Pavement	declining balance	8 %
Buildings	declining balance	5 %
Equipment	declining balance	20 %
Computer equipment	declining balance	30 %
Automotive	declining balance	30 %

In the year of acquisition, amortization is taken at one-half of the above rates. Property, plant and equipment acquired during the year but not placed into use during this time, for items such as construction in progress, are not amortized in the year of acquisition.

Prepaid commissions

Prepaid commissions are payments made to real estate brokers in order to secure tenants for lease space. The pre-payments will be amortized over the term of the lease to which it relates.

Loans receivable

Loans are recorded at principal amounts, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis.

Goodwill

Goodwill represents the excess of the purchase amount of businesses acquired over the proportionate share of the underlying value of the identifiable net assets at the date of acquisition. Goodwill is not amortized to earnings, but is subject to an annual fair value impairment test. Goodwill is reviewed on an ongoing basis by management, by comparing of the fair value of the reporting unit to the underlying carrying value of the reporting unit's net assets. Any excess of carrying value over fair value would be recorded as a charge to net income.

The Co-operative has assessed the carrying value of goodwill for possible impairment and has determined that no such impairment exists as at February 3, 2007.

Revenue recognition

Sales of petroleum and grocery products are recorded at the time of sale and delivery to the customer. Rental revenue is recorded in the period that the space was rented, per the lease agreement. Patronage rebates from Federated Co-operatives Limited are recorded as income in the period when the patronage dividend is declared by Federated Co-operatives Limited.

Patronage rebate to members

The Co-operative records its patronage rebate to members as an allocation from retained savings.

General Reserve

The Board of Directors established the general reserve to assist with financing the general operations and capital improvements planned for the Co-operative in the future.

Mid Island Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the year ended February 3, 2007

2. Significant accounting policies – continued from previous page

Reporting currency and foreign currency translation

In these financial statements, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of Property, Plant and Equipment. Loans receivable are stated after evaluation and provision for impairment. Goodwill is stated after assessment for impairment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Recent accounting pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 *Financial Instruments – Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 *Financial Instruments – Disclosure and Presentation* discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 *Hedges*. Section 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Section 3251 *Equity* establishes standards for the presentation of equity and changes in equity, including changes arising from those items recorded in comprehensive income. There have also been numerous consequential amendments made to other Sections.

In December 2006, the Canadian Institute of Chartered Accountants issued Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation* to replace Section 3861 *Financial Instruments – Disclosure and Presentation*. These new Sections are effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, but may be adopted in place of Section 3861, before that date.

The Co-operative expects to apply these new recommendations for its financial statements for the year ended in January 2008. Transitional provisions are complex and vary based on the type of financial instruments under consideration. However, the Co-operative does not expect the adoption of these new standards to have a material impact on its consolidated financial statements.

Mid Island Consumer Services Co-operative Notes to the Consolidated Financial Statements

For the year ended February 3, 2007

3. Investments

	<i>2007</i>	<i>2006</i>
Federated Co-operatives Ltd.		
Owned directly by Mid Island Consumer Services Co-operative	7,062,870	7,416,513
Held by Vancouver Island Central Services Co-operatives Association on behalf of Mid Island Consumer Services Co-operative	1,180,954	1,363,412
	8,243,824	8,779,925
Other Organizations		
Vancouver Island Central Services Co-operative Association (non-FCL)	25,808	25,808
Coastal Community Credit Union	7,891	7,891
B.C. Central Credit Union	100	100
Other	120	120
	33,919	33,919
	8,277,743	8,813,844

The investment in Federated Co-operatives Limited is redeemable upon the withdrawal of Mid Island Consumer Services Co-operative from the Association and may then be paid out over a period of one to five years.

During the year, the Co-operative purchased goods from Federated Co-operatives Limited amounting to \$41,826,761 (2006 - \$40,741,089).

