

*Celebrating*



1944-2014

Our Community. Your Credit Union.™

**2013**  
ANNUAL REPORT



Our Community. Your Credit Union™



Smart People. Smart Choice.



Invest. Globally. Locally.

## AGENDA

1. Reading and Approval of the Minutes of the 68th AGM.
  2. Business Arising out of the Minutes.
  3. Director's Report.
  4. Credit Committee Report.
  5. CEO's Report
  6. Auditors' Report.
  7. Acclamation of Directors
  8. Appointment of Auditors.  
It is the intention of the Board of Directors not to recommend the incumbent auditors KPMG, but to recommend a new audit firm: MNP – Meyers Norris Penny
  9. New or Unfinished Business.
  10. Guest Speaker: Patrick A. Dunae  
Patrick A. Dunae is a writer, historian and consultant with an interest in local history and heritage. He is affiliated with the History Department of the UVIC and VIU. His publications include books and articles relating to Vancouver Island.
  11. Draw for Door Prizes.
- Adjourn.

# Honouring



History  
**Trust**  
Integrity  
Strength  
Community

## Board

Brian Childs  
President

Elaine Layman  
Vice-President

Rob Viala

Tim Richards

David O'Connor

Ross Davis

Aaron Stone

## Banking

Cindy Adams  
Carrie Alexander  
Kay Bafaro  
Jennifer Bakker  
Danielle Buck  
Kim Clark  
John de Leeuw, CEO  
Kelsey Dentoom  
Connie Forrest  
Gwen Gilson  
Debbie Grant  
Kendre Haugen  
Deborah Jones  
Shelley Jones  
Kim Judson  
Calvin King

Linda King  
Linda Lockhart  
Marilyn Legault  
Luda Marchenko  
Susan McMurtrie  
Brenda Moore  
Meghan Playford  
Roberto Qualizza  
Melissa Reilly  
Shelly Rickett

## Insurance

Cindy Cawthra, Manager  
Susan Fox  
Nancy Hunter  
Michelle Levasseur  
Lauren Steele  
Denine Vadeboncoeur  
Mitch Wilson  
Cherie Yeomans

## Financial Management

Nick Symons

## Credit Union Team

*“We are thankful for the hard work and dedication to our Credit Union team, who continue to develop their talents and abilities to better serve our members and our community.”*

**Minutes of the 68<sup>th</sup> Annual General Meeting of  
Ladysmith & District Credit Union  
April 16, 2013**

President Brian Childs welcomed members and guests to the 68<sup>th</sup> Annual General Meeting of the Ladysmith & District Credit Union (“Credit Union”). Brian introduced the members of the Board of Directors namely Elaine Layman, Tim Richards, Ted Girard, Rob Viala, David O’Connor and Ross Davis. Also sitting at the head table was CEO John de Leeuw and Sang Ly from the accounting firm of KPMG. The President reviewed handout packages for members and noted they include the Annual Report, the Rules for the meeting and giveaways. He declared a quorum present with 80 members and 3 guests.

President Childs asked if everyone received a copy of the Rules of Order and if there were any questions on them. No one inquired. President Childs called everyone’s attention to the section in the rules titled “Voting” and reminded members to register at the voting registration table in order to vote during this meeting. Once registered, qualified members will receive a voting paddle and only this paddle will be used for voting at this meeting. President Childs called for a motion to approve the Agenda for the AGM. This was moved by Tracy Paterson and seconded by Melanie Davis. Carried by the membership.

President Childs asked if everyone had a chance to read the minutes of the 67<sup>th</sup> Annual General Meeting and if anyone wanted them read out loud. No one requested this. President Childs called for a motion to approve the minutes of the 67<sup>th</sup> Annual General Meeting. This was moved by David Little and seconded by Susie McMurtrie. Carried by the membership.

Business arising from the 2012 AGM minutes was called for. Nancy Bright noted that on the Credit Union’s e-statements joint accounts show one registered name and not both. She has contacted the Credit Union on this matter and the situation has not been resolved. Calvin King, the Credit Union’s Manager of Member Services and IT advised that they are looking into this matter from both the technical and privacy perspective. Brian Childs advised that in order to increase communication on this issue with members, the Credit Union will provide an update through the newsletter. Greg Windlow noted that this could be an issue for members in regards to taxes and succession.

The Report from Board and Management was presented by President Brian Childs. Brian noted the Credit Union experienced excellent growth in both loans and deposits and maintained a strong financial margin despite the decline in the housing market. New member cards with embedded chips were also launched and properties beside the Credit Union were acquired to allow the Credit Union to plan for the future.

Brian advised that a dividend of 3% was declared, an excellent annual return on equity shares. He thanked CEO John de Leeuw, his management team and the staff for their hard work through these continuingly difficult times. He also thanked the Directors for their hard work and dedication and noted there is excellent governance and oversight of the operations from the Directors.

Brian noted that Marie retired as a director from the Credit Union Board this fall and he thanked her for all the work and time she invested over the twenty-three years she was on the Board. He presented her with a token of appreciation for her service.

# Honouring



## History

Trust

Integrity

Strength

Community

Why we say  
**Our Community.  
Your Credit Union.**<sup>TM</sup>

“In 1944, a few community minded people had a vision for a Credit Union that practiced democratic principles and would protect the values and assets of its membership and return excess profit back to each member.”

Ladysmith & District Credit Union is celebrating its 70th year of serving the beautiful community of Ladysmith and its wonderful residents. It is with a keen sense of pride and excitement that we can look back on our involvement within Ladysmith and truly see the difference that our highly committed staff has made. From inception, our commitment has always been “Our Community. Your Credit Union.” LDCU exists for the benefit of our membership, and for the enhancement of the community around us. We have grown from a small group of people, uniquely bound together through their common workplace to an organization that is focused on the growth and strength of its membership and town.

There are, of course, dates that we are particularly proud of, with the inception date in 1944 being of obvious particular note. However, the expansion which saw the addition of our insurance subsidiary, LCU Insurance Agencies in 1977, created a new direction and source of employment that has been successful beyond any original dream. As with any growing organization, the consistent trend has been the need for expansion to accommodate the success of our team. With many changes in location, LDCU permanently built on Roberts St. and First Ave., becoming the cornerstone financial institution in the downtown core. And as we proceed through 2014, we are thrilled to have launched a wealth management subsidiary, LDCU Financial Management Ltd. which energizes once again our focus and direction...our membership. It is because of you that we celebrate these 70 years!

Ladysmith & District Credit Union values our core relationship with our members and it is with a great sense of commitment, for another 70 years, that we hail the phrase “Our Community. Your Credit Union.”

Brian congratulated Elaine for her recent completion of the Director Achievement Program and also for recently receiving a degree from the Credit Union Director Accreditation program. He presented Elaine with both her certificate and degree. He thanked Elaine for the dedication and time she has spent in completing these programs and advised that of approximately 308 directors in BC only 17 have obtained Credit Union Director Accreditation (and only 45 across Canada). Brian inquired if there were any questions about the Board and Management Report. None were raised. A motion to approve the Board and Management Report was made by David Little and seconded by Melanie Davis. Carried by the membership.

