

To the Shareholders of C.A. Bancorp Inc.

We have audited the consolidated balance sheets of C.A. Bancorp Inc. (the "Company") as at December 31, 2007 and 2006 and the consolidated statements of operations and comprehensive income (loss), deficit and accumulated other comprehensive income and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Deloitte & Touche LLP"

Chartered Accountants
Toronto, Ontario
March 7, 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies which management believes are appropriate for the Company are described in Note 2 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee of three non-management independent Directors is appointed by the Board.

The Audit Committee reviews the consolidated financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

Deloitte and Touche LLP, the Company's external auditors, who are appointed by the common shareholders, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out above.

"John Driscoll"

JOHN F. DRISCOLL
Chief Executive Officer and Chairman

"Paolo De Luca"

PAOLO DE LUCA
Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

(thousands of Canadian dollars)

	as at December 31	2007	2006
ASSETS			
Cash and cash equivalents (Note 4)		\$ 3,337	\$32,905
Accounts receivable		2,557	215
Loans and leases receivable (Note 5)		82,840	-
Publicly traded investments (Note 6)		30,881	4,137
Investments in capital pool companies (Note 7)		151	164
Investment in Charter REIT (Note 8)		17,421	489
Investments in private entities (Note 9)		12,697	-
Future income tax (Note 22)		1,345	-
Intangible assets (Notes 3 and 10)		1,165	-
Deferred costs, prepaid expenses and other assets (Note 11)		718	105
Goodwill (Notes 3 and 12)		716	-
Capital assets (Note 13)		520	-
		\$154,348	\$38,015
LIABILITIES			
Credit facilities (Note 14)		\$ 67,435	\$ -
Accounts payable and accrued liabilities		3,382	842
Due to broker		-	140
		70,817	982
NON-CONTROLLING INTEREST (Note 3)			
		1,015	-
SHAREHOLDERS' EQUITY			
Share capital (Note 18)		82,603	38,592
Warrants (Note 18)		-	254
Contributed surplus (Note 18)		1,990	375
Deficit		(2,077)	(2,188)
		82,516	37,033
		\$154,348	\$38,015

Approved on behalf of the Board of Directors

"John Driscoll"

"Richard Zarzeczny"

JOHN F. DRISCOLL, Director

RICHARD J. ZARZECZNY, Director

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(thousands of Canadian dollars except per share amounts)

	for the years ended December 31	2007	2006
REVENUE			
Interest and investment income		\$6,221	\$ 232
Revenues from rental properties (Note 8)		1,691	-
Asset management fees (Note 15)		731	196
Other fees and commissions		723	-
		9,366	428
NET RESULTS OF INVESTMENTS			
Realized gain on sale of publicly traded investments		1,022	4
Change in unrealized loss on publicly traded investments (Note 6)		(3,259)	(439)
Change in unrealized gain on private investments, held for trading (Note 9)		90	-
Equity participation in capital pool companies (Note 7)		(13)	(26)
Gain on dilution of Charter REIT (Note 8)		1,373	-
Equity participation in Charter REIT (Note 8)		(418)	(11)
		(1,205)	(472)
EXPENSES			
General and administration (Notes 8 and 16)		2,829	825
Interest expense (Note 8)		1,783	7
Corporate and transaction costs (Note 8)		1,335	304
Stock based compensation (Notes 8 and 19)		1,167	375
Management fees (Note 15)		972	74
Depreciation and amortization (Notes 8, 10 and 13)		826	-
Rental property operating costs (Note 8)		487	-
Investment management fee (Note 16)		353	107
Provision for credit losses		6	-
		9,758	1,692
NET LOSS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS		(1,597)	(1,736)
(RECOVERY) PROVISION FOR INCOME TAXES (Note 22)			
Current tax provision		695	-
Future tax recovery		(1,345)	-
		(650)	-
NET LOSS BEFORE NON-CONTROLLING INTERESTS		(947)	(1,736)
NON-CONTROLLING INTERESTS		(964)	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ 17	\$(1,736)
NET EARNINGS (LOSS) PER SHARE (Post share consolidation - see Note 1)			
Basic		\$0.00	\$ (0.08)
Diluted		\$0.00	\$ (0.08)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING			
(Post share consolidation - see Note 1)			
Basic		21,485,610	23,054,785
Diluted		21,531,937	23,054,785

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

CONSOLIDATED STATEMENTS OF DEFICIT AND ACCUMULATED OTHER
COMPREHENSIVE INCOME

(thousands of Canadian dollars except per share amounts)

	Deficit	Accumulated Other Comprehensive Income
Balance, December 31, 2005	\$(89)	\$ -
Net loss	(1,736)	-
Issue costs of Qualifying Transaction (Note 1)	(363)	-
Balance, December 31, 2006	(2,188)	-
Adjustment as a result of change in accounting policy on publicly traded investments held for trading (Notes 2 and 6)	94	-
Net income	17	-
Balance, December 31, 2007	\$(2,077)	\$ -

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars)

	for the years ended December 31	2007	2006
OPERATING ACTIVITIES			
Net income (loss)		\$ 17	\$(1,736)
Adjusted for non-cash items:			
Future tax recovery		(1,345)	-
Change in unrealized loss on publicly traded investments		3,259	439
Non-controlling interests		(964)	-
Stock based compensation		1,167	375
Non-cash gain on dilution of Charter REIT		(1,373)	-
Realized gain on publicly traded investments		(1,022)	(4)
Equity participation in capital pool companies		13	26
Equity participation in Charter REIT		418	11
Depreciation and amortization		826	-
Other Charter REIT related items		1,538	-
High Fidelity HDTV non-cash interest income		(136)	-
Change in unrealized gain on investments in private entities		(90)	-
AgriFinancial provision for credit losses		6	-
		2,314	(889)
Changes in non-cash operating working capital:			
Increase in current liabilities, net of AgriFinancial acquisition		1,221	258
Increase in receivables, net of AgriFinancial acquisition		(2,336)	(210)
(Increase) decrease in deferred costs, prepaid expenses and other assets net of AgriFinancial acquisition		(69)	98
Net cash provided by (used in) operating activities		1,130	(743)
INVESTING ACTIVITIES			
Purchase of net assets from CCAFS (Note 3)		(88,301)	-
AgriFinancial loans and leases receivable, net of repayments		11,696	-
AgriFinancial purchase of capital assets		(53)	-
Commercial real estate loans granted		(9,027)	-
Commercial real estate loans repaid		1,000	-
Purchase of publicly traded investments		(44,645)	(3,762)
Sale proceeds of publicly traded investments		15,758	272
Investments in capital pool companies		-	(190)
Investments in private entities (Note 9)		(12,471)	-
Bridge financing provided to Charter REIT		(4,590)	-
Bridge financing repaid by Charter REIT		4,590	-
Investments in Charter REIT		(18,099)	(500)
Distributions received from Charter REIT		756	-
Other		-	27
Net cash used in investing activities		(143,386)	(4,153)
FINANCING ACTIVITIES			
Non-controlling interest in AgriFinancial		1,000	-
Credit facilities drawn on acquisition of assets from CCAFS (Note 3)		78,337	-
Credit facilities repaid		(10,902)	-
Common shares issued (Note 18)		49,203	38,997
Issue costs paid (Note 18)		(4,185)	(3,315)
Warrants exercised		133	-
Common shares repurchased under normal course issuer bid (Note 18)		(898)	-
Cash acquired on Qualifying Transaction (Note 1)		-	2,042
Net cash provided by financing activities		112,688	37,724
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(29,568)	32,828
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		32,905	77
CASH AND CASH EQUIVALENTS, END OF YEAR		\$3,337	\$32,905
REPRESENTED BY:			
Cash		\$3,277	\$1,639
Cash equivalents (Note 4)		60	31,266
		\$3,337	\$32,905
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Income taxes paid		\$ -	\$ -
Interest paid		\$1,778	\$ 7

