Annual Report 2011

GVC credit union
GREATER VANCOUVER COMMUNITY
For Real People

BOARD of DIRECTORS' REPORT

Asset growth in 2011 was 5.29% up from 2.41% in 2010; however loans grew at a slower rate than deposits as our economy continued to grow at a relatively slow level. We continue to be surprised at the relative strength of the Vancouver real estate market that continued to move upwards; inspite of the slow overall economy!

The recession caused by the financial market problems in 2008 continues to wreak havoc overseas, especially in Europe. Banking institutions are recapitalizing and regulators are looking at the capital requirements of deposit taking institutions.

Credit unions, especially those in BC fared relatively well over the last four years. As a group our capital was strong and we had not over invested in low quality mortgages. However we also enjoyed a strong real estate market, something that was denied to American and European banks.

Regulators throughout the world are now responding to the problems of 2008. In addition to seeking higher capital levels, governance of banking institutions is a key theme and we note our own regulator, The Financial Institutions Commission (FICOM) commissioned a study on credit union governance in the summer of 2011. This study was released to credit unions in February.

Your board is reviewing its governance processes and notes the greater emphasis suggested for boards to include directors with financial skills and for more formalized governance practices. We anticipate our review to continue through 2012; however, based on our initial review of the report major changes to our governance processes do not appear needed.

In 2011, as approved by you our members at the Annual Meeting, we changed Auditors. At the same time we moved to preparing our own financial statements which were then audited by MNP Ltd., our new audit firm.

During the year your credit union continued its tradition of giving back to the community. Among the charities we support are The World Council of Credit Unions which supports credit unions in developing countries, The Credit Union Foundation of BC which supports post-secondary education in BC as well as Burnaby Seniors Outreach, Marguerite Dixon Transition Society, Mount Pleasant House, The UBC Centre for Depression Research and our own GVC Christmas Hamper program.

In closing, I wish to thank my fellow board members for the time and effort they have devoted over the last year on behalf of the credit union. On behalf of the directors, I thank our dedicated employees for the work they have done in providing service to our members. On behalf of our directors and staff, I wish to thank you, our members, for your support. Without you we would not be here.

Respectfully submitted on behalf of the Board of Directors

Herb Gill, Chair

GENERAL MANAGERS' REPORT

The low interest rate environment continued for another year as the world works through the effects of the 2008 financial crisis. While some pundits are expecting rates to move upwards in the latter part of 2012 or in early 2013 we note that in Japan they have experienced very low interest rates since their major market problems in 1989/1990. We suggest any upward rate movements in Canada will probably be modest until the world economy starts to grow at a significantly stronger pace.

Low interest rates and slower economic growth impacts our growth rate. Once again we experienced aggressive competition from the banks and large credit unions in the residential mortgage market. We are pleased with our 5.29% growth in 2011, which saw loans increase by 3.43% and deposits by 5.28%. Your credit union funds all its loans from member deposits and does not rely on external funding to support our lending programs.

Last year we reported record earnings based on the initial impact of lower interest rates that benefited our earnings. As expected, this began to reverse in 2011 and our margin, (the difference between what we earn on loans and pay for deposits) dropped from 3.1% of assets in 2010 to 2.84%. We expect it to drop further in 2012, perhaps returning to the 2.5% we enjoyed in 2008.

As announced at our 2011 AGM our Cambie Street branch in Vancouver merged into our Kingsgate branch and Brentwood branches in the summer of 2011. We thank all our members who made this merger a success. While some members from the immediate vicinity closed their accounts, the vast majority made the move and are still with us. This move has placed your credit union in a far better position to meet the challenges of the current slow growth economy and tightened financial margins.

At recent AGM's I have spoken to capital, especially retained earnings which are the "profits" held back by the bank or credit union to underpin their operations. It was lack of sufficient "quality" capital that led to many of the problems in the financial industry in 2008. GVC has for many years held capital well above the amounts required by our regulators. Since 2008 we have focused on building retained earnings and are pleased that our net earnings in 2011 allowed us to add $757,000 to retained earnings. This bought retained earnings to $9.277 million or 4.46% of assets, up $2.63 million or 40% in the three years since 2008.