Brian announced that one of the programs the Credit Union supports is the Ladysmith Ambassador Program. Both the Credit Union and LCU Insurance sponsor candidates on an annual basis. This year the Credit Union's candidate is Cassidy Stachow and the candidate representing LCU Insurance is Marina Hammocks. Brian introduced them both. They gave thanks to their sponsors and advised of their experiences and what they've learned from the program.

Ted Girard presented the Credit Committee Report. A motion to approve the Credit Committee Report as presented was made by Brenda Moore, seconded by Gail Pasaluko. Carried by the membership.

Next up was the report of Chief Executive Officer, John de Leeuw. John noted that this year a combined Board and Management report was presented by Brian and, in addition noted the following:

- 2012 was an excellent year for growth at over 7% and in particular in a slow economy.
- The Credit Union gave over \$60,000 in 2012 in donation and sponsorships to our Community. Including the Corporate Sponsor for the Ambassador program and their bursaries, the Ladysmith Light up Night Fireworks and the Kid's Count Fun Zone (held during Ladysmith days), bursaries to graduating high school graduates totaling \$13,000.
- The Credit Union staff contributes \$2 each week to local charities for wearing jeans on Friday. This totaled over \$2,500 in 2012 and, in addition, they sponsored three families during the Christmas season.
- The following new products that are expected to be available to Credit Union members at some point in the future:
  - Personal financial Management – An on-line banking financial management add on to Member Direct that is able to categorize and group transactions allowing you to analyze and track where you spend your money.
  - Deposit Anywhere – A smart phone app that allows the deposit of cheques from your smart phone without the requirement of coming into the branch.

John introduced Kim Judson, Manager of Human Resources and Communications at the Credit Union. Kim spoke on being a great team and honored the staff of the Credit Union for their time, efforts, passion, and integrity. In addition thanked them for being a positive force within the community. Kim then handed out the Credit Union service awards to staff.

It was moved that the CEO's Report be accepted as presented. It was moved by Duck Patterson and seconded by David Little. Carried by the membership.

The Auditor's Report was then presented by Sang Ly of KPMG. Sang reviewed the Independent Auditor's Report as outlined in the 2012 Annual Report and noted that the financial statements listed in

Honouring

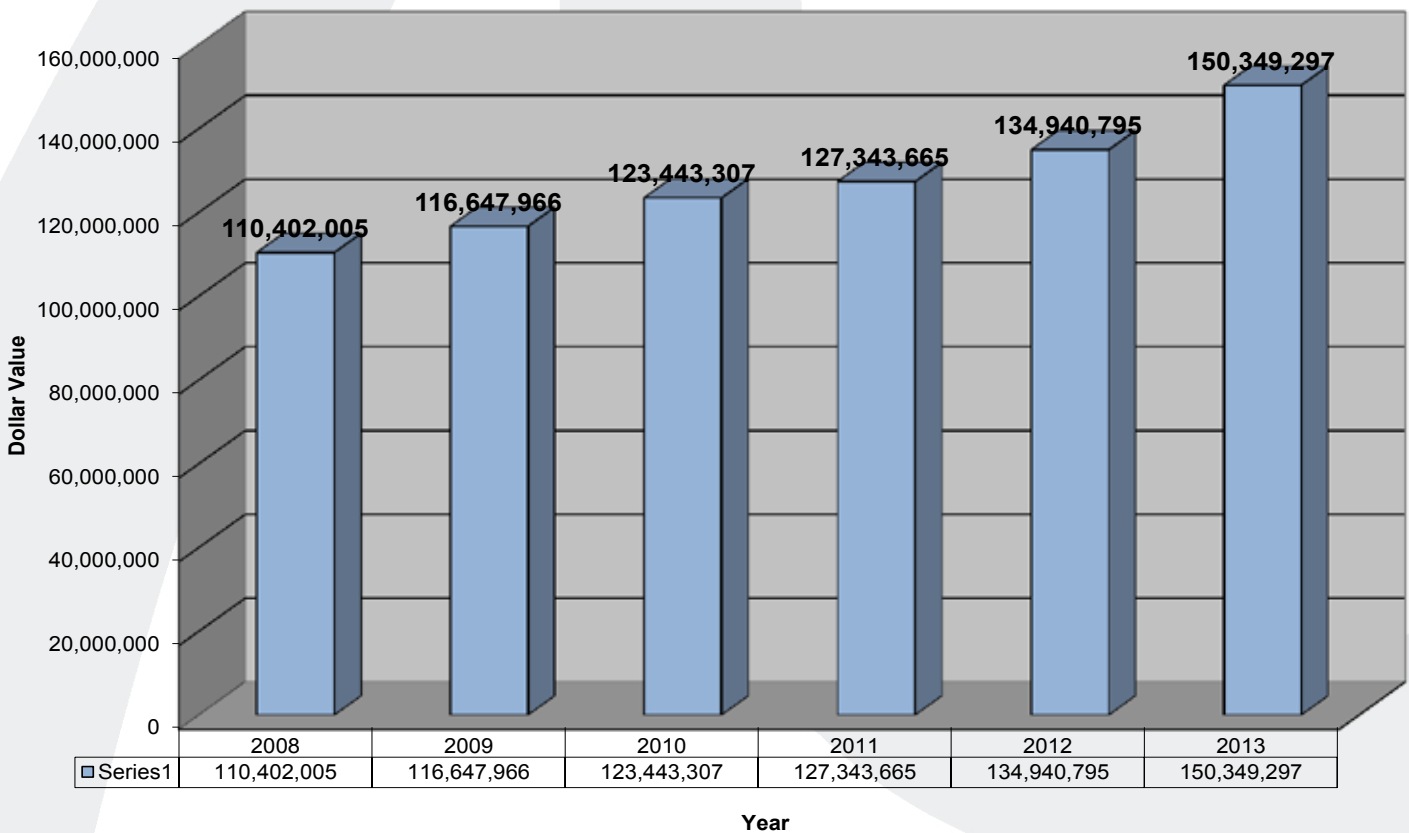


History  
Trust  
Integrity  
**Strength**  
Community

## Total Assets

*“Asset growth in 2013 was a phenomenal 11% with a dollar value in excess of \$15.4 million.”*

Total Assets



the 2012 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 the statements are completed under International Financial Reporting Standards (IFRS) as this is required for all financial institutions. Mr. Ly reviewed the balance sheet, income statement, changes in member's equity and cash flow statement. Sang asked attendees if there were any questions on the Auditor's Report. None were raised. A motion to approve the Auditor's Report was moved by Mickel Smith and seconded by Cindy Cawthra. Carried by the membership.

