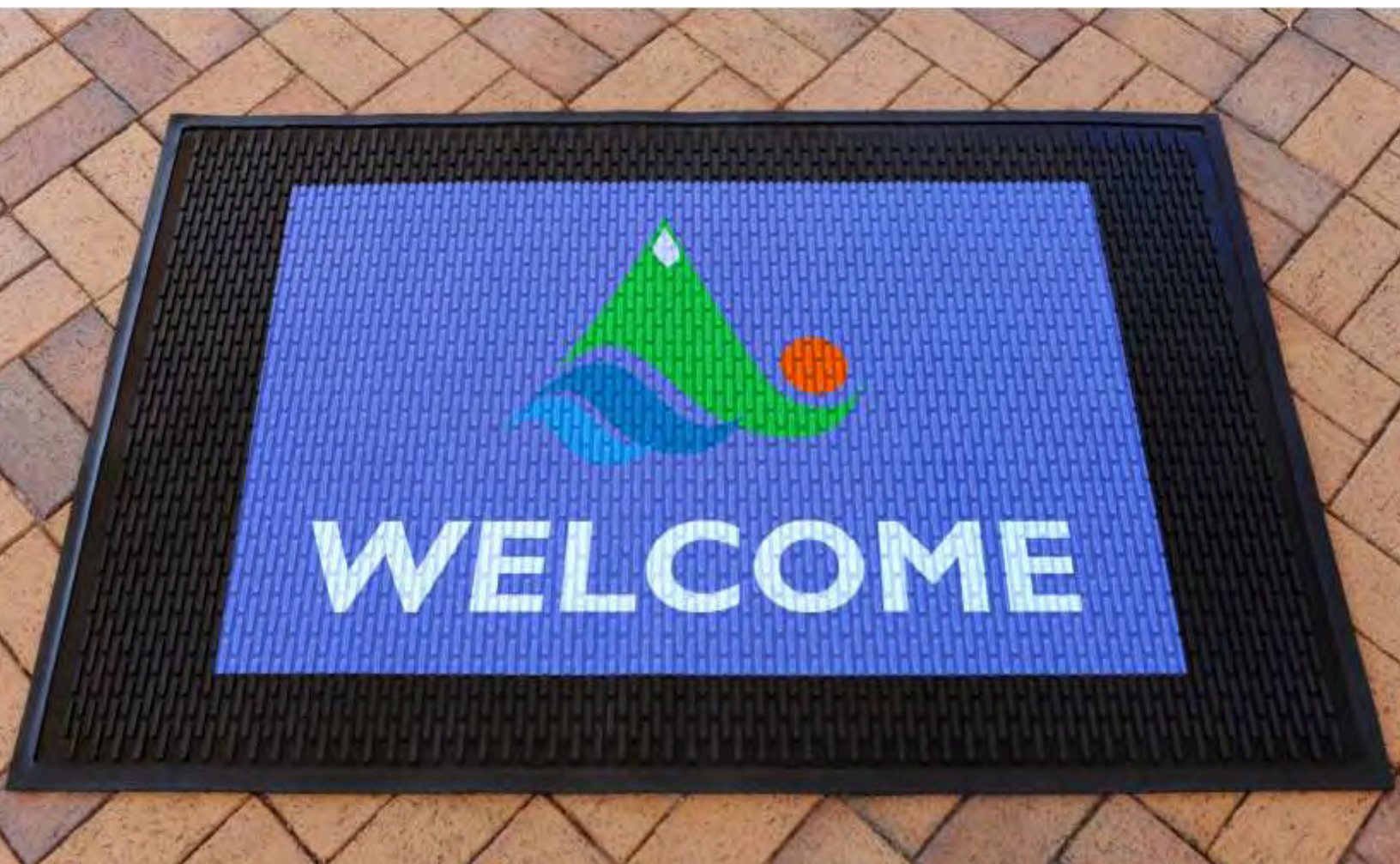


Banking on Members.



