



# Supporting Our Community.



**2012**  
ANNUAL REPORT

## LDCU TEAM

### THE BOARD



**Brian Childs**  
President



**Elaine Layman**  
Vice-President



**Ted Girard**



**Marie Polachek**  
Retired



**Tim Richards**



**Rob Viala**



**David O'Connor**



**John de Leeuw**  
CEO

## AGENDA

1. Reading and Approval of the Minutes of the 67th 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 and Remuneration of Directors
8. Appointment and Remuneration of Auditors.
9. New or Unfinished Business.
10. Guest Speaker: Sybille Sanderson  
Manager, Public Safety CVRD  
Sybille has worked in Emergency Management for the Cowichan Valley Regional District (CVRD) since November 1998. As the Public Safety Manager, she is responsible for regional emergency management, 911 system and six volunteer fire departments.
11. Draw for Door Prizes.

Adjourn.

### BANKING

Carrie Alexander  
Kay Bafaro  
Jennifer Bakker  
Danielle Buck  
Kim Clark  
John de Leeuw  
Kelsey Dentoom  
Jocelyn Dewar  
Akseeta Elliott  
Gwen Gilson  
Debbie Grant  
Kendre Haugen  
Deborah Jones  
Shelley Jones

Kim Judson  
Calvin King  
Linda King  
Marilyn Legault  
Luda Marchenko  
Susan McMurtrie  
Brenda Moore  
Roberto Qualizza  
Melissa Reilly  
Shelly Rickett  
Mickel Smith  
Nick Symons  
Alan Watt

### INSURANCE

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

# MINUTES OF THE 67th AGM – April 17, 2012

President Brian Childs welcomed members and guests to the 67th AGM of the Ladysmith & District Credit Union. Brian introduced the members of the Board; Ted Girard, Elaine Layman, Rob Viala, Tim Richards, Marie Polachek, and David O'Connor. Also sitting at the head table was Mr. Sang Ly from the accounting firm of KPMG and our CEO, John de Leeuw. The President reviewed handout packages for members: the Annual Report, the Rules for the meeting, and a bag of Credit Union giveaways. He declared a quorum present with 74 members and 5 guests.

President Childs asked if everyone received a copy of the Rules of Order and if anyone had any questions. No one inquired. President Childs called everyone's attention to the section in the rules titled Voting and reminded attendees that they need to register at the registration table in order to vote during this meeting. Once qualified, they will receive a voting paddle used for voting at this meeting. President Childs called for a motion to approve the Agenda for the AGM. This was moved by Duck Paterson and seconded by Alan Watt. Carried.

President Childs asked if everyone had a chance to read the minutes of the 66th Annual General Meeting and if anyone wanted him to read them out loud. No one requested this. President Childs called for a motion to approve the minutes of the 66th Annual General Meeting. This was moved by Tracy Paterson and seconded by Anita McLeod. Carried.

Business arising from the 2011 AGM minutes was called for. There was no business arising.

The President's Report was presented by President Brian Childs. Brian advised that a dividend of 3% was declared, an excellent annual return on equity shares, particularly when 1 year term deposit rates are 1/2 of 1% and 5 year term deposit rates are 2%. Brian thanked CEO John de Leeuw, his management team and all the staff for their hard work through these difficult times. He also thanked the directors for their hard work and dedication this past year, and in past years. Brian advised he feels privileged to work alongside these individuals who hold the Credit Union and co-operative ideals so high, and who believe in and support the Ladysmith community. 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 Kara Olson and seconded by Melanie Davis. Carried.

Brian announced that one of the programs we support is the Ladysmith Ambassador Program. Both the Credit Union and LCU Insurance sponsor candidates. This years candidate is Sophie Neligan and the candidate representing LCU Insurance is

Kelti Blatchford-Duncan. 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. A motion to approve the Credit Committee Report as presented was made by Anita McLeod, seconded by Dave DeClark. Carried.