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

(in thousands of dollars except per share amounts or unless otherwise stated)

1. ORGANIZATION

C.A. Bancorp Inc. ("C.A. Bancorp" or the "Company") was incorporated as Master Mines and Metals Inc., pursuant to the provisions of the Business Corporations Act (Alberta) on March 29, 2005 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV"). On April 19, 2005 the Company changed its name to Master West Resources Ltd. and on April 27, 2005 changed its name to Masthead Resources Ltd.

C.A. Bancorp completed its initial public offering on August 22, 2005 issuing common shares (pre-consolidation, see below) at \$0.20 per share (\$2.00 per share post-consolidation). On September 2, 2005 C.A. Bancorp began trading on the TSXV under the symbol "MTH.P". On January 26, 2006, C.A. Bancorp completed its Qualifying Transaction (as defined in Policy 2.4 of the TSXV) and changed its name from Masthead Resources Ltd. to C.A. Bancorp Inc. in connection with the transaction and its trading symbol to "BKP".

On November 27, 2006 the Company closed a public offering from treasury raising gross proceeds of \$38.8 million at \$0.30 per common share (\$3.00 per common share post-consolidation).

As of April 30, 2007 C.A. Bancorp completed a 10-for-1 share consolidation reducing the number of outstanding shares from 141,741,703 to 14,174,171 where shareholders received 1 post-consolidation share for every 10 pre-consolidation shares. Any reference to common shares, warrants and options to purchase common shares in the financial statements or these notes to the financial statements is a reference to post-consolidation shares unless otherwise stated. That is, comparative figures have been adjusted as if the consolidation had occurred since inception.

April 27, 2007 was the last day the Company's common shares were listed for trading on the TSXV. Beginning on April 30, 2007 the Company's common shares were listed for trading on the Toronto Stock Exchange.

On June 29, 2007 the Company closed a public offering issuing 14,500,000 common shares from treasury raising gross proceeds of \$47.85 million at \$3.30 per share.

On July 25, 2007 an additional 410,000 common shares of C.A. Bancorp Inc. were issued for gross proceeds of \$1.35 million pursuant to the exercise by the agents of the over-allotment option, in connection with the common share offering that closed on June 29, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

A) PRINCIPLES OF CONSOLIDATION

The Company's financial statements as at December 31, 2007 include the accounts of its subsidiaries (with ownership percentages in parentheses):

- C.A. Bancorp Ltd. (100%)
- C.A. Realty Management Inc. (100%)
- C.A. Bancorp Realty Finance Inc. (100%)
- C.A. Bancorp Financial Corp. (90.5%)
- C.A. Bancorp Telecom Inc. (100%)

The Company's accounts also include the wholly-owned subsidiaries of C.A. Bancorp Financial Corp., AgriFinancial Canada Corp. and AgriFinancial Leasing Inc.

The Company's consolidated financial statements as at December 31, 2007 also include revenue and expense accounts of its majority owned subsidiary Charter Real Estate Investment Trust ("Charter REIT") (Note 8) for the period of February 23, 2007 to August 9, 2007, the period during which the Company had a controlling interest in Charter REIT.

All intercompany transactions and balances have been eliminated in these consolidated financial statements.

B) CHANGES IN ACCOUNTING POLICY – FINANCIAL INSTRUMENTS AND COMPREHENSIVE INCOME

On January 1, 2007 the Company adopted the following new accounting standards of the Canadian Institute of Chartered Accountants (the "CICA"): Section 3855, "Financial Instruments – Recognition and Measurement"; Section 3861, "Financial Instruments – Disclosure and Presentation" and Section 1530, "Comprehensive Income". These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide the requirements for the recognition and measurement of financial instruments as well as comprehensive income. These standards require that all financial assets be classified as available-for-sale, held-to-maturity, held-for-trading or as loans and receivables. All

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

financial assets are required to be carried at fair value in the consolidated balance sheets, except for loans, receivables and held-to-maturity investments which are carried at amortized cost using the effective interest rate method and except for equity instruments whose fair value cannot be reliably measured. All financial liabilities must be classified as either held-for-trading or other financial liabilities. Financial liabilities that are held-for-trading are required to be carried at fair value, whereas all other financial liabilities are carried at amortized cost using the effective interest rate method. Subsequent measurement and changes in fair value of financial instruments will depend on their initial classification as follows: held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value (when fair value is reliably measured) recorded in other comprehensive income until the instrument is derecognized or impaired. In cases where fair value is not reliably measured the carrying value will continue to be used subject to impairment tests. Comprehensive income consists of net income and other comprehensive income. Major components of other comprehensive income may include unrealized gains and losses on financial assets classified as available-for-sale and changes in fair value of the effective portion of cash flow hedging instruments. The adoption of these new standards has been applied retroactively with no restatement of prior years. The Company's opening deficit, as of January 1, 2007, has been adjusted for the impact of adopting these standards. For the year ended December 31, 2007, comprehensive income is the same as net income.

As a result of the adoption of these new standards the Company has elected to classify the following:

(i) Loans, leases and other receivables

The carrying value of loans receivable includes principal and related finance costs. The terms of the loans generally extend up to five years. Finance charges are taken into income using the effective interest method over the terms of the loans. The investment in leases for purposes of income recognition is composed of net minimum lease payments less unearned finance income. Finance income related to the investment in leases is recognized over the term of the lease using the effective interest method. The carrying value of credit card loans includes principal and related finance costs. Finance charges are calculated on outstanding balances and taken into income in the period they are earned. Foreclosed assets are held for sale and valued at the outstanding balance of the loan or lease at the date of foreclosure adjusted for costs incurred subsequent to foreclosure or repossession and the estimated net realizable value of the property.

The Company maintains allowances for impaired loans that reduce the carrying value of loans and leases receivable to their estimated realizable amounts. Estimated realizable amounts for individual loans and leases are determined with reference to the present value of future cash flows inherent in a loan or lease and to the fair value of any security underlying the loans or leases.

Specific allowances are established for individual impaired loans and leases for which the estimated realizable amount is less than the carrying value. These allowances are supplemented by non-specific allowances for losses which are determined with reference to loan and lease balances in arrears, aging of loan and leases balances and past loss experience.

Management has established criteria to be used in the determination of whether an individual loan or lease balance is to be considered as impaired. Such criteria have been established for the two primary components of the Company's portfolio of loans and leases receivable as follows:

- i) Loans and leases are made to borrowers primarily for the purpose of acquiring agricultural implements and industrial equipment. Where a customer's credit worthiness does not meet certain criteria set by management, these loans and leases are made on a full or shared recourse basis to the implement dealer provided management believes the dealer is currently in a sound financial position and a Dealer Retail Finance Agreement with AgriFinancial is in effect.