On behalf of myself and our staff I wish to thank you, our members, for your support and your elected representatives, our board of directors, for their dedicated service during the year.

Respectfully submitted

Phil Moore, General Manager

Greater Vancouver Community Credit Union
Financial Statements
December 31, 2011

Contents

As at December 31, 2011

	Page
Management's Responsibility	2
Independent Auditors' Report	3
Financial Statements	
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Members' Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8

Management's Responsibility

To the Members of Greater Vancouver Community Credit Union

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

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

The Board of Directors and the Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

March 22, 2012

Management

Independent Auditors' Report

To the Members of Greater Vancouver Community Credit Union

We have audited the accompanying financial statements of Greater Vancouver Community Credit Union, which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of comprehensive income, changes in members' equity and cash flows for the years ended December 31, 2011 and December 31, 2010 and the related notes which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Greater Vancouver Community Credit Union as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

MNP LLP

March 22, 2012
Abbotsford, BC

Chartered Accountants

Greater Vancouver Community Credit Union
Statement of Financial Position
For the year ended December 31, 2011

	December 31, 2011	*December 31, 2010 (Note 20)*	*January 1, 2010 (Note 20)*
Assets			
Cash resources (Note 5)	**28,692,999**	24,308,736	29,406,422
Investments and other (Note 6)	**1,377,001**	898,707	1,084,903
Member loans receivable (Note 7)	**176,871,609**	170,983,413	161,445,673
Property, plant and equipment (Note 8)	**1,155,537**	1,409,231	1,010,104
Intangible assets (Note 8)	**110,390**	151,790	186,951
	208,207,536	197,751,877	193,134,053
Liabilities			
Member deposits (Note 9)	**197,939,564**	188,250,254	184,805,337
Payables and accruals	**507,311**	491,532	395,403
	198,446,875	188,741,786	185,200,740
Members' equity			
Retained earnings	**9,277,188**	8,519,758	7,420,232
Equity shares (Note 10)	**483,473**	490,333	513,081
	9,760,661	9,010,091	7,933,313
	208,207,536	197,751,877	193,134,053

Approved on behalf of the Board

Director

Ken Sherwood.

Director

Greater Vancouver Community Credit Union
Statement of Comprehensive Income
For the year ended December 31, 2011

	2011	*2010*
Financial income		
Member loans	**8,750,369**	9,056,165
Cash resources and investment	**472,789**	491,276
	9,223,158	9,547,441
Financial expense		
Member deposits	**3,467,859**	3,478,397
Borrowed funds	**-**	2,531
Share dividends	**85,432**	116,369
	3,553,291	3,597,297
Financial margin	**5,669,867**	5,950,144
Provision for credit losses (Note 7)	**(117,027)**	(101,761)
Other Income (Note 11)	**779,219**	741,630
Operating margin	**6,332,059**	6,590,013
Operating expenses (Note 12)	**5,421,663**	5,296,961
Earnings from operations	**910,396**	1,293,052
Patronage rebate	**24,000**	16,298
Earnings before income taxes	**886,396**	1,276,754
Income taxes		
Current	**181,966**	168,256
Deferred tax (Note 14)	**(53,000)**	8,972
	128,966	177,228
Net income	**757,430**	1,099,526
Other comprehensive income	**-**	-
Total comprehensive income	**757,430**	1,099,526

Greater Vancouver Community Credit Union
Statement of Changes in Members' Equity
For the year ended December 31, 2011

	Equity shares	Retained Earnings	Total
Balance, January 1, 2010	513,081	7,420,232	**7,933,313**
Net income	-	1,099,526	**1,099,526**
Issuance of equity shares	63,121		
Redemption of equity shares	(85,869)	-	**(22,748)**
Balance, December 31, 2010	**490,333**	**8,519,758**	**9,010,091**
Net income	-	757,430	**757,430**
Issuance of equity shares	56,144		
Redemption of equity shares	(63,004)	-	**(6,860)**
Balance, December 31, 2011	**483,473**	**9,277,188**	**9,760,661**