Next up was the report of Chief Executive Officer John de Leeuw. John spoke on the "Shopping Local" theme of the AGM. He noted the displays from local business at the back of the room and advised that local products were in the hand out packages as well. John also discussed the technology innovations the Credit Union is working on as follows:

- A sample of the new chip member cards was viewed. He noted that this card was designed by staff member Melissa Reilly and is to be launched in September 2012.
- Reviewed a short video on the new Mobile Banking application available for iPhones. John advised that an app is a future option for the Credit Union providing there is a need.
- A sample of the new e-statements was viewed. He noted these new statements allow members to opt out of receiving printed statements and the statements that are still printed will be printed on regular copy paper instead of specialized statement paper. To be launched by the end of May.

John introduced Kim Judson, Human Resources Manager at the Credit Union. Kim spoke about the dedicated, committed, fearless and inspiring staff at the Credit Union. In addition Kim handed out the Credit Union service awards to staff.

The following questions were raised by members.

1. Member's Equity
  - Rob Johnson noted the 2011 Annual Report showed in excess of \$800,000 in Members' Equity transferred and a total in excess of \$7,000,000 in overall member's equity. He wanted to confirm the amount and wondered where the member's equity share was?
  - John noted the \$800,000 in Member's equity is listed on Page 2 of the consolidated financial statements as part of "Total Other Comprehensive Income for the Year".
2. Card Protectors
  - Anita McLeod was wondering if we were providing aluminum card protectors for member cards.
  - John advised that we have provided member card protectors (not aluminum) in the past but we are currently out of stock and will look into ordering more.

Mitch Wilson moved that the CEO's Report be accepted as presented. Seconded by Tracy Paterson. Carried.

The Auditor's Report was then presented by Sang Ly of KPMG. Sang reviewed the Independent Auditor's Report and noted that the financial statements listed in the 2011 Annual Report are summarized statements that adequately reflect the full report. The full report is located on the Credit Union's website and available at the Credit Union. Mr. Ly noted that this year the statements are completed under International Financial Reporting Standards (IFRS) as this is now required for all regulated financial institutions. Mr. Ly reviewed the balance sheet, income statement, changes in member's equity and cash flow statement. Sang inquired if there were any questions about his report. None were raised. Ross Davis motioned to approve the Auditor's Report. Seconded by Rob Johnson. Carried.

Next up was the election of Directors. David O'Connor presented the report on behalf of the Nominating Committee. He advised of the guidelines that are followed when directors reach the end of their term. David read rule 4.8 out loud and mentioned the newsletter that was sent out to the membership, which stated that the terms of two Board members were expiring. He advised that only two members completed the nomination kit; Brian Childs and Rob Viala. No other nominations were received. David advised that pursuant to rule 4.14, Brian Childs and Rob Viala were elected by acclamation and they will serve on the Board for three more years. It was moved by Duck Paterson and seconded by Melanie Davis to accept the Nominating Committee's Report as presented. Carried.

Next on the agenda was appointment of auditors for the year 2012. It was moved by Tracy Paterson and seconded by Marion Rodall that KPMG be appointed auditors for 2012, with the Board given the authority to set their remuneration. Carried.

President Childs called for any New or Unfinished Business.

Craig Jory asked a question about NSF charges that accumulated without his awareness. Chairman Brian Childs requested the member to meet with the CEO personally to resolve this issue.

Rob Johnson rose to ask if membership is growing proportionally to our population. President Childs informed the member that this year a number of dormant old accounts had been removed from the membership rolls, reducing our numbers. The CEO then responded that this process had revealed that the Credit Union had in fact a significantly greater 'share of wallet' (overall business with each member) than was previously realized. Ladysmith's

current population is approximately 8,200, and the Credit Union has a membership of just over 5,000.

Duck Paterson rose to remark that the Credit Union is effectively the most active and largest contributing service club in Ladysmith through donations and other support. He would, for the second year in a row, like to request that a review of the Credit Union contributions to the community be included in the Annual Report.

Rob Johnson informed the membership that tonight was the AGM of the Ladysmith Historical Society. As their executive could not attend our meeting, he wished to relay the Society's sincere thanks to LDCU for making a site available for the museum.

Member James Stachow rose to remark that in light of an earlier member's problem with accumulated NSF charges, the Credit Union should not "behave like a bank".