2011
ANNUAL REPORT

LDCU TEAM

THE BOARD



Brian Childs
Board President
Conduct Review Committee



Ted Girard
Board Vice-President
Conduct Review Committee



Elaine Layman
Chair Audit Committee
Governance Committee



David O'Connor
Chair Nominating Committee
Investment & Lending Committee



Marie Polachek
Investment & Lending Committee



Tim Richards
Chair Investment & Lending Committee
Audit Committee



Rob Viala
Chair Governance Committee
Conduct Review Committee

CREDIT UNION



John de Leeuw
CEO

Carrie Alexander
Meghan Anderson
Kay Bafaro
Jennifer Bakker
David Bitonti
Kim Clark
John de Leeuw
Kelsey Dentoom
Jocelyn Dewar
Akseeta Elliott
Megan Fleming
Gwen Gilson
Debbie Grant
Kendre Haugen
Tara Hawes
Deborah Jones
Shelley Jones
Kimberley Judson
Calvin King
Linda King
Marilyn Legault
Luda Marchenko
Rob McIntyre
Susan McMurtrie
Brenda Moore
Melissa Reilly
Shelly Rickett
Nick Symons
Michele Vincent
Alan Watt

LCU INSURANCE

Cindy Cawthra
Nancy Hunter
Denine Vadeboncoeur
Susan Fox
Michelle Levasseur
Mitch Wilson

AGENDA

1. Reading and Approval of the Minutes of the 66th AGM.
2. Business Arising out of the Minutes.
3. Director's Report.
4. Credit Committee Report.
5. CEO's Report
6. Auditors' Report.
7. Election of Directors
8. Appointment and Remuneration of Auditors.
9. New or Unfinished Business.
10. Guest Speaker: Rob Waters of the Ladysmith Chamber of Commerce
11. Draw for Door Prizes.

Adjourn.

MINUTES OF THE 66th AGM

April 13, 2011

President Brian Childs welcomed members and guests to the sixty-sixth Annual General Meeting of the Ladysmith & District Credit Union. Brian introduced the members of the Board of Directors, being Ted Girard, Elaine Layman, Rob Viala, Tim Richards, Marie Polachek, and David O'Connor. Also sitting at the table was Mr. Sang Ly from the accounting firm of KPMG, our auditors and our CEO, John de Leeuw. The President reviewed handout packages for members: the rules distributed for the meeting, a handout titled Voting Entitlement, and the bag of Credit Union giveaways. He declared a quorum present with 83 members and 2 guests. Before the meeting started, the President called for a moment of silence for any Ladysmith Credit Union supporters who passed away in the last twelve months. President Childs asked if everyone received a copy of the Rules of Order and if anyone had any questions about them. No one inquired. President Childs called everyone's attention to the yellow handout titled Voting Entitlement. Clarification was given on how voting needs to be handled at future meetings as the rules must be followed. President Childs called for a motion to approve the Agenda for the AGM. This was moved by Susie McMurtrie and seconded by David Little. Carried.

President Childs called for a motion to approve the minutes of the 65th Annual General Meeting. This was moved by Art Perrey and seconded by Duck Paterson. Carried by the membership.

Business arising from the 2010 AGM minutes was called for. There was no business arising.

The President's Report was presented by President Brian Childs. Brian touched on the highlights of his report. Brian spoke about the interest rates and financial industry in 2010 and the impacts to the Credit Union. Brian mentioned it was an excellent bounce-back year for income despite the continued pressure on margins. Brian advised our growth remains strong and advised of the dividends that were declared. Brian spoke about board governance and the increase to board responsibilities. Brian thanked the board for their dedication and hard work. Brian also thanked John de Leeuw and the management and staff of the Credit Union for their hard work. Brian inquired if there were any questions about the President's Report. None were raised. A motion to approve the Presidents Report was made by Tara Hawes and seconded by David Little. Carried by the membership.

Jim Stachow inquired what the board has been doing the past year and what they spend their time on. Brian explained the increased

responsibilities for corporate governance. Brian mentioned how offering the 100% deposit guarantee has increased governance responsibilities, FICOM's rules for reporting, and the numerous committee meetings that are required on a regular basis. Brian commented we have a stronger board than ever and that it's been an incredible learning curve.

Brian presented Joan Adair with a gift in honor of her retirement from the board. Thanks were given to Joan for her support and dedication for the last twenty years.

Brian announced that one of the programs we support is the Ladysmith Ambassador Program. Both the Credit Union and LCU Insurance sponsor candidates. This year the Credit Union's candidate is Casey Darbyshire and the candidate representing LCU Insurance is Amber Brown. Brian introduced them both. They gave thanks to their sponsors and advised of their experiences and what they've learned from the program.

Marie Polachek presented the Credit Committee's Report on behalf of the Credit Committee. A motion to approve the Credit Committee Report as presented was made by Janine Cornett, seconded by David Little. Carried.