4. Property, plant and equipment

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2007 Net book value</i>	<i>2006 Net book value</i>
Land	1,809,555	-	1,809,555	1,254,257
Pavement	1,241,131	576,689	664,442	676,602
Buildings	8,886,886	2,756,912	6,129,974	6,314,314
Equipment	4,547,933	3,263,351	1,284,582	1,465,829
Computer equipment	954,467	557,314	397,153	133,645
Automotive	110,614	86,030	24,584	35,121
Land under development	1,112,370	-	1,112,370	-
Construction in progress	1,539,473	-	1,539,473	394,452
	20,202,429	7,240,296	12,962,133	10,274,220

Mid Island Consumer Services Co-operative
Notes to the Consolidated Financial Statements

For the year ended February 3, 2007

5. Loans receivable

	2007	2006
Loan to a Tempo customer for capital improvements, non-interest bearing, forgivable at a rate of \$16,000 per year, unsecured.	27,077	43,077
Loan to an existing tenant for the purchase of inventory, interest of 6.0% per annum, due in monthly instalments of principal and interest of \$1,009.92, unsecured.	2,488	15,563
Loan to an existing tenant for the purchase of equipment, interest of 7.0% per annum, due in monthly instalments of principal and interest of \$353, secured by specific equipment.	23,890	49,814
Loan to an unrelated party for the purchase of land from the Co-operative, interest-free, due in three annual instalments starting February 15, 2007 of \$48,000, \$80,000 and \$96,000 respectively, secured by the land.	224,000	-
	277,455	108,454
Less: current portion	(69,141)	(29,068)
	208,314	79,386

6. Long-term debt

	2007	2006
Royal Bank of Canada, capital expenditure loan, interest at prime, repayable at \$10,000 per month plus interest, repayable in full on February 1, 2008.	500,000	-
Royal Bank of Canada, capital expenditure loan, interest at 5.23%, repayable at \$48,578 per month for principal and interest, repayable in full on July 5, 2009.	1,363,885	1,861,317
Royal Bank of Canada, capital expenditure loan, interest at prime, repayable at \$25,449 per month for principal and interest, repayable in full on February 1, 2008.	1,679,607	1,984,995
Federated Co-operatives Limited, petroleum upgrade loans, interest free, due in annual instalments of \$56,257 over each of the next two years, secured by FCL title and security interest in the projects.	112,515	161,363
	3,656,007	4,007,675
Less: current portion	1,005,694	872,409
	2,650,313	3,135,266

Mid Island Consumer Services Co-operative
Notes to the Consolidated Financial Statements

For the year ended February 3, 2007

6. Long-term debt – continued from previous page

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2008	1,005,694
2009	1,033,768
2010	713,102
2011	425,388
2012	325,388

The above noted Royal Bank of Canada loans are secured by a general security agreement over assets, inventory under Section 427 of the Bank Act, an assignment of rents, and a collateral mortgage of \$7,000,000 over land and buildings with a carrying value of \$7,470,540.

The Royal Bank of Canada loans are subject to certain financial covenants with respect to debt service coverage. As at February 3, 2007, the Co-operative was in compliance with all such covenants. It is management's opinion that the Co-operative is likely to remain in compliance with all loan covenants throughout the next twelve months subsequent to February 3, 2007.

7. Share capital

Authorized:

Unlimited number of common shares with a par value of \$10 each

	<i>2007</i>	<i>2006</i>
Balance, beginning of the year	8,754,614	9,023,385
Issued to new members	10,963	11,940
Member patronage allocation	1,182,435	516,623
	9,948,012	9,551,948
Redemptions	(1,054,170)	(797,334)
Balance, end of the year	8,893,842	8,754,614

Mid Island Consumer Services Co-operative
Notes to the Consolidated Financial Statements

For the year ended February 3, 2007

8. Income taxes

The Co-operative's income tax expense consists of the following:

	2007	2006
Current tax expense	1,092,497	627,772
Future income tax (recovery) expense	(201,116)	169,482
Total provision for income taxes	891,381	797,254