Dave DeClark rose to question why, as of the 17th of this month he had not received his statement. The CEO explained this was a miscommunication with the printer over statement inserts which were not being used but for which the printer had delayed distribution. Member DeClark then asked why a no-fee account for seniors was not available. The CEO explained that with our current banking system the no-fee account required a continuous minimum balance of over \$1,000 to remain in the account.

President Childs then introduced our guest speaker Rob Waters, President of the Ladysmith Chamber of Commerce. Rob gave an informative presentation on the new local 10% Ladysmith Shift shopping initiative. This initiative encourages residents to move 10% of their out of town spending back into town. His presentation included a Shaw Cable video on this initiative. He also provided an overview of his background and an overview of the background of the Ladysmith & District Credit Union.

President Childs then introduced Jocelyn Dewar who spoke about the "Shift Happens" initiative. Jocelyn was sponsored by the Credit Union to participate in the Leadership BC program and the "Shift Happens" initiative was created by her team under this program. "Shift Happens" is designed to market and create awareness of the 10% Ladysmith shopping initiative that Rob Waters spoke on.

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

The meeting was adjourned at 8:30 pm. Moved by Tracy Paterson.

Refreshments and goodies were served.



# Supporting Our Community.

We support RCMP Victim Services.

*“Ladysmith & District Credit Union's monetary support was a huge help because the program is very underfunded....It was so appreciated...”*

Pictured from left to right are: Cst. Mike Kassis; Victim Services Program Manager, Carla Sampson; Cpl. Cari Lougheed



When one thinks of emergency preparedness, one often thinks of the Police, Fire Department, Ambulance, or even their own personal preparedness at home. At LDCU, we support the Emergency Preparedness initiative so that everybody in our community can be a little safer. But what about those emotional crises that no kit or first responder can provide physical help for? What if you become a victim? That's where RCMP Victim Services can help.

A police-based program directed through the Ladysmith Resource Centre, Victim Services provides support to assist victims of crime and tragedy. The workers in the program provide emotional support, crisis intervention, practical assistance such as accompaniment to a hospital, community education, and much more. It is this sense of community and type of support that we highlight today.

When asked about what Ladysmith & District Credit Union's monetary support has meant to the Victim Services Program, Manager Carla Sampson stated, “It was a huge help because the program is very underfunded. The money went to cover the cost of our training in Vancouver. It was so appreciated and definitely helpful!” Ms. Sampson also relayed that the program, made up of one staff member and two volunteers, gets over 400 referrals per year to assist victims of crime and trauma, and approximately 40 call-outs. The call-outs refer to those times where assistance is required after-hours and is generally a response to a suicide or death at home. This highly valuable program, which meets a very emotional need of our community, is only partially funded by the Ministry of Justice, and must rely on community sponsorships. While the Victim Services program is blessed with unsung heroes of the Ladysmith community, our collective call-to-action should be to help fund it.

LDCU is proud to advocate on behalf of the Victim Services Program, and challenge our members to support this worthwhile program. Please contact Carla Sampson for more information, or to donate directly to the program: Telephone: (250)245-6061  
Email: [Carla.sampson@rcmp-grc.gc.ca](mailto:Carla.sampson@rcmp-grc.gc.ca)

## MESSAGE FROM THE BOARD and MANAGEMENT

Another year has distanced us from the financial crisis of 2008. In spite of the continuing time moving forward, the malaise from that crisis endures. The economy has been growing, albeit very slowly, but employment and consumer confidence both continue to lag behind. Our own local housing market had a very slow year compared with other areas on the Island and around the country. One positive note in 2012 was that commodity prices were well up, which had a positive impact on our resource-based economy. Many of the lumber mills on the Island have been back up and running. These positive events had an influence on the Canadian dollar which appreciated significantly against other currencies in 2012. While this was excellent for imports, the high dollar negatively impacted exports and tourism.