David O'Connor presented the Nominating Committee Report. David outlined the guidelines that are followed when directors reach the end of their term. David mentioned the newsletter sent out to the Credit Union membership, stating the expiration of the terms of Board members Elaine Layman, Ted Girard and Ross Davis (Ross is an interim director appointed to the Board after Marie Polachek's retirement in the fall). David advised that these members have completed the nomination kit and no other nominations were received. David advised that pursuant to rule 4.14 Elaine Layman, Ted Girard and Ross Davis were elected by acclamation and will serve on the Board for three more years. Their terms will expire at the 2016 AGM. It was moved by Kendre Haugen and seconded by Rob Johnson to accept the Nominating Committee's Report as presented. Carried by the membership.

Tim Richards presented the report on Board Remuneration. Tim outlined the comparison of LDCU's Board remuneration compared to other Credit Unions of the same size. He noted the increasing education, responsibilities, competencies and time commitment required of the directors. In addition he noted that the average remuneration for each director is \$3,350 per annum and that the Board is recommending an increase in remuneration to help attract and retain directors. The proposed increase is as follows:

- Increase the Directors annual honorarium by \$250 from \$1,000 to \$1,250.
- Increase all Board and Committee meeting remuneration by \$25 per meeting for each director (with the exception of the Credit Committee and the Donation Committee which will remain the same).

This recommended increase is estimated to cost the Credit Union an additional \$6,000 per annum. It was moved by Brenda Moore and seconded by Duck Patterson to approve the recommended increases to Board remuneration as presented. Carried by the membership.

Next on the agenda was appointment of auditors for the year 2013. It was moved by Anita McLeod and seconded by Marie Polachek that KPMG be appointed auditors for 2013, with the Board given the authority to set their remuneration. Carried by the membership.

President Childs called for any New or Unfinished Business.

Rob Johnson rose and noted the Credit Union has been very generous in letting the Historical Society use the building on 1<sup>st</sup> Avenue for their museum. He asked what will happen to this building with the Credit Union's purchase of the new buildings. President Childs responded as noted below:

- The Credit Union does not have the right to purchase and sell properties but, has the right to purchase properties for future development (which was the original intent of the properties on 1<sup>st</sup> Avenue).
- Eventually the properties will have to be sold but the Credit Union will work with the Town and the Historical Society.



Honouring

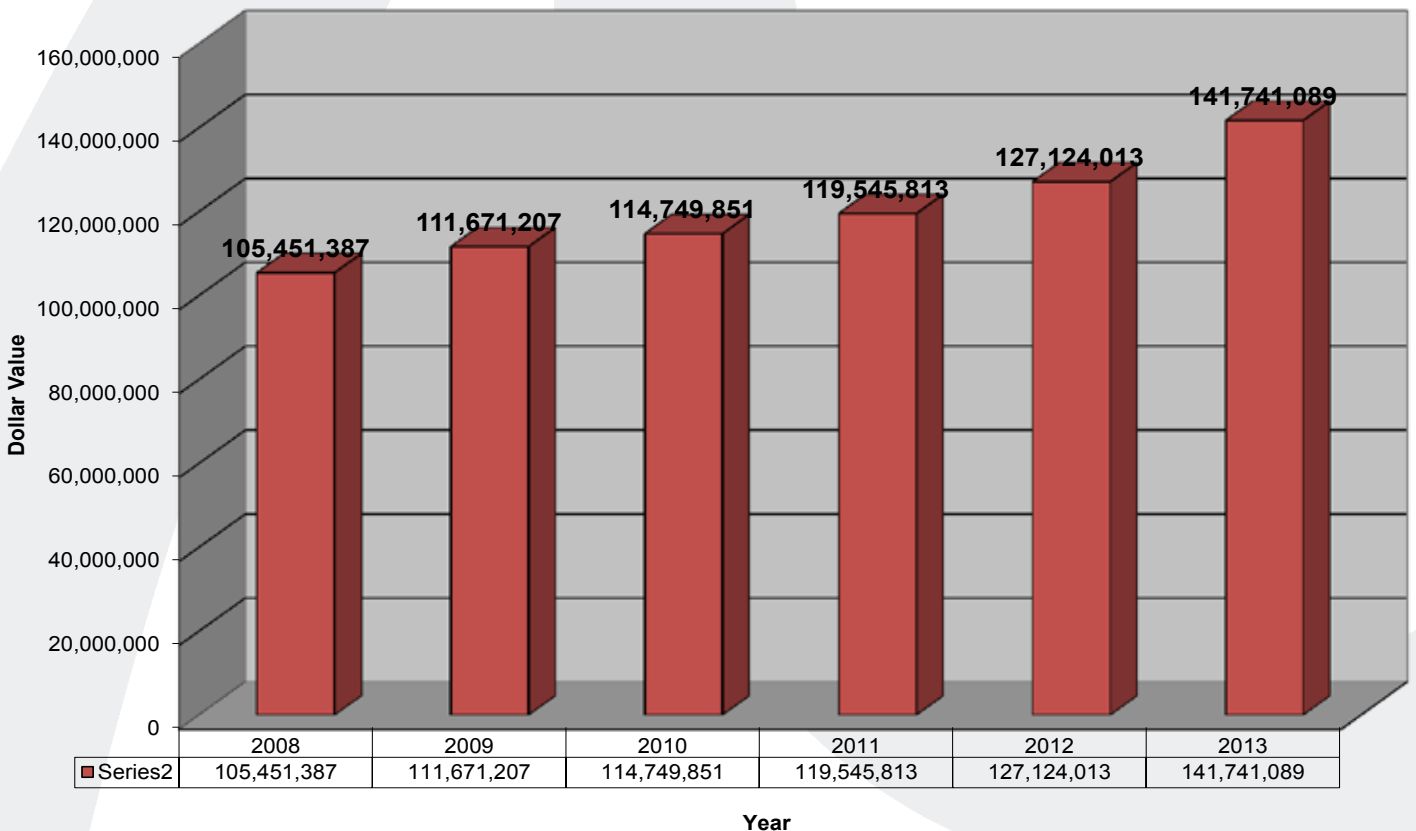


History  
Trust  
Integrity  
**Strength**  
Community

## Total Deposits

*“Deposits grew by 11.5% in 2013 for a dollar value in excess of \$14.6 million.”*

Total Deposits



- The Board in their strategic planning sessions will be making decisions on what is best for the Credit Union's long term premises and will be communicating this to the membership as soon as any long term decisions are made.

Rob thanked the Credit Union again for their Community support for the Historical Society.

Craig Jory from the Beanery rose to inform the members that the Credit Union's CEO John de Leeuw worked out a satisfactory solution with him in regards to the accumulated NSF charges which he had spoken of at last year's AGM. Craig advised that he was thankful for the support by the local people and businesses in Ladysmith and thanked John for coming through for him.

Nita Grant rose to thank the Credit Union for supporting the annually Show N' Shine. It was noted that the Credit Union Insurance supports the Show N' Shine and she thanked them for their continued support.