Next up was the report of the Chief Executive Officer, John de Leeuw. John drew attention to the ads in the Annual Report. John discussed the survey that was sent out to our membership. John reviewed the survey results on the projector. John reviewed the positive feedback received such as 95.9% overall branch satisfaction, always greeted by friendly people, best financial institution in Ladysmith. This went above and beyond ordinary expectations. We also learned from the survey that our members would like to be told more about the products and services we offer. John advised we are currently working on this and that our focus for 2011 is all internal. Management recently revised our service standards and is endeavoring to train our staff to be the best in industry. John shared how proud he is of our staff. John announced our newly launched mobile banking and explained how it works. John commented on how the Credit Union needs to stay on the edge of technology as younger members aren't able to come into the branch. John mentioned our plans to migrate to a new internet platform by this fall. John commented our hallmark is community involvement. John touched on our cooperative principles, both global and within our community. John introduced Tara Hawes, Manager of Financial Services to give a speech.

Tara Hawes spoke about our affiliation with Central 1 Credit Union and the Canadian Cooperative Association. Tara advised

that our Credit Union has been accepted into the Women's Mentorship Program. Tara explained how the program works. It will give us the opportunity to host a female manager from a developing overseas country for ten days. In those ten days the Credit Union will provide leadership training and will give her skills that will enable her to make a huge difference in her community. Tara advised that our guest will be at the Credit Union between June 17th and 30th and welcomed all members to stop by and say hello.

John handed out staff service awards and gave thanks to his management and staff for their continued efforts and hard work.

It was moved that the CEO's Report be accepted as presented. It was moved by Duck Paterson and seconded by Marion Rodall. Carried.

Dianna Hurd referred back to the voting entitlement rules mentioned previously. She suggested that a letter be sent out to all joint account holders that will be affected by the voting entitlement rules. A motion was made that joint account members not able to vote due to the voting entitlement rules be notified. It was moved by Dianna Hurd and seconded by Anita McLeod. Carried.

The Auditor's Report was then presented by Sang Ly of KPMG. Sang referred to page 1 of the Auditor's Report. Sang advised that it's a clean report with no issues to identify. Sang then reviewed the Consolidated Balance Sheet. Sang pointed out the growth from 2009 to 2010. Sang explained the short-term borrowings from Central as stated under liabilities. Sang then reviewed the Consolidated Statement of Earnings. Upon review of the Consolidated Statement of Earnings, Sang commented that our operating margin is experiencing healthy growth. The Credit Union's overall income nearly doubled. Sang continued his review of the main highlights of the Credit Union's financial statements. Sang inquired if there were any questions about his report. None were raised. A motion to approve the Auditor's Report was moved by David Little and seconded by Michael Furlot. Carried.

Next up was the election of Directors. Rob Viala presented the report on behalf of the Nominating Committee. Rob advised of the guidelines that are followed when there's a nomination. Rob read rule 4.8 out loud. Rob mentioned the newsletter that was sent out to our membership, which stated that the terms of two board members were expiring. Rob advised that only two members completed the nomination kit. The two members were Tim Richards and David O'Connor. No other nominations were received. Rob advised that pursuant to rule 4.14, Tim Richards

and David O'Connor were elected by acclamation and they will serve on the board for three more years which will expire at the 2014 AGM. It was moved by Dianna Hurd and seconded by Brenda Moore to accept the Nominating Committee's Report as presented. Carried.

Next up was the presentation by Tim Richards, Board Secretary. Tim gave a presentation on board remuneration and proposed that the board's current stipend be increased. Tim explained the director's duties and responsibilities and the time commitment involved to fulfill them. Tim explained the increasing demands from government regulators and the rules under financial acts that have to be satisfied. We have become a bigger Credit Union, and with that growth, comes additional director responsibilities. Tim advised of the committees that have been formed, the required quarterly meetings for all committees as well as additional meetings, and the prep work that is necessary. Tim reiterated the huge time commitment that is involved. Tim mentioned the continuous learning curve for directors and the courses that are required for new and existing directors. Directors are no longer just volunteers, they have to be qualified and capable of exercising due diligence. Tim displayed a slide show on the projector showing the required courses under the Credit Union Director Achievement Program as well as workshops for Strategic Planning and Enterprise Risk Management. Tim advised that director remuneration was last visited in 2005. A comparison to other Credit Unions in our asset group was displayed on the projector. Tim proposed that we increase our director remuneration to meet the average from where we're at now. A motion to adopt the proposed line 13 of the slide for director's stipend for the following year was moved by Anita McLeod and seconded by Brenda Moore. Carried.

There was an inquiry if directors and committee members are the same people and if committee members have to be directors. John explained the required statutory committees under the Financial Institutions Act and that the only committee a member who is not a director can sit on is the Credit Committee. Duck Paterson commented on how fortunate we are to have such dedicated directors and thanked them for their time and hard work.