Other trials facing the Credit Union are more industry based such as tightening financial margins, heightened competition in the mortgage market and ultra-low interest rates. The Bank of Canada has pledged to keep interest rates at their current levels until at least the fall of 2014, and this has been leading to record debt levels of Canadians. The federal government has made several changes to lending rules in an attempt to cool the super-charged housing market, and this has led to a hope of a soft landing of that housing market and the lowering of debt levels.

Despite the challenges of the slower local economy your Credit Union had an excellent year in 2012. Our asset growth in 2012 was 6.0% with a dollar value in excess of \$7.6 million. This was well in excess of the targets we had set for ourselves at the beginning of the year. In addition to the overall asset growth we also experienced loan growth of 5.65% with a dollar value exceeding \$6.1 million. The main contribution to this growth came from residential mortgages. Our portfolio of residential mortgages grew by \$5.8 million which was a terrific result in a year when the overall housing market was very slow. Another aspect of significant growth was in our deposit portfolio which grew by 6.34% with a dollar value of almost \$7.6 million. All this growth was indicative of the Credit Union pricing its products very competitively. With this past year's growth we are now within striking distance of \$150 million in overall asset size.

Another positive in 2012 was our ability to hold our financial margin steady. While there was a slight drop from 2011, the drop was marginal at just 1% or \$29k. This was in spite of the very high competitive interest rate market that continues within our industry. In addition to the stable margin, the Credit Union also maintained the commitment of strong contributions to our allowance for loan losses. We remain steadfast in our desire to protect our members' assets and the need for setting aside funds to guard against potential future loan losses. On the opposite of the slight increase to loan losses, the Credit Union showed year to year improvement in our Operating Expenses. We managed to lower our overall costs in this area by almost \$160k from 2011.

We are very proud of our ability to maintain our costs at a stable level year over year. With this decrease to our Operating Expenses, the Credit Union was able to show an increase in our Income from Operations. In 2012 this figure increased by 19% to just under \$500k. All of the above results show our commitment to maintaining our Credit Union as the largest and strongest financial institution in Ladysmith.

*“We had an excellent year in 2012. Our asset growth was 6.0% with a dollar value in excess of \$7.6 million... our strong financial results allowed us to continue as one of the largest corporate sponsors in Ladysmith... we donated in excess of \$60,000 to charities, service groups and high school bursaries.”*

In addition to the strong financial results, the Credit Union also had the opportunity to develop and introduce some excellent new products and services. The most important of these was the implementation of chip cards. The deadline for full implementation of chip cards was originally December 31st and we are proud to declare that we met this deadline with minimal impact to our members. We feel the overall look and design of our card makes it one of the nicest in the marketplace. Another benefit of our strong financial results was our ability to continue as one of the largest corporate sponsors in Ladysmith. In 2012 we donated in excess of \$60,000 to charities, service groups and high school bursaries. We remain committed in our responsibility as a strong corporate member of our local community.

As the Board and senior Management continue to develop long term strategic goals, one of the most difficult questions has been our building and location in Ladysmith. We have been at the same



# Supporting Our Community.

Over \$60,000 donated locally.

*“LDCU supports the 10% Shift (shop local) initiative. The majority of our office equipment, supplies, printing needs, as well as recycling and shredding are done locally.*

*While our support of the community is shown in our day to day business activities, did you know that LDCU has donated \$61,350 to support students, groups and charities?”*

The 2012 Ladysmith Ambassador Candidates. LDCU and LCUI have sponsored individual candidates as well as their bursaries.

Our major sponsorship initiatives include:

- \$13,000 in bursary awards to LSS students
- Ladysmith Festival of Lights fireworks
- Ladysmith Days Kids count Fun Zone
- Ladysmith Days Fireworks
- Ladysmith Ambassador Program

Donations and sponsorships support these local students, groups & charities, (visit [ldcu.ca](http://ldcu.ca) for details):