Further, it is AgriFinancial's practice to only extend loans on equipment with the net advance being based on an assessment of the equipment's value in the marketplace. For new equipment, the net advance should not exceed the equipment's wholesale value (dealer's invoice) while for used equipment, the net advance should not exceed 75% of its market value based on industry guide values or average listed prices for units of similar make, model and age.

Accordingly, a loan or lease is classified as impaired when there is reasonable expectation of a loss or an account is 180 days in arrears.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

ii) Credit card loans are loans that are extended through AgriFinancial's *AgriCard* credit card, which is accepted only at approved agricultural equipment dealers. *AgriCard* customers use the credit card primarily for equipment parts and service. An individual credit card loan is considered impaired when one of several criteria established by management related to non-payment is met.

(ii) Publicly traded investments

Publicly traded investments are classified as held-for-trading.

Publicly traded investments are carried at fair value as at December 31, 2007. The closing bid prices are used in determining the fair value of investments that are publicly traded.

The Company records security purchases and sales on a trade date basis. Purchases or sales that have not settled at period end are recorded as "Due from/to broker".

(iii) Private investments

Investments in debentures are classified as held-to-maturity and are initially valued at estimated fair value and thereafter carried at amortized cost with interest recognized using the effective interest method.

Equity investments are classified as held-for-trading or available-for-sale depending on whether fair values are reliably measurable. Where fair values are reliably measurable equity investments will be classified as held-for-trading and initially valued at fair value. Subsequently, carrying values will be adjusted to fair value. Where fair values are not reliably measurable equity investments will be classified as available-for-sale and initially valued at estimated fair value and thereafter carried at cost.

Options to purchase equity investments are classified as held for trading and are carried at fair value.

(iv) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities, notes payable and secured debt are classified as other liabilities, all of which are carried at amortized cost.

C) REVENUE RECOGNITION

(i) Interest and investment income

Interest income is recognized on an accrual basis as it is earned. Investment income is recorded on the ex-dividend/ex-distribution date.

(ii) Loan origination fees

Loan origination fees are considered to be adjustments to loan yield and are recognized over the expected life of the loan using the effective interest method.

(iii) Asset management and performance fees

Asset management fees recorded as revenue are based upon the average net asset value of the Sentry Select Total Strategy Fund ("Total Strategy Fund") and are recognized on an accrual basis.

Performance fees related to the Total Strategy Fund are recognized when performance thresholds have been satisfied and management is assured of their realization and are recognized on an accrual basis.

(iv) Other commission and fees

Deal fees or work fees are recognized when the engagement services have been fully completed and management is assured of their realization.

Mortgage broker commissions are recognized when management is assured of their realization. Any commissions paid to employees as a result of commissions generated for the Company are included in general and administration expense.

D) DEFERRED COSTS

Deferred costs include expenses related to start-up private equity investments and funds. These costs are recovered from the investees or funds upon closing or, in the case where the Company believes they are no longer recoverable, expensed.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

E) CAPITAL ASSETS

Depreciation and amortization of capital assets is provided on a straight-line basis as follows:

Furniture, equipment and terminals	-	3 to 5 years
Leasehold improvements	-	term of lease
Computer equipment, software and tools	-	3 to 10 years
Vehicles	-	5 years

Impairment is tested on an annual basis.

F) GOODWILL

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired, and is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess.

G) INTANGIBLE ASSETS

Intangible assets with an indefinite life are accounted for at cost and are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess.

Other intangible assets are accounted for at cost. Amortization is based on their estimated useful life using the straight-line method and the following periods:

Top dealer relationships	-	5 years
Customer lists	-	5 years

H) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of cash and short-term investments with maturities of three months or less from the date of their acquisition. Short-term investments are carried at cost plus accrued interest, which approximates market value.

I) INVESTMENTS IN CAPITAL POOL COMPANIES

Investments in capital pool companies are accounted for using the equity method as the Company is deemed to exercise significant influence over its investments.

J) INCENTIVE STOCK OPTIONS

The Company has an incentive stock option plan as described in Note 19. The Company follows the fair value method of accounting for the expense associated with the plan, whereby an estimate of the fair value of the stock options granted is measured and recorded as an expense over the vesting period or at the date of grant if options vest immediately, with the related offset recorded as shareholders' equity. The effect of actual forfeitures of previously granted options is recognized as they occur. Any consideration paid to the Company with respect to the exercise of stock options is credited to share capital. For the purpose of accounting for incentive stock options, directors, officers and direct employees of the Company are considered employees and other parties are considered non-employees.

K) INCOME TAXES

The Company uses the asset and liability method to provide for income taxes on all transactions recorded in the financial statements. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax basis. Future income tax assets and liabilities are determined for each temporary difference and unused losses, as applicable, at substantively enacted tax rates expected to be in effect when the assets are realized or the liabilities are settled. A valuation allowance is established to reduce future income tax assets to the amount that is more likely than not to be realized.

L) INCOME (LOSS) PER SHARE

Basic income (loss) per share is calculated using the weighted average number of shares outstanding for the period. The treasury stock method is used to determine diluted income (loss) per share.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

M) USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used in the valuation of loans and leases receivable, valuation of intangible assets and goodwill, impairment of assets, loan provisions, useful life for amortization, calculation of the fair value of stock options and the components of the investments in private entities. Actual results could differ from these estimates.

N) CHARTER REIT RELATED ACCOUNTING POLICIES (DURING CONSOLIDATION PERIOD)

The Company used the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases was accounted for on a straight-line basis over the terms of the respective leases.

Revenues from rental properties also included realty tax and operating cost recoveries, and other incidental income which were recognized on an accrual basis.

The Company allocated the purchase price for income producing properties as follows:

- i. Land
Land was recorded at its estimated fair value.
- ii. Buildings
Buildings were recorded at either depreciated replacement cost based on estimates of prevailing construction costs for buildings of a similar class and age or a "dark value" appraisal, which is an income based valuation approach and gives the hypothetical value of the building as if the property were completely vacant at the date of acquisition.
- iii. Loan and commitment fees
Loan and commitment fees were deferred and were amortized into income using the effective interest method.

Commitment fees and other fees incurred in connection with debt financing are netted in the balance sheet against the debt to which they relate. These costs are amortized into interest expense using the effective interest method.

O) FUTURE ACCOUNTING CHANGES

(i) Capital Disclosures and Financial Instruments – Disclosures and Presentation

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

The Company is currently evaluating the impact of the adoption of these new Sections on its consolidated financial statements. (The Company does not expect that the adoption of these new Sections will have a material impact on its consolidated financial statements.)

(ii) Goodwill and Intangibles

In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements. (The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ACQUISITION OF AGRIFINANCIAL CANADA

On October 12, 2007, the Company acquired the loans, leases and credit card loans of *Agrifinance* and *AgriCard* including certain other assets and liabilities from Canadian Cooperative Agricultural Financial Services (CCAFS) for total consideration of \$88,301 (the Acquisition). The Acquisition was completed through newly created corporations, AgriFinancial Canada Corp. and AgriFinancial Leasing Inc. which is a wholly-owned subsidiary of AgriFinancial Canada Corp., which are wholly-owned subsidiaries of C.A. Bancorp Financial Corp.