Next on the agenda was appointment of auditors for the year 2011. It was moved by Ross Davis and seconded by Susie McMurtrie that KPMG be appointed auditors for 2011, with the Board given the authority to set their remuneration. Carried.

President Childs called for any New or Unfinished Business. Anita McLeod inquired if the regular telephone banking has been fixed yet as her family doesn't have any smart phones. Calvin King,

Manager of Support Services, addressed the inquiry. Calvin explained the upcoming system update that will allow integrated telephone banking. Calvin explained that during our banking system conversion in 2007 something didn't work right and it hasn't been able to be resolved. Calvin apologized for the length of time it's taken. Calvin gave his assurance that the software developers are working on it. We won't be announcing it until we are confident that it is running smoothly.

Anita McLeod gave thanks to the Credit Union for the support shown at the Japan Relief Event. Anita advised that the final figure collected that day was \$2,700.00. Donations will continue to be accepted at the Credit Union and Community Centre. Thanks for stepping up and helping.

Duck Paterson spoke of LDCU's continuous involvement and support for community events. He feels its lacking in the Annual Report and that the Credit Union needs to be congratulated and celebrated. Duck thanked the Credit Union for the monetary support given for rebuilding of the Brown Drive playground. Duck stated that many community activities wouldn't happen without donations from LDCU and the staff's support. Thank you.

John advised of the recently formed Donations Committee and the decision to invite staff members to help form the Committee. The Donations Committee consists of one board liaison and four staff members. Our Donations Application form is available on our website. The Public Liaison position's responsibility is to ensure community awareness for donations given. We will be displaying the donations and sponsorships on our website as well as other methods to ensure recognition is given. John asked the members of the Donations Committee to stand.

President Childs then introduced our guest speaker, Florence Kutaj from the Ladysmith Hospital Auxiliary. Florence gave an informative presentation of the work their organization has done in Ladysmith for many years. The auxiliary has donated over \$1,000,000.00 on hospital equipment! It's their 100th Anniversary. They have 227 members ranging from age 13 to 90. They have lots of work if anyone would like to volunteer. They have 5 committees; Meals on Wheels, Ladysmith Lifeline, 2 gift shops and the memorial garden. All are looked after by volunteers. This is something to be very proud of.

CEO, John de Leeuw, then conducted a draw for door prizes.

The meeting was adjourned at 8:30 pm. Moved by David Little. Refreshments and goodies were served.

MESSAGE FROM THE BOARD

The Credit Union continued to move forward in 2011 facing ongoing challenges such as the lingering effects of the North American financial crisis and the sovereign debt crisis in Europe. In 2011, every time that consumer confidence seemed to gain some traction, there was another round of discouraging news reported by the media. Despite this continuing dismal news, the housing market in some parts of the country continued to excel. This was certainly not the case in Ladysmith where our housing market slumped and house sales decreased dramatically. Despite the poor performance of sales, actual house prices remained stable and did not decline significantly. Despite a rate environment that heavily favoured borrowers, the slump in consumer confidence had a negative impact on lending. Our members did not take advantage of the low rate environment in the same way they did in 2010.

Even though loan demand was down, the Credit Union's margin improved from 2010, which means that we priced our main products very competitively. In addition to our main products and services, the Credit Union has invested in some off-balance sheet derivatives that have increased in value significantly in recent years. This income is reflected in our Other Comprehensive Income. This Other Comprehensive Income coupled with our Net Income translated into the largest increase to Members' Equity in the history of the Credit Union. In 2011 we bettered the record year of 2010 by more than \$262,000. Our Members' Equity has now surpassed \$7,000,000 which translates into a superb capital base. Truly an excellent year!

With the financial success that we enjoyed in 2011, the Board is proud to give notice that we have declared a 3% dividend on Membership Equity Shares. This is triple the rate given on a 1 year non-redeemable term deposit, and 1% higher than a 5 year non-redeemable term deposit. This dividend will be paid into members' accounts effective April 1, 2012. "I Love My LDCU"!

Your Board remains committed to the strong governance processes we put into practice starting in 2010. This hard work has been recognized throughout the Credit Union system as we were invited to sit on the Province's Governance Task Force this past year. Indeed an honour for a smaller Credit Union from a small town on Vancouver Island. In addition the Board continues to work hard and

diligently, planning for the future. Not only do we have a strong focus on short-term goals, we have embarked on a new format during our monthly meetings that allows us to continually review our strategic plan. Our strategic plan will be focusing on our core products, the demographics of our market, and our long-term growth strategy. We are incredibly well-positioned to serve our members and our market with a strong capital base, excellent liquidity and incredible market share in our area.