Andre Dentoom rose to note that if the NDP wins the upcoming election their proposed legislation (Corporation Capital Tax) may affect the profits of credit unions and wondered what the Credit Union's thoughts were on this tax. Brian noted that the following:

- This postponed legislation is expected to have a serious effect on larger credit unions and may affect our Credit Union as well.
- The credit unions have lobbied to be removed from the Corporation Capital Tax due to the fact that profits of credit union become the property of the membership and is returned to the community.
- At a meeting with B.C. credit union representatives, Mr. Dix acknowledged that credit unions help local communities a great deal but, regardless, this is a fiscal decision.
- As part of the Credit Union's strategic plan the Board is looking into the impact this tax will have on the Credit Union.

Our guest speaker Sybille Sanderson from the Cowichan Valley Regional District spoke on emergency preparedness and handed out work books for attendees. Brian thanked Sybille for taking the time to present to our group and for the incredibly valuable information she provided.

The meeting was adjourned at 8:30 pm. Moved by Rob Johnson. Refreshments were served.

Honouring

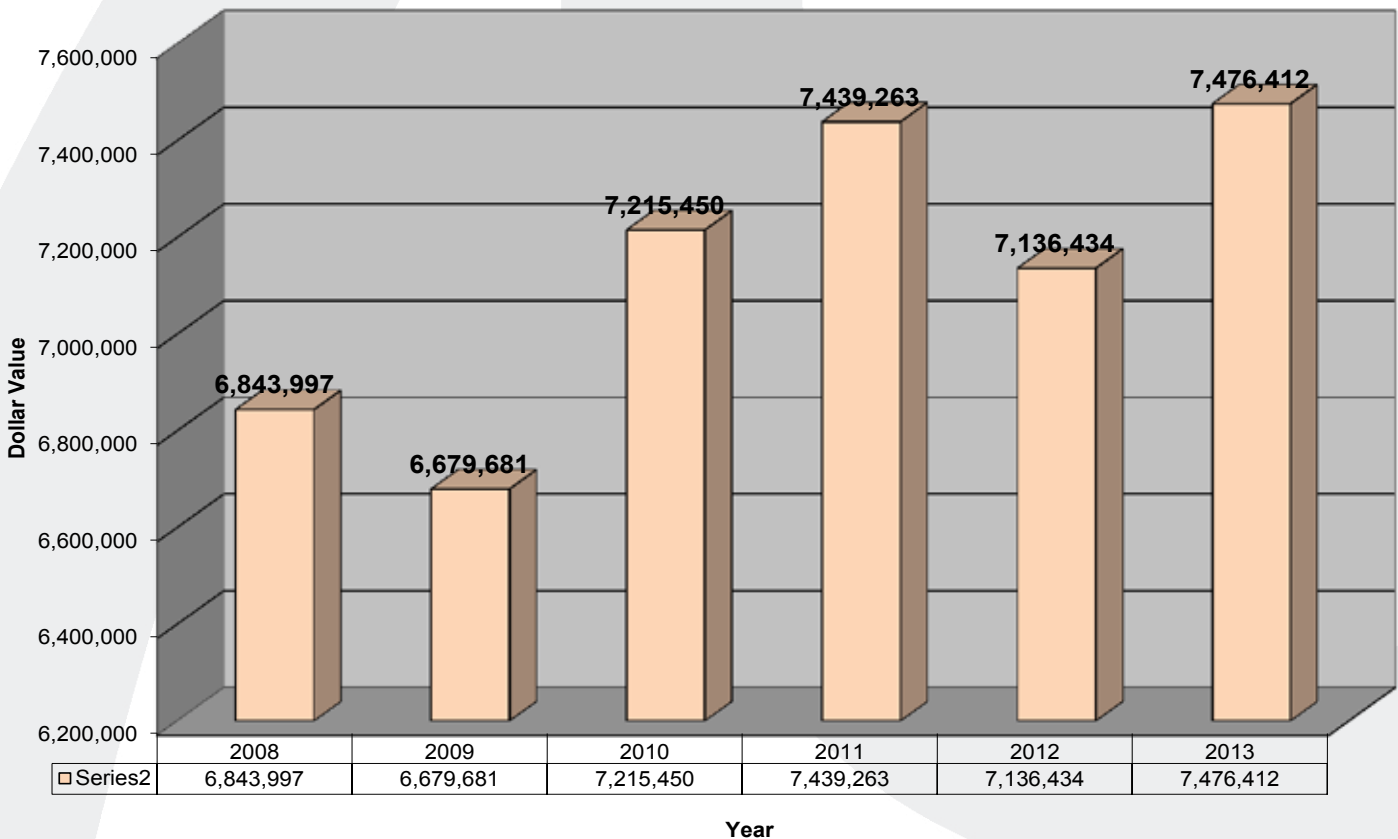


History  
Trust  
Integrity  
**Strength**  
Community

## Total Income

*“Our margin increased by almost 10%, or \$276,000 topping \$3 million for the first time ever.”*

Total Income



## MESSAGE FROM THE BOARD and CEO

In 2013 your Credit Union experienced another year of excellent growth, new opportunities, challenges and successes. We were subject once again to market forces beyond our control and we did not let them, or any other external factors, negatively impact the momentum we have been developing for the past few years.

The biggest opportunity has arisen from the purchase of the buildings south of the Credit Union on 1st Avenue in January of 2013. The space available within them has already provided growth opportunities for us. The first and most significant opportunity was for the opening of our new Wealth Management subsidiary: LDCU Financial Management Ltd located at 320B 1st Avenue. We are now able to offer many more investment options for our membership; mutual funds, financial and estate planning and soon life insurance are just some of the new products and services available through this subsidiary. The second opportunity presented by the acquisition of these buildings was providing space for our Support Services. Currently Support Services is located just behind the teller line on the main floor of the Credit Union. They are responsible for all administrative functions such as accounting, internal and external audits and reconciliations. With no room to grow, one of the suites on the upper floor of the building directly beside the Credit Union was renovated, and is almost ready to host this division.

One of the external factors this past year was the news from the Bank of Canada pledging to keep their benchmark rate at 1% well into 2015. This, in addition to a US economy that is picking up steam has had a significant impact on the Canadian dollar. In 2013 there was a 10% decline in our Canadian dollar when compared to the US dollar. In fact the dollar dropped to under 0.90 US in January. This has been welcome news to the manufacturing and tourism sectors, but has economists wondering how much farther it will fall. The Bank of Canada's announcement regarding rates has had another effect on the Credit Union. It has sparked fierce competition within the

mortgage market. With new lenders and brokers appearing on the landscape, there are more players competing for the same number of borrowers. Once again the Bank of Montreal has led the way with advertising a 5 year mortgage at less than 3%. While this rate is excellent for PR purposes, reading the fine print will demonstrate that it may not be the best product for every borrower. The new finance minister of the federal government has also made it clear that he will not interfere within the banking industry, at least at this time. For an alternative to inflexible, closed mortgages from the banking giants, look for the Credit Union's new mortgage product coming soon. The Bank of Canada's rate announcement had the ability to have a further negative impact, and that is on the Credit Union's financial margin. With mortgage competition at an all-time high, members have started looking at the deposit side of their finances. The competition for deposits is also starting to heat up.