The Company invested \$9,500 of equity in C.A. Bancorp Financial Corp. and the Sentry Select Total Strategy Fund invested \$1,000. The results of the businesses are included in the consolidated financial statements from the date of the Acquisition. The consideration paid consisted of the following:

Cash drawn under the Credit Agreement (Note 14)	\$78,337
Cash	9,568
Acquisition costs	396
Total consideration	\$88,301

The Acquisition was accounted for using the purchase method as follows:

Fair value of assets acquired:

Loans, leases and credit card loans receivable	\$86,514
Equipment held for resale	534
Other assets	515
Intangible assets	1,200
	88,763
Less fair value of liabilities assumed:	
Accounts payable and accrued expenses	778
Holdback payable at a later date	400
Fair value of net identifiable assets acquired	87,585
Add other consideration:	
Goodwill	716
Total consideration paid	88,301
Non-controlling interest	(1,000)
Total consideration paid, net of non-controlling interest	\$87,301

Of the \$1,200 of intangible assets, \$500 was assigned to trademarks, \$400 was assigned to top dealer program/relationships and \$300 was assigned to customer lists.

Trademarks have indefinite lives and are not subject to amortization. Other intangible assets are amortized over their estimated useful lives. Goodwill is not subject to amortization and \$29 is deductible for tax purposes. Holdbacks are payable in two amounts, one-half of the holdback amount at six months after the acquisition date and one-half at one year after the acquisition date.

These holdbacks are subject to reduction for any claims and liabilities arising after the time of closing that pertain to events prior to the time of closing, and that were not identified and assumed by AgriFinancial at the time of closing. At December 31, 2007, holdbacks are included in other liabilities.

4. CASH AND CASH EQUIVALENTS

As at December 31, 2007 the Company held \$3,337 in cash and cash equivalents consisting of cash of \$3,277 and cash equivalents of a Government of Canada Treasury Bill, yielding 3.45% and maturing on January 10, 2008 in the amount of \$60.

The Company held no commercial paper as at December 31, 2007.

5. LOANS AND LEASES RECEIVABLE

A) COMPOSITION OF LOANS AND LEASES RECEIVABLE

	2007
Loans and leases are comprised of the following:	
Commercial real estate loans	\$8,027
AgriFinancial loans	23,890
AgriFinancial leases	24,506
AgriFinancial credit card loans	28,219
	84,642
Less: allowance for impaired loans	1,802
	\$82,840

AgriFinancial loans and leases are secured by specific equipment. AgriFinancial credit card loans are unsecured.

The investment in direct financing leases is composed of net minimum lease payments less unearned finance income which is recognized over the term of the lease according to a formula providing a constant rate of return on investment. Impaired loans and leases include foreclosed assets held for sale with a gross carrying value of \$992 and related allowance of \$613.

Management has estimated the fair value of loans and leases by discounting the expected future cash flows at estimated current market rates for instruments with similar risks. Estimated current market rates are arrived at by using the year-end Canadian government (risk-free) rates and adding a risk premium. Management estimates that the fair value of the AgriFinancial loans and leases receivable at the balance sheet date was \$77 million. The comparable carrying value of these assets, calculated by deducting unearned finance income from the loans and leases receivable balance, is \$75 million. Management estimates that the fair value of the commercial real estate loans receivable approximate their carrying values.

B) ALLOWANCE FOR IMPAIRED LOANS

The allowance for impaired loans and leases is comprised of the following:

	2007			
	Total Impaired Loans	Specific Allowances	Non-specific Allowances	Total Allowances
Commercial real estate loans	\$ -	\$ -	\$ -	\$ -
AgriFinancial loans	804	580	261	841
AgriFinancial leases	187	33	268	301
AgriFinancial credit card loans	-	-	660	660
	\$ 991	\$ 613	\$1,189	\$1,802

The change in the allowance for impaired loans and leases is as follows:

	2007		
	AgriFinancial Loans and Leases	AgriFinancial Credit Card	Total
Allowance, beginning of year	\$ -	\$ -	\$ -
Assumed on purchase of AgriFinancial	1,153	751	1,904
Provision	42	(36)	6
Write-offs during the year	(57)	(80)	(137)
Recoveries	4	25	29
Allowance, end of year	\$1,142	\$660	\$1,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. LOANS AND LEASES RECEIVABLE (continued)

C) TERMS OF LOANS AND LEASES RECEIVABLE

Loans and leases are at fixed rates and have an average yield as follows:

	2007			Total
	Commercial Real Estate Loans	AgriFinancial Loans	AgriFinancial Leases	
Less than 7.50%	\$ -	\$ 6,918	\$ 5,826	\$12,744
7.51% to 10.00%	600	16,357	18,542	35,499
10.01% to 12.50%	4,517	457	103	5,077
More than 12.50%	2,910	158	35	3,103
	\$8,027	\$23,890	\$24,506	\$56,423

Loans outstanding as of December 31, 2007 have maturities as follows:

	Commercial Real Estate Loans	Average Interest Rate	Agri-Financial Loans	Average Interest Rate	Agri-Financial Leases	Average Interest Rate	Total	Average Interest Rate
2008	\$1,900	10.7%	\$ 2,301	8.5%	\$ 2,420	8.3%	\$ 6,621	9.1%
2009	4,567	12.1%	4,004	8.0%	6,507	8.1%	15,078	9.3%
2010	1,560	12.7%	6,340	8.0%	7,686	8.5%	15,586	8.7%
2011	-	-	3,924	8.7%	3,617	8.9%	7,541	8.8%
2012	-	-	7,078	8.1%	4,276	8.9%	11,354	8.4%
2013	-	-	243	8.0%	-	-	243	8.0%
Total	\$8,027	11.9%	\$23,890	8.2%	\$24,506	8.5%	\$56,423	8.9%

The above table excludes AgriFinancial credit card loans of \$28,219.

Credit card loans are interest free for an average period of 35 days from the date of purchase. Thereafter, credit card loans are subject to minimum monthly payment and bear interest at either 11.9%, 15.9% or 22.5%. The rate assigned to an account is dependent upon its assessed strength and risk potential scoring.

D) CONCENTRATION

Virtually all of AgriFinancial's loans and leases receivable are extended to agricultural producers. Approximately 84% of these loans and leases are to borrowers in the three prairie provinces of Canada.

The commercial real estate loans are extended to borrowers across Canada.

6. PUBLICLY TRADED INVESTMENTS

In accordance with the Company's accounting policies a fair value (change in unrealized loss) adjustment of (\$3,259) was charged to income for the year ended December 31, 2007 (2006 - (\$439)) bringing the total balance sheet adjustment to (\$3,604) at December 31, 2007 (2006 (\$439)). As at year-end, the Company had 47 (2006 - 20) publicly traded investments in its portfolio.