The nature and tax effect of items giving rise to the Co-operative's future income tax asset is as follows:

	2007	2006
Property, plant and equipment	266,481	45,421
Goodwill	(4,356)	(4,102)
Reserve for capital gains	(19,690)	-
Total future income tax assets	242,435	41,319

Reconciliation of the income tax expense to the statutory amount is as follows:

	2007	2006
Tax at 33% statutory rate (2006 – 33%)	1,592,600	1,062,363
Small business deduction	(38,935)	(34,082)
Deferral of income	(20,358)	-
Member patronage deduction	(493,494)	(412,500)
Other	52,684	11,991
Current tax expense	1,092,497	627,772

Mid Island Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the year ended February 3, 2007

9. Financial instruments

The Co-operative as part of its operations carries a number of financial instruments. It is management's opinion that the Co-operative is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Financial instruments that potentially subject the Co-operative to concentrations of credit risk consist primarily of trade accounts receivable. Co-operative petroleum sales are concentrated in the trucking industry on Vancouver Island; however, credit exposure is limited by the Co-operative's credit policies and monitoring of accounts.

Interest rate risk is the rate that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Co-operative manages exposure through its normal operating and financing activities. The Co-operative is exposed to interest rate risk primarily through its variable rate long-term debt with the Royal Bank of Canada, as described in Note 6.

For cash, special deposits with Federated Co-operatives Ltd., accounts receivable, accounts payable, project advances owing to Federated Co-operatives Limited and patronage rebate payable to members, the fair value closely approximates the carrying value shown on the balance sheet because of the relatively short-term nature of the instruments. For loans receivable, the fair value closely approximates the carrying value shown on the balance sheet because the balances are not significant. For long-term debt, the fair value closely approximates the carrying value shown on the balance sheet because the majority of the debt's interest rates are linked to current market rates and the remainder of the debt is interest-free but with a term of two years, so the discounted present values would not be significantly different from carrying value. It is not practical within the constraints of timeliness or costs to determine the fair value of investments or share capital because these instruments are not traded in an organized financial market.

10. Investment in subsidiary

During the year, the Co-operative incorporated a wholly owned subsidiary, 742875 BC Ltd., for the purposes of holding an investment in land and for the development of that land for the construction of a gas bar.

The wholly owned subsidiary's investment in land is an undivided 50% ownership interest. The other 50% ownership interest is held by a non-related party.

The wholly owned subsidiary is an indemnitor, providing an unlimited corporate indemnity and postponement of claim, for a \$2 million mortgage loan payable by the other owner of the land to a finance company. The entire parcel of land is pledged as security for this loan, and this security is in priority to the charge noted below.

Subsequent to the end of the year, the Co-operative loaned \$750,000 to the other owner of the land. This loan is secured by a charge on the land.

11. Contingencies

The Co-operative has one letter of credit outstanding in the amount of \$86,470 in favour of The City of Nanaimo in connection with recent capital projects.

12. Subsequent events

Subsequent to the date of the financial statements, the Co-operative purchased land in Nanaimo for a cost of \$425,000, for the purposes of constructing and operating a gas bar.

Mid Island Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the year ended February 3, 2007

13. Economic dependence

The Co-operative is a member of Federated Co-operatives Limited ("FCL") who is the primary supplier of merchandise that the Co-operative purchases for resale. While the Co-operative's ability to continue viable operations is not dependent upon maintaining its membership in FCL, finding a replacement supplier would be very disruptive to the operations.

14. Commitments

The Co-operative has entered into operating lease agreements for three gas bars and two cardlock stations with expiry dates from 2009 to 2012 and total lease payments totaling \$988,067. Minimum annual lease payments for the next five years are as follows:

2008	252,927
2009	252,927
2010	238,010
2011	147,203
2012	<u>97,000</u>
	<u>988,067</u>

As well, the Co-operative has a contractual obligation for \$1.2 million for a capital project being completed subsequent to year-end.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.