*“These excellent results have enabled your Board to declare a dividend of 3.25% on Membership Equity shares”*

Despite the challenges listed above, your Credit Union had another excellent year. Our asset growth in 2013 was a phenomenal 11.0% with a dollar value in excess of \$15.4 million. This growth exceeded annual targets by just over \$11 million. While we enjoyed excellent growth in assets, the same cannot be said for loan growth. In 2012 our loans portfolio grew by over \$6 million, but in 2013 with the slower housing market, growth within our loans portfolio was just in excess of \$300,000. While demand is low and competition was high, our loans division was not idle. We have been working very hard on our new mortgage product, and we have been working with our partners to maximize opportunities. One of our success stories in 2013 was the growth of our commercial portfolio, which speaks well to confidence within the business community. On the other side of our balance sheet, competition for deposits is heating up, but we continue to price and market our deposit products very effectively. This was evidenced by a year of excellent growth in our deposit base. Our deposits grew by 11.5% in 2013 for a dollar value in excess of \$14.6 million. This was tremendous growth and demonstrates the confidence our membership has for our products and our

**Our Community. Your Credit Union.™**

# Honouring

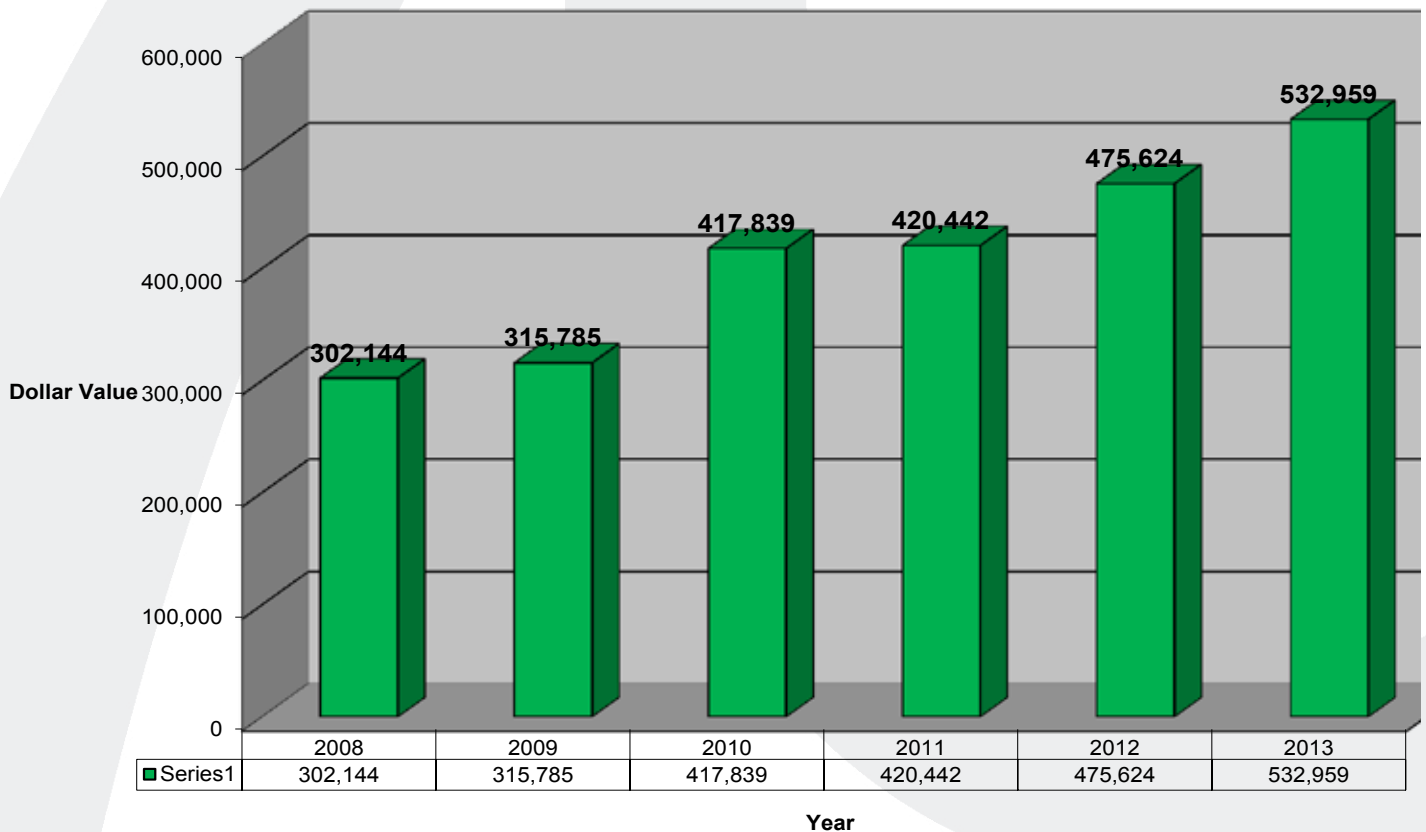


History  
Trust  
Integrity  
**Strength**  
Community

## Net Income

*“We increased our income by almost 12% to just under \$533,000. These results continue to demonstrate our commitment to our members and our community as the largest and strongest financial institution in Ladysmith.”*

Net Income



service. With the growth on both sides of our balance sheet we are pleased to say that we have exceeded \$150 million in assets for the first time in our long history.

Another positive in 2013 was our ability to increase our financial margin. While there was a mismatch in growth between loans and deposits, this did not translate into a decrease in our financial margin. In fact, we can proudly say our margin increased by almost 10%, or \$276,000 topping \$3 million for the first time ever. Contributing to this excellent margin was an increase of 5% to financial income while financial expense increased by less than 1%. One of our on-going expenses is to put money aside for our Allowance for Loan Losses. Due to the weaker housing market we continue to maintain our commitment to ensuring we have enough set aside for any potential future losses. This year we did not need to put aside as much as in previous years as we only had 3 accounts written off during the year. This is a testament to our strong underwriting practices. As for the rest of our expenses, we had a 9% increase in our operating expenses. The main contributors to this increase were CUDIC assessments and revaluation of land and buildings which accounted for almost \$300,000 of the total. Other than these increases we are proud of our ability to maintain our costs below the averages of other Credit Unions in the system. Despite this increase to our operating expenses, we still managed to increase our income from operations by almost 12% to just under \$533,000. All of these results continue to demonstrate our commitment to our members and our community as the largest and strongest financial institution in Ladysmith. These excellent results have also enabled your Board of Directors to declare a dividend of 3.25% on Membership Equity shares. This dividend is more than triple a one year investment and continues to demonstrate the best return on investment available on the Island.