“...Comprehensive Income coupled with our Net Income translated into the largest increase to Members' Equity in the history of the Credit Union.”

So notwithstanding the gloomy news, there are reasons to be optimistic. There are signs that the environment in our area is improving. All recent economic indicators reviewed by the Credit Union show that our local economy is picking up and performing well. The Ladysmith & District Credit Union will continue to do our

part to drive the economic engine in our community. We will remain on the forefront of community projects and revitalization. The Credit Union remains committed to being Ladysmith's strongest corporate citizen, and serving Ladysmith as a strong, independent community Credit Union.

As always, I would like to thank all of the directors for their hard work and commitment to the Credit Union in this past year. Their dedication to our Credit Union remains steadfast and strong. I am privileged to work beside some very dedicated Credit Union professionals.

Respectfully submitted,



Brian Childs, President
Ladysmith & District Credit Union

MESSAGE FROM THE CEO

The aftermath of the financial crisis continued to manifest itself in 2011. Loan growth could not keep pace with the record year we enjoyed in 2010. Economic uncertainty and a slumping real estate market lowered our overall lending to just over \$28 million. What is important to note is that this lending total exceeded the total lending of 2009 by over \$3 million. So, while we were down from last year, our lending totals were still within the averages posted over the last few years. With the lower lending totals, the Credit Union experienced a decline in our loan portfolio for the first time in a decade. Once again this decrease demonstrates how incredibly competitive the mortgage market has become. With the struggles we experienced in lending, our overall growth for the year was also down from 2010. In fact the growth in 2011 was the lowest experienced in the last few years. This slower growth was indicative of the economic climate that our area experienced throughout 2011. Despite our growth being lower, we still did manage to increase our asset size by almost \$3 million.

Despite the lower growth and decline in borrowing, our financial margin actually increased from 2010. This demonstrates that we have been pricing our core products very competitively in order to provide the best return for our membership. While overall Income from Operations is down, we can point to one specific area that contributed to this decrease. With a strong margin, we made a commitment to proactively set aside extra funds into our provision for loan losses. Consumer confidence in North America continued to languish in 2011, and we felt it prudent to increase our provision in order to better prepare and protect the Credit Union. If you review our financial statements you will see that we increased our contribution to Loan Loss Provision by an extra \$150,000 in 2011. This entry alone made up almost the entire difference in our total Income from Operations from 2010.


While we may have seen a decrease to our Income from Operations, we more than made up for that decrease with a significant increase to our Other Comprehensive Income. With the upsurge in value of our off-balance sheet investments added to our Net Income, we have transferred the largest total ever to Members' Equity in 2011. With over \$800,000 transferred, we have now achieved a total in excess of \$7,000,000 in overall Members'

Equity. An excellent achievement in a challenging year. As detailed last year however, the Credit Union is not just about income and profitability. We need to remain competitive with service and technology. In 2011 we were very excited to launch our new integrated website with an excellent new design and many new features. We have also joined the Accel Network allowing our members the ability to use their debit cards at participating merchants in the US. And in 2012, after a delay from the fall of 2011, we will debut our new Chip Cards. These cards will help protect our members from debit card fraud, and are beautifully designed and very distinctive. All of these advances continue our trend to remain on the leading edge of competitive innovation. As always all of our strong results could not come without the hard work of our professional and dedicated staff. Once

“...to remain on the leading edge of competitive innovation... we have been pricing our core products...in order to provide the best return for our membership.”

again in 2011 they have risen to the challenges of our industry and our marketplace and have helped the Credit Union remain the largest and strongest financial institution in Ladysmith. I want to acknowledge each of them for their tireless dedication to our Credit Union, and promise them that their hard work and effort does not go unnoticed.

Respectfully submitted,



John de Leeuw, CEO
Ladysmith & District Credit Union

CREDIT COMMITTEE REPORT 2011

While the financial crisis began in 2008, the impact on the rate environment and borrowing patterns is reflected in our loans statistics this year. In 2011 the downward trend in mortgage and loan rates continued. While lower rates provided a boon to borrowers, the uncertainty of the economy and the continued discouraging news delivered by media contributed to a significant decrease in our lending activities for 2011. Overall the total number of loans and the total dollar value of loans granted in 2011 decreased by almost 30%. Despite the decline, the dollar value of loans granted in 2011 was higher than in 2009, demonstrating again the record year we enjoyed in 2010.