- Arts on the Ave
- Chemainus Rod & Gun Club
- Ladysmith Chamber of Commerce
- Ladysmith Eagles
- Ladysmith Family and Friends (LaFF)
- Ladysmith RCMP Community Policing
- Ladysmith RCMP Victim Services Program
- Ladysmith Soccer - Mini World Cup
- Ladysmith Sportsmen Club
- LSS Rugby Trip 2012
- North Oyster Historical Society
- Old English Car Club - Brits on the Beach
- St. Joseph School
- Yellow Point Drama Club
- Ladysmith Arts Council
- Stz'uminus First Nations
- Ladysmith Legion
- Pacific Sport
- Maritime Society
- Ladysmith Minor Ball
- Yes Camp
- Chemainus Gardens
- Fuller Lake Skating Club
- Rotary
- Cops for Cancer
- MSC Highlanders U-13 Soccer
- Leadership Vancouver
- St. John's Anglican Church
- LSS Performing Arts



## MESSAGE FROM THE BOARD cont.

location since 1977 when the Credit Union was only a few million dollars in asset size. As we approach \$150 million, we realize that our current footprint will not be adequate to house us for the long-term future of the Credit Union. To that end, the Board has kept its options open and looked for opportunities. In the fall of 2012 one of those opportunities presented itself. We heard the commercial properties just to the south of us on First Avenue were going to be listed for sale. This presented an opportunity for the Credit Union to lock up properties beside us that, in the future, could be connected to the Credit Union to give us the room we will require to grow and prosper. It was an exciting prospect that the Board could not pass up. Through negotiation we were able to purchase two commercial properties and one residential property. While there are no specific plans in place for their development, we are very excited with the options their acquisition will present to us. In the meantime, the status quo exists for the current tenants, and even this is beneficial to the Credit Union. At the present time the rental income on the properties deliver a 7.75% return on investment to the Credit Union and our members.

As always we are thankful for the hard work and dedication to our Credit Union team, from directors and staff alike. The strong governance practices of the Board are the envy of many Credit Unions, even those much larger than ourselves. Our staff continue to develop their talents and abilities to better serve our members and our community. We remain committed to the development and independence of your Credit Union, the largest and strongest financial institution in Ladysmith.

Respectfully submitted,



Brian Childs, President  
Ladysmith & District Credit Union



John de Leeuw, CEO  
Ladysmith & District Credit Union

## CREDIT COMMITTEE REPORT 2012

The Credit Union's loan growth for 2012 returned to normal levels after the stagnant growth experienced in 2011. While we could not approach the record levels enjoyed in 2010, there was ample reason for renewed confidence this past year. Part of the reason for optimism is that the price correction dreaded by the marketplace did not happen anywhere near to the extent feared. In reality there was a minor correction to house prices in 2012, from an average price of \$350,000 down to \$342,000, or just over 2%. While sales in the housing market also seemed to slow, actual sales numbers were only down by 6% for the year.

The largest year over year increase was in residential mortgages which saw an increase of almost \$2.8 million or 19%. In addition to the increase in fixed rate mortgage lending, we saw another year of increased demand for home equity lines of credit. This growth over the past twelve months amounted to \$2.6 million or just over 53%. As detailed last year, these home equity lines of credit allow for tremendous flexibility for borrowers, but can cause home owners to lose equity if they aren't disciplined in their repayment. During 2012 the Credit Union took a cautionary step by limiting the amount a member could borrow to 65% of the value of their property. We feel this was the right step to do our part in protecting our borrowers and our members.

Another sign of consumer confidence was the year over year increase in commercial financing. While the increase is just under 10%, it shows that our community is determined to move forward and shake off the fears brought on by the financial crises.

The following is a complete summary of the loans and mortgages granted in 2012 & 2011:

|                     | #   | 2012       | #   | 2011       |
|---------------------|-----|------------|-----|------------|
| Personal Mortgages  | 104 | 17,628,960 | 94  | 14,832,469 |
| Business/Commercial | 48  | 7,041,910  | 48  | 6,405,651  |
| Miscellaneous       | 31  | 230,365    | 43  | 580,479    |
| Automobile          | 42  | 726,474    | 37  | 532,541    |
| RV's, Boats, etc.   | 9   | 184,528    | 5   | 228,757    |
| Mobile Homes        | 4   | 264,557    | 2   | 93,000     |
| Taxes, RSP's, etc.  | 12  | 83,124     | 14  | 94,104     |
| Consolidation       | 21  | 407,870    | 30  | 621,101    |
| Lines of Credit     | 88  | 7,594,731  | 76  | 4,962,458  |
| Totals              | 359 | 34,162,519 | 349 | 28,350,560 |