In addition to the strong financial results, your Credit Union also continued to implement new technologies to better serve our members. The most recent development is our new iPhone app. This app can be used for all normal mobile banking functions as well as viewing rates, scheduled payments, messages and much more. It is available for free download from the App Store. The other significant technological change will be the conversion to a new banking system later in 2014. This new system called DNA will enable us to remain competitive in our industry for many years to come. It will come with many new features and will give us the ability to forge stronger financial relationships with all our members.

As in most years, we remain committed to our community. In 2013 we donated over \$75,000 to charities, service groups and high school bursaries. Included in this amount was a sizeable donation to the Meal Program at the Ladysmith Secondary School. When the seriousness of the situation at the school was communicated to us, your Board of Directors acted immediately to fill in the gap left when previous funding was no longer available. The welfare of our youth, and our community remains at the forefront of our thoughts.

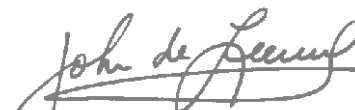
As we take the time to celebrate our 70th anniversary, it is a great opportunity to reflect on the principles and principals that started the Ladysmith & District Credit Union. In 1944 a few people had a vision for a community-based Credit Union that would enable its members to save and borrow from an organization that practiced democratic principles. This organization would protect the values and assets of its membership and return excess profit back to each member. The individuals that started the Credit Union felt strongly in community and this was proven by the first event the Credit Union ever sponsored on February 22, 1947. Billed as a simple "Social Evening", this sponsorship began a 70 year commitment to the community that continues to this day. It is with great humility that we recognize and celebrate these individuals this year, and recognize them for their foresight and commitment to the ideal that became the Ladysmith & District Credit Union.

As always we are thankful for the hard work and dedication to our Credit Union team, from directors and staff alike. Our staff continue to develop their talents and abilities to better serve our members and our community. As with our Credit Union forefathers, 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  
Board of Directors



John de Leeuw  
CEO

**Our Community. Your Credit Union.™**

Honouring

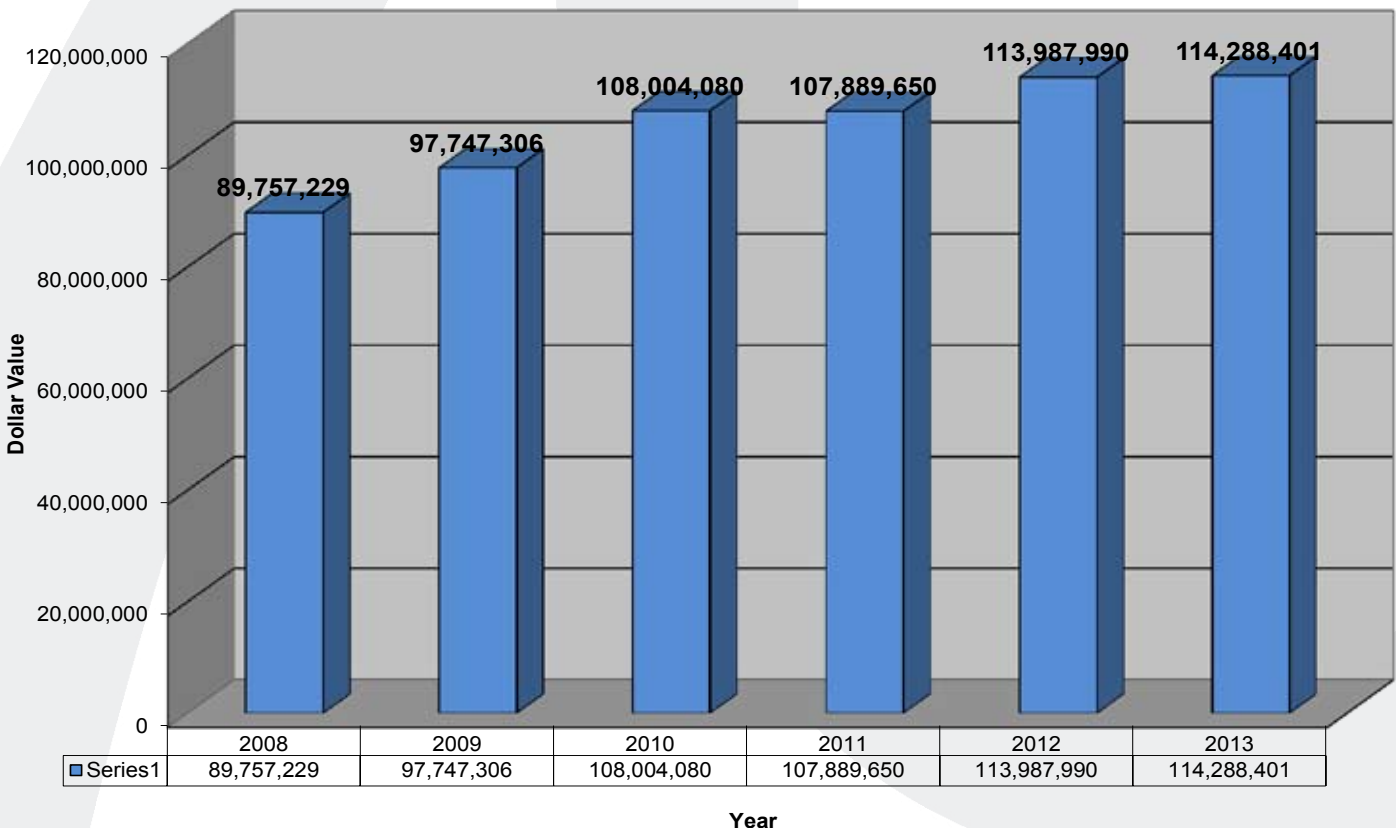


History  
Trust  
Integrity  
**Strength**  
Community

## Total Loans

*“...the growth in commercial loan approvals was in excess of 31%. This is an excellent sign of confidence in our business community.”*

Total Loans



## CREDIT COMMITTEE REPORT 2013

In 2013 the Credit Union could not sustain the excellent loan growth experienced in 2012. Some of the decline can be attributed to a slower housing market. While the housing market itself was not down significantly in terms of sales, prices have declined slightly. In addition, there were only 35 residential building permits taken out in 2013 in Ladysmith. That is the lowest number since 2003, and down from 52 in 2012. Also in 2012 there were 128 single family units sold in the Ladysmith area. The total sales in Ladysmith look to be identical year over year. However, the majority of sales took place before the fall which was noticeably slower than in 2012. With a slower housing market, the biggest decline in borrowing came from personal mortgages and mortgage secured lines of credit. The number of personal mortgages approved in 2013 decreased by 40%, with the dollar value decreasing by 38%. With a slower housing market, and interest rates remaining at all-time lows, competition for mortgages has never been greater.

While the market was slightly softer in 2013, there still has not been any significant price correction in the average sale price of homes. At the end of 2012 the average price for the sale of homes in the Ladysmith area was \$342,000, and at the end of 2013 this value had only decreased to \$333,000 for a decline of just 2.63%. Total home sales remained well over 100 single family units, with almost 50% of sales falling between \$200,000 - \$300,000. Skewing the numbers slightly are two sales in the Ladysmith area in excess of \$1,000,000.