Industry Grouping	2007			2006		
	Cost	Fair Value	Unrealized Loss	Cost	Carrying Value	Unrealized Loss
Industrials	\$14,307	\$12,874	\$(1,433)	\$1,457	\$1,457	\$ -
Diversified and Other	8,430	8,014	(416)	810	802	(8)
Financial Services	6,862	5,567	(1,295)	873	808	(65)
Infrastructure	2,639	2,518	(121)	133	133	-
Energy and Commodities	2,247	1,908	(339)	1,303	937	(366)
Total	\$34,485	\$30,881	\$(3,604)	4,576	4,137	(439)
Fair value adjustment credited to opening retained earnings				-	94	94
Total carrying value adjusted to fair value				\$4,576	\$4,231	\$(345)

6. PUBLICLY TRADED INVESTMENTS (continued)

The manager of an investment trust investment with a carrying value of \$143 (December 31, 2006 - \$197) is controlled by the CEO/Chairman of the Company and the investment advisor of an investment trust investment with a carrying value of \$217 (December 31, 2006 - \$226) is controlled by the CEO and Chairman of the Company.

The CEO/Chairman of the Company is the Chairman of the general partner that manages an equity investment with a carrying value of \$796 (December 31, 2006 - \$134).

7. CORPORATE INVESTMENTS IN CAPITAL POOL COMPANIES

The Company, along with its CEO/Chairman as well as two of its other board members founded two capital pool companies ("CPCs"): Universal Infrastructure Corp. ("Universal") and Global Alternative Investments Inc. ("Global") on August 2, 2006. Each CPC was seeded with \$200 in gross proceeds (two million shares at \$0.10). Universal and Global separately completed an initial public offering on December 5, 2006 raising \$300 in gross proceeds by issuing 1.5 million shares at \$0.20. Subsequent to the offerings and as at December 31, 2007 the Company owns 27.1% of each CPC. On January 10, 2007 Universal and Global began trading on the TSX Venture under the symbols UIC.P and GLI.P respectively.

Universal and Global are each considered related parties to the Company and the Company is considered to have significant influence over the CPCs at December 31, 2007 and 2006 for accounting purposes.

In accordance with the equity method of accounting for investments carrying value adjustments of \$7 (Universal) and \$6 (Global) were taken against income during the year (2006 - nil) based on the Company's percentage ownership.

On a fair value basis the Company's investments in Universal and Global had values of \$190 and \$171 respectively as at December 31, 2007 based on the closing bid prices of \$0.20 and \$0.18 respectively.

8. INVESTMENT IN CHARTER REIT

On September 14, 2006, the Company purchased 2.5 million common shares of Charter Realty Holdings Ltd. ("Charter") in a private placement transaction at \$0.20 per share for a total cost of \$500. Subsequent to this private placement the Company owned 41.7% of Charter.

On February 23, 2007, Charter completed a second private placement issuing 15 million shares at \$0.20 per share each, of which the Company subscribed for 9.5 million shares for a total cost on the subscription of \$1.9 million. This transaction gave the Company a 57.1% ownership interest in Charter.

On May 10, 2007, Charter completed its conversion to a trust structure under a Plan of Arrangement (the "Arrangement"). The Arrangement resulted in shareholders of Charter transferring their shares to Charter REIT, in consideration for units of Charter REIT. As a result of the Arrangement every 10 issued shares of Charter were transferred to the Charter REIT in exchange for 1 unit of Charter REIT. Charter REIT was formed pursuant to a Declaration of Trust dated March 27, 2007, specifically for the purpose of the Company converting into a real estate investment trust. As the exchange was a taxable event for shareholders converting into unitholders the Company has accrued for tax on the taxable portion of its capital gain where the capital gain was estimated to be \$2.50 per post-exchange unit (based on estimated \$4.50 market price per Charter REIT unit).

On June 21, 2007, Charter REIT completed another private placement issuing 741,000 units at \$4.05 each, of which the Company subscribed for 296,000 units for a total cost on the subscription of \$1.2 million. Subsequent to the private placement and as at June 30, 2007 the Company owned 52.4% of Charter REIT.

As a result of the dilution of the Company's interest in Charter REIT from 57.1% to 52.4% the Company recorded a gain (non-cash) on dilution of Charter REIT on its consolidated statement of operations of \$452 in the second quarter of 2007.

On August 9, 2007, Charter REIT completed a public offering of 13,375,000 units at \$3.45 each of which the Company subscribed for 4,347,826 units for a total cost of \$15 million. On September 5, 2007 Charter REIT closed its over-allotment option for an additional 1,370,912 units at \$3.45. Subsequent to the public offering and as at September 30, 2007, the Company owned 33.2% of the outstanding units of Charter REIT.

As a result of the dilution of the Company's interest in Charter REIT from 52.4% to 33.2% the Company recorded a gain (non-cash) on dilution of Charter REIT on its consolidated statement of operations in the third quarter of \$921. As of August 9, 2007, the Company no longer had a controlling interest in Charter REIT. In accordance with the equity method of accounting for investments a carrying value adjustment of \$418 (2006 - \$11) was taken against income based on the Company's percentage ownership for the period from August 9, 2007 to December 31, 2007 for which the Company was deemed to have significant influence over Charter REIT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENT IN CHARTER REIT (continued)

The Company controlled Charter REIT while it owned over 50% of Charter's equity and consolidated the Charter REIT accounts for financial reporting purposes during that time. Included in the statement of operations is revenue from rental properties of \$1,691, interest and investment revenue of \$25, general and administration expenses of \$537, corporate, and transaction costs of \$930, interest expense of \$908, depreciation and amortization of \$760, rental property operating costs of \$487, stock based compensation of \$48 and non-controlling interest of \$979.

On a fair value basis the Company's investment in Charter REIT had a value of \$15,778 as at December 31, 2007 based on the closing bid price of \$2.70.

9. INVESTMENTS IN PRIVATE ENTITIES

	2007	
	Cost	Carrying Value
A) HIGH FIDELITY HDTV INC.		
Debenture	\$ 2,245	\$ 2,381
Equity	455	548
Equity Option	50	47
	2,750	2,976
B) BIRMINGHAM FOUNDATION SOLUTIONS		
Convertible Preferred Shares	8,280	8,280
Common Shares	920	920
	9,200	9,200
C) WINDWARD TELECOM LIMITED		
Advance for Equity Interest	201	201
D) KINGSWOOD PROPERTY		
Advance for Limited Partnership Units	320	320
Total - Investments in Private Entities	\$12,471	\$12,697

A) HIGH FIDELITY HDTV INC.

In July of 2007 the Company made a \$2.75 million cash investment in High Fidelity HDTV Inc. ("High Fidelity HDTV" or "High Fidelity") in return for a 6.88% equity interest (taken in the form of common shares and nominal cost warrants to purchase common shares) as well as a debenture with a \$2.73 million face (maturity) value earning a 10% coupon (5% settled in cash and 5% paid-on-maturity) and maturing in July of 2010. In addition the Company has the right but not the obligation (the "Option") to purchase an additional 3.44% of High Fidelity's common shares within four years of the Company's initial investment at a price which presently, the Company estimates is approximately three times the current fair value.

The initial \$2.75 million cash investment was allocated to the securities received based on the estimated fair value of each investment. The debenture was originally fair valued using a discounted cash flow analysis with an effective interest rate of 18% and classified as held-to-maturity.