Respectfully submitted:

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



# Supporting Our Community.

Staff donations of over \$2570

*“While Ladysmith & District Credit Union & LCU Insurance supports the community through many sponsorships, the drive behind it really is our amazing staff... they truly have a passion for making this community great.”*

The majority of staffers call Ladysmith “home” and truly have a passion for making this community great. They not only influence the decision making on the corporate sponsorships, but also have their own initiatives that they support on a regular basis which include:

- Hot dog sale Fundraisers
- Cancer Society & Heart & Stroke Foundation
- Christmas Hampers
- Ladysmith Food Bank monthly donations
- Jeans Day Program (staff pay to wear jeans each Friday) and once a month, a donation is made to a local charity.

2012's Jeans Day recipients were:

**January** - Paws without Borders

**February** - Ladysmith Food Bank

**March** - Little Rascals Pets & Supplies

**April** - Haven House

**May** - Habitat for Humanity Mid V.I. Society

**June** - Crofton/Chemainus Food Bank

**July** - Hospice/Paliative Care NRGH

**August** - Ladysmith Cops for Cancer

**September** - Boys & Girls Club of Ladysmith

**October** - Ladysmith Family & Friends

**November** - Ladysmith Food Bank

**December** - Nanaimo & District SPCA

LCU Insurance Major Sponsorships include:

- LCU Insurance Community Spirit Bursary
- Ladysmith Show 'N Shine
- Ladysmith Ambassador Pageant
- Cinnamon Bun Fun Run (in support of the Ladysmith Food Bank)
- Meals on Wheels Program



## 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, 2012, the consolidated statements of profit or loss and comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited consolidated financial statements of Ladysmith & District Credit Union ("Ladysmith") for the year ended December 31, 2012. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 18, 2013.

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 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 year ended December 31, 2012, are a fair summary of those consolidated financial statements, on the basis described in Note 2.

Handwritten signature of KPMG LLP in black ink, with a horizontal line underneath.

Chartered Accountants

March 18, 2013  
Victoria, Canada

# LADYSMITH & DISTRICT CREDIT UNION

## Summarized Consolidated Statements of Financial Position

Years ended December 31, 2012 and 2011

|  | 2012           | 2011           |
|--|----------------|----------------|
| <b>Assets</b>                          |                |                |
| Cash and cash equivalents              | \$ 7,396,163   | \$ 5,040,463   |
| Loans to members                       | 113,987,990    | 107,889,650    |
| Financial investments                  | 8,085,218      | 8,602,502      |
| Derivative financial instruments       | 495,991        | 697,518        |
| Trade and other receivables            | 606,386        | 569,392        |
| Income taxes receivable                | -              | 34,612         |
| Deferred income taxes                  | 4,900          | 4,900          |
| Property classified as held for resale | 865,242        | 850,000        |
| Premises and equipment                 | 3,311,271      | 3,448,491      |
| Intangible assets                      | 187,634        | 206,137        |
|  | <hr/>          | <hr/>          |
|  | \$ 134,940,795 | \$ 127,343,665 |
| <b>Liabilities</b>                     |                |                |
| Member deposits                        | \$ 127,124,013 | \$ 119,545,813 |
| Other liabilities                      | 483,896        | 430,591        |
| Income taxes payable                   | 25,919         | -              |
| Deferred income taxes                  | 80,611         | 177,572        |
|  | <hr/>          | <hr/>          |
|  | 127,714,439    | 120,153,976    |
| <b>Members' Equity</b>                 |                |                |
| Accumulated other comprehensive income | 462,994        | 778,924        |
| Retained earnings                      | 6,763,362      | 6,410,765      |
|  | <hr/>          | <hr/>          |
|  | 7,226,356      | 7,189,689      |
|  | <hr/>          | <hr/>          |
|  | \$ 134,940,795 | \$ 127,343,665 |

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

Signed on behalf of the Board of Directors by:



Board Chair



Audit Chair

# LADYSMITH & DISTRICT CREDIT UNION

## Summarized Consolidated Statements of Profit or Loss

Years ended December 31, 2012 and 2011

|  | 2012              | 2011              |
|--|-------------------|-------------------|
| <b>Financial Income</b>                      |                   |                   |
| Interest on member loans                     | \$ 4,954,026      | \$ 5,125,114      |
| Cash resources and investments               | 651,901           | 731,043           |
|  | 5,605,927         | 5,856,157         |
| <b>Financial expense</b>                     |                   |                   |
| Interest on member deposits                  | 2,816,604         | 3,006,940         |
| Interest on borrowed funds                   | 172               | 30,808            |
|  | 2,816,776         | 3,037,748         |
| <b>Financial Margin</b>                      | 2,789,151         | 2,818,409         |
| Provision for impairment on loans to members | 174,058           | 172,737           |
|  | 2,615,093         | 2,645,672         |
| <b>Other income</b>                          | 1,520,597         | 1,583,106         |
| <b>Gain on disposal of assets</b>            | 9,910             | -                 |
|  | 1,530,507         | 1,583,106         |
| <b>Operating expenses</b>                    | 3,669,595         | 3,828,984         |
| <b>Income from operations</b>                | <b>476,005</b>    | <b>399,794</b>    |
| Distribution to members                      | 62,807            | 68,705            |
| <b>Income before income taxes</b>            | 413,198           | 331,089           |
| <b>Provision for income taxes</b>            |                   |                   |
| Current                                      | 41,353            | 48,300            |
| Future                                       | 19,248            | 2,676             |
|  | 60,601            | 50,976            |
| <b>Profit for the year</b>                   | <b>\$ 352,597</b> | <b>\$ 280,113</b> |

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



# LADYSMITH & DISTRICT CREDIT UNION

## Summarized Consolidated Statements of Profit or Loss and Other Comprehensive Income

Years ended December 31, 2012 and 2011

|   |                   |                   |
|---|-------------------|-------------------|
| <b>Profit for the year</b>  | <b>\$ 352,597</b> | <b>\$ 280,113</b> |
| <b>Other comprehensive income:</b>                                    |                   |                   |
| <b>Items that will not be reclassified to profit or loss:</b>         |                   |                   |
| Net gains (losses) on revaluation of land and buildings               | (50,067)          | 115,543           |
| Income tax relating to items that will not be reclassified            | 6,674             | (15,401)          |
|   | (43,393)          | 100,142           |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |                   |                   |
| Net gains (losses) on derivatives designated as cash flow hedges      | (315,072)         | 526,755           |
| Income tax relating to items that may be reclassified                 | 42,535            | (71,111)          |
|   | (272,537)         | 455,644           |
| <b>Other comprehensive (loss) income for the year, net of tax</b>     | <b>(315,930)</b>  | <b>555,786</b>    |
| <b>Total comprehensive income for the year</b>                        | <b>\$ 36,667</b>  | <b>\$ 835,899</b> |

|  | Accumulated Other<br>Comprehensive Income |                        |                     | Retained<br>Earnings | Total |
|--|---|------------------------|---------------------|----------------------|-------|
|  | Cash Flow<br>Hedges                       | Revaluation<br>Reserve |                     |                      |       |
| <b>Balance, January 1, 2011</b>  | <b>\$ 223,138</b>                         | <b>\$ -</b>            | <b>\$ 6,130,652</b> | <b>\$ 6,353,790</b>  |       |
| Profit for the year  |   | -                      | 280,113             | 280,113              |       |
| Net gains on derivatives designated as cash flow hedges, net of tax \$ 71,111  | 455,644                                   | -                      | -                   | 455,644              |       |
| Net gains on revaluation of land and building, net of tax \$ 15,401            | -   | 100,142                | -                   | 100,142              |       |
| <b>Balance, December 31, 2011</b>  | <b>678,782</b>                            | <b>100,142</b>         | <b>6,410,765</b>    | <b>7,189,689</b>     |       |
| Profit for the year  | -   | -                      | 352,597             | 352,597              |       |
| Net losses on derivatives designated as cash flow hedges, net of tax \$ 42,535 | (272,537)                                 | -                      | -                   | (272,537)            |       |
| Net losses on revaluation of land and building, net of tax \$ 6,674            | -   | (43,393)               | -                   | (43,393)             |       |
| <b>Balance, December 31, 2012</b>  | <b>\$ 406,245</b>                         | <b>\$ 56,749</b>       | <b>\$ 6,763,362</b> | <b>\$ 7,226,356</b>  |       |