One positive to note in this report is the growth of our commercial loan approvals. For the second year in a row we have enjoyed excellent growth in commercial loans and mortgages approved. In 2012 this growth was just under 10%, and in 2013 the growth in commercial approvals was in excess of 31%. This is an excellent sign of confidence in our business community.

The following is a complete summary of the loans and mortgages granted in 2013 & 2012:

	#	2013	#	2012
Personal Mortgages	62	\$10,925,965	104	\$17,628,960
Business/Commercial	46	9,234,513	48	7,041,910
Miscellaneous	24	272,151	31	230,365
Automobile	18	329,250	42	726,474
RV's, Boats, etc.	3	97,280	9	184,528
Mobile Homes	1	80,719	4	264,557
Taxes, RSP's, etc.	7	43,957	12	83,124
Consolidation	14	288,890	21	407,870
Lines of Credit	66	\$ 5,175,960	88	\$ 7,594,731
<b>Totals</b>	<b>241</b>	<b>\$26,448,685</b>	<b>359</b>	<b>\$34,162,519</b>

Respectfully submitted:

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

**Our Community. Your Credit Union.™**



# Honouring



History  
Trust  
Integrity  
Strength  
**Community**

**Over \$75,000 donated locally.**

“A sizeable donation to the Meal Program at the Ladysmith Secondary School was made... The welfare of our youth, and our community remains at the forefront of our thoughts.”

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
- Chamber of Commerce Golf Tournament
- Chamber of Commerce Halloween Howl
- Ladysmith Eagles
- Ladysmith Family and Friends (LaFF)
- Ladysmith RCMP Community Policing
- Ladysmith RCMP Victim Services Program
- Ladysmith Minor Soccer
- Ladysmith Minor Baseball
- Old English Car Club - Brits on the Beach
- Yellow Point Drama Club
- Ladysmith Arts Council
- Stz'uminus First Nations
- Ladysmith Legion
- Maritime Society
- Ladysmith Minor Ball
- Yes Camp
- Fuller Lake Skating Club
- Cops for Cancer - Tour de Rock
- MSC Highlanders U-13 Soccer
- Leadership Vancouver Island
- LSS Performing Arts
- Cedar Community Centre
- Stock the Lockers Program
- Cottonwood Shots for Kids
- Ladysmith Little Theatre
- Ladysmith Secondary School Meal Program
- Ladysmith Food Bank
- Chemainus Food Bank

## LCUI MANAGER'S MESSAGE

At LCU Insurance, we take the utmost pride in our close-knit community and our very high standard of customer service as shown with our customer satisfaction survey rating being at 96.7% for 2013. I, personally take great joy in the knowledge that my staff is not only providing exceptional service through their extensive knowledge and expertise, they are also building strong relationships. This is evident in the conversations I hear in passing between my staff and the people they are serving; it is very evident that they truly care about that person sitting across from them. This passion they demonstrate in serving their clients extends also to each other and is what continues to make this LCU Insurance Team so successful.

The Team at LCU Insurance has a strong sense of community and continues to be proud sponsors of various Ladysmith Programs including the Ladysmith Ambassador Program, the Ladysmith Show n' Shine, delivering Meals on Wheels, and the Cinnamon Bun Fun Run (for the Ladysmith Food bank) with last year being the most successful Run to date raising over 5,000 lbs of food for the community. As well, LCU Insurance sponsors a bursary of our very own - the LCU Insurance Community Spirit Award of \$1,000. This is presented to the LSS student who demonstrates volunteerism and outstanding commitment within their community.

This past year also brought it's share of challenges to LCUI. The end of 2012 and the beginning of 2013 saw the start of a 5 year implementation of merging the BC Services Card, formerly known as the Care Card, with the BC Driver's License. This had our Front Line Staff learning a new system in a very short time and brought an increase in foot traffic through our doors. The Staff were eager to take on the challenge. They quickly became familiar with the system and implemented a work flow that proved to be both efficient and successful.

The Personal Lines Staff had challenges of their own. The availability and affordability of both earthquake coverage and deductibles on Vancouver Island were in the forefront of every renewal this past year. With Insurance Industry premium increases across the board and an increasingly competitive market, the Personal Lines Staff worked very hard to ensure that each and every one of their clients received the best possible coverage at the best possible price. In spite of this challenging environment, the Staff was very successful at retaining renewals and securing customer loyalty.

*“LCUI has a strong sense of community... proven with our customer satisfaction rating being at 96.7%. ”*

I would like to take this opportunity to express my heartfelt appreciation to my Staff. They have all contributed greatly to the success of LCU Insurance this past year and are to be commended for a job well done! I am fortunate to work alongside such a talented Team.

In closing, I would like to thank the Staff, the Management Team and the Board of Directors of Ladysmith & District Credit Union for their continued support and dedication.

Working together, I look forward to continuing our legacy of commitment to the community for another 70 years.

Respectfully Submitted,



Cindy L Cawthra  
Manager  
Insurance Services

**Smart People. Smart Choice.**

# Honouring



History

Trust

**Integrity**

Strength

Community

## Staff donations of over \$2,570

“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.

2013’s Jeans Day recipients were:

- Paws without Borders
- Ladysmith Food Bank
- Little Rascals Pets & Supplies
- Haven House
- Habitat for Humanity Mid V.I. Society
- Crofton/Chemainus Food Bank
- Hospice/Paliative Care NRGH
- Ladysmith Cops for Cancer
- Boys & Girls Club of Ladysmith
- Ladysmith Family & Friends
- 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



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

Telephone (250) 480-3500  
Telefax (250) 480-3539  
Internet [www.kpmg.ca](http://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, 2013, 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, 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 25, 2014.

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, 2013, are a fair summary of those consolidated financial statements, on the basis described in Note 2.

Chartered Accountants

March 25, 2014  
Victoria, Canada

# LADYSMITH & DISTRICT CREDIT UNION

## Summarized Consolidated Statements of Financial Position

December 31, 2013 and 2012

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 7,462,555	\$ 7,396,163
Financial investments	21,690,551	8,090,118
Derivative financial instruments	509,981	554,668
Trade and other receivables	589,661	542,810
Loans to members	114,288,401	113,987,989
Deferred income taxes	4,900	4,900
Property classified as held for resale	941,754	865,242
Premises and equipment	4,148,592	3,311,271
Intangible assets	712,902	187,634
	<hr/> \$ 150,349,297	<hr/> \$ 134,940,795
<b>Liabilities</b>		
Member deposits	\$ 141,741,089	\$ 127,124,013
Other liabilities	856,858	483,896
Income taxes payable	59,351	25,919
Deferred income taxes	54,272	80,611
	<hr/> 142,711,570	<hr/> 127,714,439
<b>Members' Equity</b>		
Accumulated other comprehensive income	520,771	462,994
Retained earnings	7,116,956	6,763,362
	<hr/> 7,637,727	<hr/> 7,226,356
	<hr/> \$ 150,349,297	<hr/> \$ 134,940,795