The equity is classified as held-for-trading and was originally fair valued using a 45% per annum discount rate on the projected enterprise value in three years. The projected enterprise value was based on forecasted earnings before interest, taxes, depreciation and amortization (EBITDA). High Fidelity is ahead of forecasted EBITDA to date and therefore the discounted cash flow analysis remains consistent with the original investment analysis.

The Option is classified as held-for-trading and is valued using a Black-Scholes model and assumed a volatility assumption of 57%.

B) BIRMINGHAM FOUNDATION SOLUTIONS

In November of 2007 the Company made a \$9.2 million cash investment in Birmingham Foundation Solutions ("Birmingham") in return for a combination of common and preferred shares. The preferred shares which have a face value of \$8.28 million earn a dividend of 8.89% per annum which is payable quarterly and convert into common shares upon the sale of Birmingham.

The Birmingham investments are classified as held-for-trading.

C) WINDWARD TELECOM LIMITED

In November 2007 the Company reached an agreement, subject to completion and execution of definitive agreements, to invest US\$700 in Windward Telecom Limited.

As of December 2007 an advance of \$201 was funded for this transaction and is classified as held-for-trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENTS IN PRIVATE ENTITIES (continued)

D) KINGSWOOD PROPERTY

In December 2007 the Company agreed to invest in a newly formed limited partnership that acquired a 360-unit apartment complex in Kitchener, Ontario (the "Kingswood Property").

As of December 31, 2007, a deposit of \$320 was made in trust and is classified as held-for-trading.

10. INTANGIBLE ASSETS

	2007		
	Cost	Accumulated Amortization	Net Book Value
Indefinite Life			
AgriFinancial Trademarks	\$ 500	\$ -	\$ 500
Limited Life			
AgriFinancial Top Dealer Relationships	400	20	380
AgriFinancial Customer Lists	300	15	285
Total Intangible Assets	\$1,200	\$35	\$1,165

The aggregate amount of intangible assets with an indefinite life and with a limited life that were acquired during the year was \$500 and \$700 respectively.

11. DEFERRED COSTS, PREPAID EXPENSES AND OTHER ASSETS

A) DEFERRED COSTS

As at December 31, 2007 the Company had deferred costs of \$300 (December 31, 2006 - \$74). The deferred costs consist primarily of legal fees incurred by the Company for the drafting of an offering memorandum related to a proposed private equity fund ("Private Equity Fund") that it is currently marketing. Any deferred costs related to the Private Equity Fund that are not expected to be recoverable will be expensed when that determination is made.

B) PREPAID EXPENSES AND OTHER ASSETS

	2007			2006
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
AgriFinancial equipment for sale	\$366	\$ -	\$366	\$ -
Prepaid expenses	41	-	41	21
Other	11	-	11	10
Total Other Assets	\$418	\$ -	\$418	\$31

12. GOODWILL

Goodwill was incurred during the current year as a result of the AgriFinancial Acquisition described in Note 3. Goodwill is valued at \$716 and is not subject to amortization but is subject to an impairment test on an ongoing basis.

13. CAPITAL ASSETS

	2007		
	Cost	Accumulated Depreciation and Amortization	Net Book Value
AgriFinancial Computer, Software and Tools	\$333	\$13	\$320
AgriFinancial Vehicles	85	4	81
AgriFinancial Furniture, Equipment and Terminals	70	10	60
AgriFinancial Leasehold Improvements	63	4	59
Total Capital Assets	\$551	\$31	\$520

14. CREDIT FACILITIES

AgriFinancial Canada Corp. has entered into a credit agreement (the Credit Agreement) with Credit Union Central of Canada (CUCC) and certain provincial Credit Union Central organizations (Provincial Centrals) to provide a \$118 million senior debt financing to fund the acquisition of the CCAFS assets and liabilities and ongoing operations. The Credit Agreement extends to March 31, 2009.

The Credit Agreement provides for three separate credit facilities. Each facility is separately funded in agreed upon proportions by CUCC and the Provincial Centrals. As at December 31, 2007, a total of \$66,536 was outstanding at an average rate of 5.28%.

The Credit Agreement obligates AgriFinancial Canada Corp. to maintain a stated total debt to capitalization ratio, to abide by the various terms of the Credit Agreement, to meet various reporting requirements and to refrain from certain actions. Failure by AgriFinancial Canada Corp. to maintain these covenants results in a default under the credit agreement. A default would provide the CUCC and the Provincial Centrals with certain rights to cease further advances, to demand repayment of the facilities and/or to realize on security that has been granted. The Company is in compliance with the total debt to capitalization covenant.

The facility is secured by a financial support agreement made by C.A. Bancorp Financial Corp. to ensure AgriFinancial Canada Corp. remains in compliance with certain covenants, a fixed and floating charge debenture over all assets in the amount of \$150 million, a first-ranking securities pledge agreement by C.A. Bancorp Financial Corp. over the C.A. Bancorp Financial Corp. debt and equity in AgriFinancial Canada Corp. and assignment of certain insurance proceeds.

In addition, a demand loan payable to CCAFS of \$899 was outstanding at a rate of 6.75%. In January 2008, this demand loan was paid in full.

15. ASSET AND INVESTMENT MANAGEMENT FEES

The Company acts as the manager (the "Manager") of Sentry Select Total Strategy Fund ("Total Strategy Fund") – an investment trust listed under the symbol TSF.UN on the Toronto Stock Exchange - for which it earns a management fee and, subject to certain conditions, performance fees (collectively the Asset Management Fees) in accordance with the terms of the prospectus dated July 27, 2006 of the Total Strategy Fund. The Company, in its capacity as Manager, has appointed Sentry Select Capital Corp. (Sentry Select") as the investment manager (Investment Manager) and pays a portion of its Asset Management Fees to the Investment Manager in the form of investment management fees (Investment Management Fees).

The Company recognized \$618 in Asset Management Fees as revenue and \$353 of Investment Management Fees as expenses for the year ended December 31, 2007 (2006 – \$196 and \$107).

The Company recognized \$113 in Asset Management Fees from Charter REIT for the year ended December 31, 2007 (2006 – nil).

16. ADMINISTRATION AND MANAGEMENT AGREEMENTS WITH SENTRY SELECT

On May 18, 2006, the independent members of the Board of Directors of the Company approved an Amended and Restated Administration Agreement (the Administration Agreement) between the Company and Sentry Select which was effective from July 1, 2006 (replacing the previous administration agreement) and on September 25, 2006, an Amended and Restated Management Agreement (the Management Agreement) which was retroactively effective from July 1, 2006. The fees paid under the Administration and Management Agreements are intended to cover all salaries, bonuses, rent and other overhead-type operating expenses with the exception of stock options and commissions paid on mortgage broker fees earned.

A) ADMINISTRATION AGREEMENT

The Administration Agreement was amended to provide Sentry Select with a monthly fee of \$40,000 (\$35,000 prior to amendment), plus applicable taxes for the provision of administrative services including accounting and record keeping, regulatory reporting and compliance, investor relations, office space, equipment and administrative and management personnel, and other administrative and office services.

For the year ended December 31, 2007, \$480 (2006 - \$421) was charged to the Company in respect of the Administration Agreement. As of December 31, 2007 \$nil (2006 – \$nil) was due to Sentry Select in respect of such fees.