The largest decrease was felt in mortgage lending which fell from our historic highs in 2010. In fact the total number of mortgage loans granted in 2011 fell by 38%. The total dollar value of mortgages granted fell by the same percent. While traditional mortgage borrowing decreased, Ladysmith has not been immune to the trend experienced throughout Canada, and

that is: borrowers taking advantage of growing equity in their homes to apply for home equity lines of credit, (HELOC's). These HELOC's allow for tremendous flexibility for borrowers, but can cause home owners to lose equity if they aren't disciplined in their repayment. The trend to HELOC's is reflected in the increase in the dollar amount of lines of credit granted in 2011. While the total number of lines of credit granted in 2011 remained the same as the 76 granted in 2010, the dollar amount increased by over 120%. This increase was due primarily to the higher dollar value of lines of credit secured by mortgages

In addition, with consumer confidence low, commercial borrowing also decreased from the highs enjoyed in 2010.

The following is a complete summary of the loans and mortgages granted in 2011 & 2010:

	#	2011	#	2010
Personal Mortgages	94	14,832,469	152	24,059,515
Business/Commercial	48	6,405,651	49	10,613,418
Miscellaneous	43	580,479	33	509,173
Automobile	37	532,541	33	601,340
RV's, Boats, etc.	5	228,757	27	1,076,178
Mobile Homes	2	93,000	6	472,875
Taxes, RSP's, etc.	14	94,104	5	68,841
Consolidation	30	621,101	31	374,020
Lines of Credit	76	4,962,458	76	2,238,350
Holiday Helper	0	0	86	226,455
Totals	349	28,350,560	498	40,240,165

Respectfully submitted:
 Marie Polachek, Chair; Joan Adair; & Ted Girard
 Credit Committee,
 Ladysmith & District Credit Union

DEPOSITS



As a BC Credit Union member, your deposits now carry **unlimited deposit insurance protection**, as outlined by the Credit Union Deposit Insurance Corporation.

The Credit Union Deposit Insurance Corporation (CUDIC) a government corporation, guarantees deposits and non-equity shares of BC Credit Unions up to the limits prescribed by the Financial Institutions Act.

Summarized Consolidated Financial Statements of

LADYSMITH & DISTRICT CREDIT UNION

Year ended December 31, 2011



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Ladysmith & District Credit Union

The accompanying summarized consolidated financial statements, which comprise the summarized consolidated financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in members' equity and cash flows for the years ended December 31, 2011 and December 31, 2010 are derived from the audited consolidated financial statements of Ladysmith & District Credit Union ("Ladysmith") for the years ended December 31, 2011 and December 31, 2010. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 19, 2012.

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Ladysmith.

Management's Responsibility for the Summarized Consolidated Financial Statements Management

Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis described in Note 2.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summarized consolidated financial statements derived from the audited consolidated financial statements of Ladysmith for the years ended December 31, 2011 and December 31, 2010 are a fair summary of those consolidated financial statements, on the basis described in Note 1.



Chartered Accountants

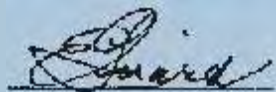
March 19, 2012
Victoria, Canada

LADYSMITH & DISTRICT CREDIT UNION
Summarized Consolidated Statements of Financial Position
As at December 31, 2011, December 31, 2010 and January 1, 2010

	2011	2010	January 1, 2010
Assets			
Cash and cash equivalents	\$ 5,040,463	\$ 2,871,346	\$ 6,730,485
Loans to members	107,889,650	108,004,080	97,747,306
Financial investments	8,602,502	8,292,722	8,553,032
Derivative financial instruments	697,518	299,242	103,523
Trade and other receivables	569,392	580,793	536,211
Income taxes receivable	34,612	-	178,737
Deferred income taxes	4,900	4,900	4,900
Property classified as held for resale	850,000	992,208	1,052,643
Premises and equipment	3,448,491	3,494,191	2,831,448
Intangible assets	206,137	127,446	120,800
	<u>\$ 127,343,665</u>	<u>\$ 124,666,928</u>	<u>\$ 117,859,085</u>
Liabilities			
Short-term borrowings	\$ -	\$ 3,000,000	\$ -
Member deposits	119,545,813	114,681,146	111,621,130
Other liabilities	430,591	461,389	372,726
Income taxes payable	-	62,518	-
Deferred income taxes	177,572	108,085	85,010
	<u>120,153,976</u>	<u>118,313,138</u>	<u>112,078,866</u>
Members' Equity			
Accumulated other comprehensive income	778,924	223,138	64,403
Retained earnings	6,410,765	6,130,652	5,715,816
	<u>7,189,689</u>	<u>6,353,790</u>	<u>5,780,219</u>
	<u>\$ 127,343,665</u>	<u>\$ 124,666,928</u>	<u>\$ 117,859,085</u>