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, 2013 and 2012

	2013	2012
<b>Financial income</b>		
Interest on member loans	\$ 4,959,805	\$ 4,954,026
Cash resources and investments	926,645	651,901
	<u>5,886,450</u>	<u>5,605,927</u>
<b>Financial expense</b>		
Interest on member deposits	2,821,659	2,816,604
Interest on borrowed funds	31	172
	<u>2,821,690</u>	<u>2,816,776</u>
<b>Financial Margin</b>	<b>3,064,760</b>	<b>2,789,151</b>
Provision for impairment on loans to members	125,197	174,058
Other income	1,589,962	1,520,597
Gain on disposal of assets	-	9,910
	<u>4,529,525</u>	<u>4,145,600</u>
Operating expenses	3,996,566	3,669,595
<b>Income from operations</b>	<b>532,959</b>	<b>476,005</b>
Distribution to members	60,609	62,807
<b>Income before income taxes</b>	<b>472,350</b>	<b>413,198</b>
<b>Provision for income taxes</b>		
Current	166,071	41,353
Deferred	(47,315)	19,248
	<u>118,756</u>	<u>60,601</u>
<b>Profit for the year</b>	<b>\$ 353,594</b>	<b>\$ 352,597</b>

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

# LADYSMITH & DISTRICT CREDIT UNION

## Summarized Consolidated Statements of Comprehensive Income

Years ended December 31, 2013 and 2012

	2013	2012
<b>Profit for the year</b>	\$ 353,594	\$ 352,597
<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	154,136	(50,067)
Income tax relating to items that will not be reclassified	(20,976)	6,674
	133,160	(43,393)
<b>Items that may be reclassified subsequently to profit or loss</b>		
Net gains (losses) on derivatives designated as cash flow hedges	(93,446)	(315,072)
Income tax relating to items that may be reclassified	18,063	42,535
	(75,383)	(272,537)
<b>Other comprehensive income (loss) for the year, net of tax</b>	57,777	(315,930)
<b>Total comprehensive income for the year</b>	\$ 411,371	\$ 36,667

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

# LADYSMITH & DISTRICT CREDIT UNION

## Summarized Consolidated Statements of Changes in Members' Equity

Years ended December 31, 2013 and 2012

	Accumulated Other Comprehensive Income			Retained Earnings	Total
	Cash Flow Hedges	Revaluation Reserve			
Balance, January 1, 2012	\$ 678,782	\$ 100,142	\$	6,410,765	\$ 7,189,689
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>
Profit for the year	-	-		353,594	353,594
Net losses on derivatives designated as cash flow hedges, net of tax \$(18,063)	(75,383)	-		-	(75,383)
Net losses on revaluation of land and building, net of tax \$20,976	-	133,160		-	133,160
<b>Balance, December 31, 2013</b>	<b>\$ 330,862</b>	<b>\$ 189,909</b>	<b>\$</b>	<b>7,116,956</b>	<b>\$ 7,637,727</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, 2013 and 2012

	2013	2012
<b>Operating activities</b>		
Profit for the year	\$ 353,594	\$ 352,597
Adjustments to determine cash flows:		
Amortization of premises and equipment	124,503	105,567
Amortization of intangible assets	45,295	36,291
Provision for income taxes	166,071	41,353
Deferred income tax expense	(47,315)	19,248
Gain on disposal of assets	-	(9,910)
Provision for impairment losses on loans	125,197	174,058
Provision for impairment of property held for resale	129,717	-
Loss on revaluation of land and buildings	103,265	22,954
Changes in interest rate swaps	(50,636)	580
Changes in investment interest accruals	(178,298)	3,649
Changes in member deposit interest accruals	(184,243)	234,177
Changes in loans to members interest accruals	18,246	(29,825)
Hedge ineffectiveness on derivative financial instruments	25,171	22,418
Amortization of settlement gain on derivative financial instruments	(23,294)	(135,962)
	607,273	837,195
Income taxes recovered (paid)	(114,576)	(47,822)
Change in trade and other receivables	(46,852)	(41,516)
Change in payables and accruals	372,962	53,305
<b>Total cash inflows from operating activities</b>	<b>818,807</b>	<b>801,162</b>
<b>Investing activities</b>		
Loans, net of repayments	(443,855)	(6,242,573)
Purchase of shares, net of rebalancing	(22,134)	27,487
Purchase of bid term deposit	(12,000,000)	-
Purchase of liquidity term deposits, net of redemptions	(1,400,000)	500,000
Purchase of land and buildings	(854,661)	(11,174)
Purchase of equipment	(56,292)	(30,197)
Purchase of intangible asset	(570,561)	(17,788)
Acquisition of /improvements to property for resale	(206,229)	(15,242)
<b>Total cash outflows from investing activities</b>	<b>(15,553,732)</b>	<b>(5,789,487)</b>
<b>Financing activities</b>		
Deposits, net of withdrawals	14,801,317	7,344,025
<b>Total cash inflows from financing activities</b>	<b>14,801,317</b>	<b>7,344,025</b>
<b>Net increase in cash resources</b>	<b>66,392</b>	<b>2,355,700</b>
<b>Cash resources, beginning of year</b>	<b>7,396,163</b>	<b>5,040,463</b>
<b>Cash resources, end of year</b>	<b>\$ 7,462,555</b>	<b>\$ 7,396,163</b>

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

# LADYSMITH & DISTRICT CREDIT UNION

## Notes to Summarized Consolidated Statements

Years ended December 31, 2013 and 2012

---

### 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 summarized consolidated financial statements of the Credit Union as at and for the year ended December 31, 2013 comprise the Credit Union and its subsidiaries L.C.U. Insurance Agencies Ltd., LDCU Financial Management Ltd. and True Mortgage Specialists 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, 2013. Those audited consolidated financial statements were approved by the Credit Union’s Board of Directors on March 25, 2014 and can be obtained at our branch.

**A copy of the full financial statements are available in branch or on our website at [www.ldcu.ca](http://www.ldcu.ca)**

# DEPOSITS



As a BC Credit Union member, your deposits 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.

## NOTES

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

### NOTICE TO ALL MEMBERS

Members who have loans or mortgages with the Ladysmith & District Credit Union are reminded that, if you have pledged any chattels or any real estate as security for your loan or mortgage, it is your responsibility to maintain insurance or the full value of the security, with the loss made payable to the Ladysmith Credit Union as the lender.

*Honouring*



History Trust Integrity Strength Community

330 First Ave., Ladysmith, BC  
Phone: 250-245-2247  
[www.ldcu.ca](http://www.ldcu.ca)

 This Annual Report was digitally printed with Emulsion Aggregation toners on recycled papers containing 30% post-consumer waste.

The use of specialty formulated EA Toners resulted in an estimated 60-70% energy saving per printed page over conventional digital printers.