B) MANAGEMENT AGREEMENT

The Management Agreement engages Sentry Select to provide investment management services in respect of the Company's merchant banking business and other investing activities, including searching for, evaluating and screening investment opportunities and conducting due diligence with respect to potential investments, for a quarterly fee of ¼ of 1.50% (the Management Fee), plus applicable taxes, based on the Company's closing consolidated book value from the previous quarter (subject to certain adjustments in accordance with the Management Agreement).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. ADMINISTRATION AND MANAGEMENT AGREEMENTS WITH SENTRY SELECT (continued)

Sentry Select may also be entitled to a performance bonus (Performance Bonus) equal to 20% of the amount by which the annual consolidated pre-tax, pre-Management Fee and pre-Performance Bonus net income of the Company, as at December 31 in each year, exceeds the Yearly Bonus Threshold (as defined in the Management Agreement and subject to Clawback Payments and Cumulative Bonus Thresholds also as defined in the Management Agreement) for such year. The Yearly Bonus Threshold is an amount equal to a return of 8% per annum based on the Company's consolidated book value.

For the year ended December 31, 2007, the Company incurred \$972 (2006 – \$74) in Management Fees to Sentry Select. No Performance Bonus has been incurred to date.

17. RELATED PARTY TRANSACTIONS

Unless mentioned elsewhere in the notes to these consolidated financial statements the following are additional disclosures regarding related party transactions.

A) REIMBURSEMENT OF EXPENSES

As at December 31, 2007, \$nil (December 31, 2006 - \$179) was due to Sentry Select for reimbursement of third party expenses of the Company paid for by Sentry Select.

B) CHARTER REIT

As at December 31, 2007, \$156 in acquisition and management fees were due from Charter REIT.

18. SHAREHOLDERS' EQUITY

A) SHARE CAPITAL

Authorized:

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of First Preferred Shares without nominal or par value.

The following is a continuity of the share capital of the Company:

	(000s)	
	Number of common shares	Share capital
As at December 31, 2006	14,136	\$38,592
Common Shares issued (cancelled) during the year as a result of:		
Warrants exercised	38	146
Treasury offering	14,500	47,850
Treasury offering - over-allotment	410	1,353
Issue costs	-	(4,185)
Normal course issuer bid	(401)	(1,153)
As at December 31, 2007	28,683	\$82,603

On August 8, 2007 the Company announced its intention to purchase and cancel shares through a normal course issuer bid through the TSX. The Company may purchase up to 7,000 shares in any trading day. As at December 31, 2007 400,700 shares were repurchased through the normal course issuer bid at an average price of \$2.24 per share including commission and were cancelled.

B) WARRANTS TO PURCHASE COMMON SHARES

	(000s)	
	Number of warrants	Carrying Value
As at December 31, 2006	731	\$254
Exercised in 2007	(38)	(13)
Warrants cancelled or expired in 2007	(693)	(241)
As at December 31, 2007	-	\$ -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHAREHOLDERS' EQUITY (continued)

C) CONTRIBUTED SURPLUS

	Carrying Value
As at December 31, 2006	\$ 375
Net increase related to stock based compensation	1,119
Warrants cancelled or expired in 2007	241
Normal course issuer bid	255
As at December 31, 2007	\$ 1,990

19. STOCK BASED COMPENSATION

The Company has a stock option plan (the Plan) for the benefit of directors, officers and employees (Employees) and consultants and service providers (Non-Employees) to the Company. Pursuant to the Plan, the Board of Directors may allocate non-transferable options to purchase up to a maximum of 10% of the outstanding common shares of the Company. Options granted pursuant to the Plan are exercisable at a price not less than the market price of the common shares on the stock exchange on which such shares are traded less any applicable discounts permitted by the rules of such exchange. The maximum number of common shares which may be reserved for issuance to any one person under the Plan is 5% of the common shares outstanding at the time of grant.

Pursuant to the Plan and approval by the Board of Directors on September 15, 2005, the Company granted, to directors, an aggregate of 21,500 options (of which 2,000 have been forfeited) to purchase common shares which may be exercised from issuance at a price of \$2.00 per share for a period of five years from the date of grant. The Plan and the grant of options under the Plan are subject to regulatory approval and an escrow agreement.

Pursuant to the Plan and approval by the Board of Directors on June 22, 2006, the Company granted, to certain directors, officers, employees and consultants an aggregate of 78,000 (of which 10,500 have been forfeited) options to purchase common shares which may be exercised from issuance at a price of \$3.30 per share for a period of five years from the date of grant subject to vesting restrictions. One-third of the options vested on the date of grant and the remaining two-thirds vesting equally on June 22, 2007 and June 22, 2008. The estimated fair value of these options on the date of grant was \$108 and will be expensed as they vest.

Pursuant to the Plan and approval by the Board of Directors on December 22, 2006, the Company granted, to certain directors, officers, employees and consultants an aggregate of 765,500 options (of which 37,500 have been forfeited) to purchase common shares which may be exercised from issuance at a price of \$3.10 per share for a period of five years from the date of grant subject to vesting restrictions. One-third of the options vested on the date of grant with the remaining two-thirds vesting equally on December 22, 2007 and December 22, 2008. The estimated fair value of these options on the date of grant was \$939 and will be expensed as they vest.

Pursuant to the Plan and approval by the Board of Directors on August 21, 2007, the Company granted, to certain directors, officers, employees and consultants an aggregate of 1,275,000 options (of which 35,000 have been forfeited) to purchase common shares which may be exercised from issuance at a price of \$3.30 per share for a period of five years from the date of grant subject to vesting restrictions. One-third of the options vested on the date of grant with the remaining two-thirds vesting equally on August 21, 2008 and August 21, 2009. The estimated fair value of these options on the date of grant was \$1,588 and will be expensed as they vest.

For the year ended December 31, 2007, the Company recorded a total expense of \$1,167 (2006 - \$375) in relation to the C.A. Bancorp option grants as well as amounts expensed by Charter in the period of consolidation. The fair value of the incentive stock option grants on the date of grant were estimated using a Black-Scholes option pricing model. In determining the fair value of options, management was required to make assumptions that could have a material impact on the valuation. For the purposes of assuming a dividend yield management assumed a rate of 0%. Other assumptions used on the dates of grant including the risk-free rate and the expected volatility are disclosed in the following table which summarizes information about the stock options outstanding as of December 31, 2007:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. STOCK BASED COMPENSATION (continued)

Optionee Type	# of Optioned Shares Outstanding	Vested	Expiry Date	Exercise Price	Risk- Free Rate	Volatility Assumption	(\$ 000s) Value at Grant
Sept. 15, 2005 Grant							
Employees	19,500	19,500	Sept. 15, 2010	\$2.00	3.82%	30%	\$ 13
	19,500	19,500					13
June 22, 2006 Grant							
Employees	45,000	30,000	June 22, 2011	\$3.30	4.45%	40%	62
Non-Employees	22,500	15,000	June 22, 2011	\$3.30	4.45%	40%	31
	67,500	45,000					93
Dec. 22, 2006 Grant							
Employees	565,500	377,000	Dec. 22, 2011	\$3.10	3.80%	38%	694
Non-Employees	162,500	108,333	Dec. 22, 2011	\$3.10	3.80%	38%	199
	728,000	485,333					893
August 21, 2007 Grant							
Employees	1,040,000	346,667	Aug. 21, 2012	\$3.30	4.50%	60%	1,295
Non-Employees	200,000	66,667	Aug. 21, 2012	\$3.30	4.50%	60%	249
	1,240,000	413,334					1,545
Total All Grants	2,055,000	963,167					\$2,544

As at December 31, 2007, the weighted average contractual remaining life of the options was 4.36 (2006 – 4.92) years.