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

Signed on behalf of the Board of Directors' by:





LADYSMITH & DISTRICT CREDIT UNION
Summarized Consolidated Statements of Comprehensive Income
Years ended December 31, 2011 and December 31, 2010

	Note	2011	2010
Financial income			
Interest on member loans	\$	5,125,114	\$ 4,937,147
Cash resources and investments		731,043	700,183
		<hr/> 5,856,157	<hr/> 5,637,330
Financial expense			
Interest on member deposits		3,006,940	2,868,111
Interest on borrowed funds		30,808	8,029
		<hr/> 3,037,748	<hr/> 2,876,140
Financial margin		2,818,409	2,761,190
Provision for impairment on loans to members		172,737	22,240
		<hr/> 2,645,672	<hr/> 2,738,950
Other income	3	1,583,106	1,578,120
		<hr/> 4,228,778	<hr/> 4,317,070
Operating expenses	4	3,828,984	3,761,682
Income from operations		399,794	555,388
Distribution to members		68,705	50,077
Income before income taxes		331,089	505,311
Provision for income taxes		50,976	90,475
Profit for the year		<hr/> 280,113	<hr/> 414,836
Other comprehensive income (net of tax)			
Net gains on derivatives designated as cash flow hedges, net of tax \$51,412 (2010 - \$24,774)		455,644	158,735
Net gain on revaluation of land and buildings, net of tax \$15,401 (2010 - nil)		100,142	-
Total other comprehensive income for the year		<hr/> 555,786	<hr/> 158,735
Total comprehensive income for the year	\$	835,899	\$ 573,571

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

LADYSMITH & DISTRICT CREDIT UNION
Summarized Consolidated Statements of Changes in Members' Equity
As at December 31, 2011, December 31, 2010 and January 1, 2010

	Accumulated Other Comprehensive			Retained earnings	Total
	Income	Cash flow hedges	Revaluation reserve		
Balance, January 1, 2010	\$ 64,403	\$ -	\$ -	\$ 5,715,816	\$ 5,780,219
Profit for the year	-	-	-	414,836	414,836
Net gains on derivatives designated as cash flow hedges, net of tax \$34,825	158,735	-	-	-	158,735
Net gain on revaluation of land and building, net of tax of nil	-	-	-	-	-
Balance, December 31, 2010	223,138	-	-	6,130,652	6,353,790
Profit for the year	-	-	-	280,113	280,113
Net gains on derivatives designated as cash flow hedges, net of tax \$86,237	455,644	-	-	-	455,644
Net gain on revaluation of land and building, net of tax \$15,401	-	-	100,142	-	100,142
Balance, December 31, 2011	\$ 678,782	\$ 100,142	\$ 100,142	\$ 6,410,765	\$ 7,189,689

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

LADYSMITH & DISTRICT CREDIT UNION
Summarized Consolidated Statements of Cash Flows
Years ended December 31, 2011 and December 31, 2010

	2011	2010
Operating activities		
Profit for the year	\$ 280,113	\$ 414,836
Adjustments to determine cash flows:		
Depreciation of premises and equipment	111,666	180,700
Amortization of intangible assets	32,566	19,250
Provision for income taxes	48,300	92,174
Deferred income tax expense	2,676	(1,699)
Provision for impairment losses on loans	172,737	22,240
Provision for impairment of property held for resale	144,666	75,000
Loss on revaluation of land and buildings	2,424	82,951
Changes in member deposit interest accruals	18,020	(83,343)
Changes in loans to members interest accruals	16,862	2,653
Hedge ineffectiveness on derivative financial instruments	(30,778)	(12,210)
Proceeds on settlement of derivative financial instruments	215,907	-
Amortization of settlement gain on derivative financial instruments	(56,651)	-
	<hr/> 958,508	<hr/> 792,552
Cash flows related to interest, dividends and income taxes:		
Income taxes recovered (paid)	(165,129)	149,081
Change in other assets:		
Change in trade and other receivables	11,401	(44,582)
Change in payables and accruals	(30,797)	88,663
Total cash inflows from operating activities	<hr/> 773,983	<hr/> 985,714
Investing activities		
Loans, net of repayments	(75,169)	(10,281,667)
Purchase of investments	(309,780)	(127,291)
Purchase of premises and equipment	(36,612)	(538,793)
Purchase of intangible asset	(27,494)	(25,896)
Improvements to property held for resale	(2,458)	(14,565)
Total cash (outflows) from investing activities	<hr/> (451,513)	<hr/> (10,988,212)
Financing activities		
Proceeds from short-term borrowings	(3,000,000)	3,000,000
Deposits, net of withdrawals	4,846,647	3,143,359
Total cash inflows from financing activities	<hr/> 1,846,647	<hr/> 6,143,359
Net increase (decrease) in cash resources	2,169,117	(3,859,139)
Cash resources, beginning of year	2,871,346	6,730,485
Cash resources, end of year	<hr/> \$ 5,040,463	<hr/> \$ 2,871,346