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, 2012 and 2011

|   | 2012                | 2011                |
|---|---------------------|---------------------|
| <b>Operating activities</b>   |                     |                     |
| <b>Profit for the year</b>  | \$ 352,597          | \$ 280,113          |
| Adjustments to determine cash flows:                                |                     |                     |
| Amortization of premises and equipment                              | 105,567             | 111,666             |
| Amortization of intangible assets                                   | 36,291              | 32,566              |
| Provision for income taxes  | 41,353              | 48,300              |
| Deferred income tax expense (recovery)                              | 19,248              | 2,676               |
| Gain on disposal of assets  | (9,910)             | -                   |
| Provision for impairment losses on loans                            | 174,058             | 172,737             |
| Provision for impairment of property held for resale                | -                   | 144,666             |
| Loss on revaluation of land and buildings                           | 22,954              | 2,424               |
| Changes in investment interest accruals                             | (293)               | -                   |
| Changes in member deposit interest accruals                         | 234,177             | 18,020              |
| Changes in loans to members interest accruals                       | (29,825)            | 16,862              |
| Hedge ineffectiveness on derivative financial instruments           | 22,418              | (30,778)            |
| Amortization of settlement gain on derivative financial instruments | (135,962)           | (56,651)            |
|   | 832,673             | 742,601             |
| Proceeds on settlement of derivative financial instruments          | -                   | 215,907             |
| Income taxes recovered (paid)                                       | (47,822)            | (165,129)           |
| Change in trade and other receivables                               | (36,994)            | 11,401              |
| Change in payables and accruals                                     | 53,305              | (30,797)            |
| <b>Total cash inflows from operating activities</b>                 | <b>801,162</b>      | <b>773,983</b>      |
| <b>Investing activities</b>   |                     |                     |
| Loans, net of repayments  | (6,242,573)         | (75,169)            |
| Purchase of investments   | (29,608)            | (309,780)           |
| Proceeds from sale/redemption of investments                        | 557,095             | -                   |
| Purchase of premises and equipment                                  | (41,371)            | (36,612)            |
| Purchase of intangible asset  | (17,788)            | (27,494)            |
| Improvements to property held for resale                            | (15,242)            | (2,458)             |
| <b>Total cash (outflows) from investing activities</b>              | <b>(5,789,487)</b>  | <b>(451,513)</b>    |
| <b>Financing activities</b>   |                     |                     |
| Repayments of short-term borrowings                                 | -                   | (3,000,000)         |
| Deposits, net of withdrawals  | 7,344,025           | 4,846,647           |
| <b>Total cash inflows from financing activities</b>                 | <b>7,344,025</b>    | <b>1,846,647</b>    |
| <b>Net increase in cash resources</b>                               | <b>2,355,700</b>    | <b>2,169,117</b>    |
| <b>Cash resources, beginning of year</b>                            | <b>5,040,463</b>    | <b>2,871,346</b>    |
| <b>Cash resources, end of year</b>                                  | <b>\$ 7,396,163</b> | <b>\$ 5,040,463</b> |

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

# LADYSMITH & DISTRICT CREDIT UNION

## Notes to Summarized Consolidated Financial Statements

Years ended December 31, 2012 and 2011

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### 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 year ended December 31, 2012 comprise the Credit Union and its subsidiaries L.C.U Insurance Agencies Ltd. and LDCU Financial Management 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, 2012. Those audited consolidated financial statements were approved by the Credit Union's Board of Directors on March 18, 2013 and can be obtained at our branch.



# Our Community. Your Credit Union.™



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