20. COMMITMENTS

AgriFinancial Canada Corp. has a commitment to September 30, 2011 for leased premises with aggregate annual lease payments of \$95.

21. FINANCIAL INSTRUMENTS

Except as disclosed elsewhere in these consolidated financial statements, the carrying value of all other financial instruments approximates their fair value.

22. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's consolidated future income tax assets as at year-end are as follows:

	2007	2006
Future income tax assets		
Non-capital loss carryforwards	\$ 144	\$605
Deemed capital gain on conversion of Charter shares to Charter REIT units	435	-
Other Charter REIT carrying value adjustments	104	-
Net unrealized loss on investments	587	159
Cumulative eligible capital pool expenses	30	28
Return of capital distributions	(43)	-
AgriFinancial leasing activity - asset amortization	5,009	-
AgriFinancial leasing activity - income recognition	(4,913)	-
Other	(8)	-
	1,345	792
Valuation allowance	-	(792)
Future tax asset	\$1,345	\$ -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. INCOME TAXES (continued)

As at December 31, 2007, the Company and its subsidiaries had non-capital losses available to be carried forward to offset income in future years of \$309. No valuation allowance has been recorded as the Company believes that it is more likely than not that the future tax asset will be realized. These losses are still available to offset future taxable income up to the date of their expiry. These losses expire as follows:

Year	
2015	\$ 84
2026	14
2027	211
	<u>\$309</u>

The recovery of income taxes differs from the result that would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rates to loss before income taxes as follows:

	For the years ended December 31,	2007	2006
Loss before income taxes and non-controlling interest		\$(1,597)	\$(1,736)
Combined federal and provincial income tax rate		36.1%	36.1%
Expected recovery for income taxes		(577)	(627)
Permanent differences		459	109
Temporary differences		-	(157)
Future tax rate change		201	-
Other		26	-
Unrecognized benefit of tax losses		-	675
Valuation allowance		-	-
Recognition of previously unrecognized tax losses		(759)	-
Net tax recovery		\$(650)	\$ -
Current tax provision		\$695	\$ -
Future tax recovery		(1,345)	-
Net tax recovery		\$(650)	\$ -

23. SEGMENT DISCLOSURES

The Company has organized its reporting structure based on the following segments:

1. Financial Services - includes agricultural lending, commercial real estate lending and commercial mortgage brokering.
2. Investing and Asset Management - includes private and public entity "direct" investments (excluding real estate) and asset management activities (excluding real estate management or lending activities).
3. Real Estate - includes real estate equity (Charter REIT, Kingswood) and real estate management (the management contract on Charter REIT).

	2007			
	Financial Services	Investing and Asset Management	Real Estate	Total
Revenues	\$ 2,409	\$ 4,756	\$ 2,201	\$ 9,366
Net results of investments	-	(2,160)	955	(1,205)
Expenses	(2,016)	(3,419)	(4,323)	(9,758)
Income (loss) before net recovery of income taxes	393	(823)	(1,167)	(1,597)
Net (provision) recovery of income taxes	(137)	787	-	650
Net income (loss) before non-controlling interest	256	(36)	(1,167)	(947)
Non-controlling interest	(15)	-	979	964
Net income (loss)	\$ 241	\$ (36)	\$ (188)	\$ 17
Total Assets	\$88,056	\$48,156	\$18,136	\$154,348

Comparatives are not provided for 2006 as the Company had limited operations and did not organize itself by segments.

24. RISK MANAGEMENT

MARKET RISK

The Company is exposed to market risk as a result of its investments in publicly traded securities. Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument. The investments of the Company are subject to normal market fluctuations and the risks inherent in investments in the equity markets.

The Company seeks to mitigate market risks where possible by diversifying into investments across broad industry sectors and by establishing positions in investments over a period of a time.

LIQUIDITY RISK

The Company has begun to make investments in private entities which do not typically have an active market. Private investment transactions can be highly structured and the Company takes measures, where possible, to create defined liquidity events. However, such liquidity events rarely are expected in the first year of making the investment. The Company seeks to obtain regular cash flow from these investments through coupon payments. The Company has a significant portion of its investments in public investments in securities in an active market which can be readily disposed of. There can be no assurance that an active trading market for the securities will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings quickly.

INTEREST RATE RISK

The Company earns interest on certain assets at fixed prices and pays interest on its credit facilities at variable rates which exposes the Company to interest rate risk. The Company's profit margin may be eroded from a rise in interest rates. The Company may, from time to time, enter into interest rate swaps to hedge interest rate risk.

25. SUBSEQUENT EVENTS

On January 23, 2008, the Company closed its investment in a newly formed limited partnership (the "Partnership") that acquired a 360-unit apartment complex in Kitchener, Ontario (the "Kingswood Property") for an aggregate purchase price of \$23 million. The Company invested \$6 million for an 80% limited partnership interest in the Partnership, with the residual \$1.5 million equity interest invested by Centurion Apartment Properties Limited Partnership and an outside investor. The Partnership financed the remaining \$15.5 million of the \$23 million Kingswood Property purchase with the assumption of three mortgages.

On February 20, 2008, C.A. Bancorp, acting as Manager of the Total Strategy Fund, announced that 71% of the units in the Total Strategy Fund were submitted for an annual redemption. The net assets of the Fund are expected to be approximately \$16 million post-redemption.

On February 21, 2008, the Company, through its wholly-owned subsidiary, C.A. Bancorp Telecom Inc., completed a U.S. \$700,000 equity investment in Windward Telecom Limited ("Windward"). \$200,000 of the investment was funded in 2007 and is reflected in "Investments in Private Entities" in Note 9.

On February 22, 2008, the Company closed an initial public offering of Preferred Shares for a newly created mutual fund corporation, CRFC. 1,440,000 Preferred Shares were issued at \$25 each for total gross proceeds raised of \$36 million. The Preferred Shares have a 10 year term and pay dividends at 6.75% p.a. The Company subscribed for 741,000 Class A shares at \$10 a share for a total cost of \$7.4 million. The Class A shares are subordinate to the Preferred Shares. CRFC is a single purpose entity created to provide investors with tax-efficient exposure to a portfolio of commercial real estate loans and mortgages in Canada. At closing, the entire portfolio of commercial real estate loans totaling \$12.7 million (\$8.0 million as at December 31, 2007 plus an additional \$4.7 million in loans funded subsequent to year-end) was sold to a limited partnership managed by the Company in conjunction with closing of CRFC.

On February 29, 2008, the Company funded \$3.6 million worth of debt and equity investments in the privately held Salbro Bottling group of companies.

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to presentation in the current period and/or to provide more meaningful comparison.