LADYSMITH & DISTRICT CREDIT UNION

Notes to Summarized Consolidated Financial Statements

Years ended December 31, 2011 and 2010

1. REPORTING ENTITY

Ladysmith & District Credit Union (“the Credit Union”) is incorporated under the Credit Union Incorporation Act of British Columbia and its operations are subject to the Financial Institutions Act of British Columbia. The consolidated financial statements of the Credit Union as at and for the years ended December 31, 2011 and 2010 comprise the Credit Union and its subsidiary L.C.U. Insurance Agencies Ltd. (together referred to as the “Credit Union”).

2. BASIS OF PREPARATION

These summarized consolidated financial statements have been prepared in accordance with Section 128(4) of the Financial Institutions Act and are derived from the complete audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, as at and for the year ended December 31, 2011. Those audited consolidated financial statements were approved by the Credit Union’s Board of Directors on March 19, 2012 and can be obtained at our branch.

These are the Credit Union’s first consolidated financial statements prepared in accordance with International Financial Reporting Standards, and IFRS 1 First-Time Adoption of International Financial Reporting Standards, has been applied. The Credit Union previously prepared its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP). IFRS 1 requires first-time adopters to retrospectively apply, with certain exceptions, all effective IFRSs in effect as at the reporting date, which for the Credit Union was December 31, 2011. A detailed explanation of how the transition from Canadian GAAP to IFRS has affected the Credit Union’s financial position, financial performance and cash flows is presented in the notes to the complete audited consolidated financial statements for the year ended December 31, 2011.

LADYSMITH & DISTRICT CREDIT UNION

Notes to Summarized Consolidated Financial Statements

Years ended December 31, 2011 and 2010

3. OTHER INCOME

	2011	2010
General insurance commissions	\$ 743,117	732,366
Account service charges	421,972	463,044
Loan processing fees	213,593	224,232
Other	204,424	158,478
	\$1,583,106	1,578,120

4. OPERATING EXPENSES

	2011	2010
Advertising and member relations	\$ 140,646	213,562
Depreciation of premises and equipment	111,666	180,699
Amortization of intangible assets	32,567	19,250
Data processing	105,726	95,655
Dues and assessments	122,090	125,351
Insurance	45,545	38,190
Training, meetings and travel	99,337	96,619
Premises and office	345,788	354,076
Professional fees and dues	305,727	251,804
Salaries and benefits	2,210,794	2,069,157
Service charges	162,008	159,368
Impairment of property held for resale	144,666	75,000
Loss on revaluation of land and buildings	2,424	82,951
	\$ 3,828,984	3,761,682

5. RELATED PARTY TRANSACTIONS

The Credit Union entered into the following transactions with key management personnel, which are defined by IAS 24 *Related Party Disclosures*, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

Compensation of key management personnel

	2011	2010
Salaries and benefits	\$ 529,069	492,498

LADYSMITH & DISTRICT CREDIT UNION

Notes to Summarized Consolidated Financial Statements

Years ended December 31, 2011 and 2010

Loans and credit extended to key management personnel

	2011	2010
Loan balances outstanding	\$ 2,217,493	2,159,178
Interest received on loans	67,483	67,144
Aggregate value of unadvanced loans	-	119,251
Lines of credit outstanding	744,943	834,357
Interest received on lines of credit	12,998	16,486
Unused value of lines of credit	145,409	151,642
Letters of credit	15,000	10,000

Loans to key management personnel including their related parties must meet the same terms and conditions which apply to Members and must be approved by the Board of Directors and reviewed by the Conduct Review Committee. Loans to key management personnel including their related parties may bear preferential rates of interest.

Deposits on hand from key management personnel

	2011	2010
Aggregated value of term and savings deposits	\$ 1,746,431	1,511,697
Total interest paid on term and saving deposits	28,071	33,997
	1.61%	2.25%

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which apply to Members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

A copy of the full financial statements are available in branch or on our website at www.ldcu.ca

Our Community. Your Credit Union.™



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