Greater Vancouver Community Credit Union
Statement of Cash Flows
For the Year Ended December 31, 2011

	2011	*2010*
Cash provided by (used for) the following activities		
Operating		
Net income	**757,430**	1,099,526
Adjustments:		
Depreciation (Note 8)	**340,813**	273,755
Change in interest accruals	**30,253**	(67,957)
Provision for credit losses (Note 7)	**117,027**	101,761
Provision for deferred income taxes (Note 14)	**(53,000)**	8,972
Write-down of property held for resale	**70,129**	138,623
Other	**126,181**	136,575
	1,388,833	1,691,255
Financing		
Net change in member deposits	**9,723,149**	3,531,656
Net change in equity shares	**(6,860)**	(22,748)
	9,716,289	3,508,908
Investing		
Increase in loans, net of repayments (Note 7)	**(6,069,315)**	(9,658,283)
Purchase of investments	**(292,693)**	(1,845)
Sales (purchases) of deposits with Central 1	**(107,168)**	5,359,495
Purchases of property, plant and equipment (Note 8)	**(152,085)**	(637,721)
Acquisition of property held for resale	**(206,766)**	-
	(6,828,027)	(4,938,354)
Increase in cash and cash equivalents	**4,277,095**	261,809
Cash and cash equivalents, beginning of year (Note 5)	**9,089,158**	8,827,349
Cash and cash equivalents, end of year (Note 5)	**13,366,253**	9,089,158

1. Reporting entity information

Entity information

Greater Vancouver Community Credit Union (the "Credit Union") was formed pursuant to the Credit Union Incorporation Act of British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia. The Credit Union serves members in the Greater Vancouver area of British Columbia. The address of the Credit Union's registered office is 1801 Willingdon Avenue, Burnaby, British Columbia, Canada.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"). This is the first time the Credit Union has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). IFRS 1 First Time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied in preparing these financial statements.

The effects of the transition from GAAP to IFRS on the Credit Union's reported financial position, financial performance and cash flows, are set out in Note 20. Note 2 corresponds to "Impact of Adopting International Financial Reporting Standards" note.

Basis of measurement

These financial statements for the year ended December 31, 2011 were approved and authorized for issue by the Board of Directors on March 22, 2012.

The financial statements have been prepared using the historical basis.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

2. First time adoption of International Financial Reporting Standards

In preparing these financial statements, the Credit Union has elected to apply the following optional exemptions permitted by IFRS:

- The Credit Union has elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations occurring prior to January 1, 2010.
- The Credit Union has elected to apply IAS 23 Borrowing Costs from its transition date, applying capitalization of borrowing costs to the cost of qualifying assets acquired on or subsequent to January 1, 2010.

The Credit Union has also applied the following mandatory exceptions required by IFRS:

Derecognition of Financial Assets and Liabilities

Any non-derivative financial assets or non-derivative financial liabilities that may have been derecognized prior to the date of transition to IFRS in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39 derecognition requirements.

The Credit Union has not derecognized any non-derivative financial assets or non-derivative financial liabilities since transition to IFRS.

Estimates

The estimates previously made by the Credit Union under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Credit Union has not used hindsight to revise estimates.

3. Significant accounting policies

Cash and cash equivalents

Cash consists of cash on hand and demand deposits. Other investments (term deposits and certificates of deposit) purchased with a maturity date of three months or less are also reported as cash.

Investments and other

Investments in equity investments that do not have a quoted market price in an active market are measured at cost. Property held for resale is recorded at the lower of cost and net realizable value.

Member loans receivable

Loans are recognized at their amortized cost. Amortized cost is calculated as the loans' principal amount, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Fees relating to loans origination, restructuring, renegotiation, and prepayment are recorded as income in the year received unless they relate to a minor modification to the terms of the mortgage, in which case the fees are deferred and amortized over the remaining period of the original mortgage.

Impairment of financial assets

For financial assets carried at amortized cost, the Credit Union first assesses individually whether objective evidence of impairment exists for financial assets that are significant, or collectively for financial assets that are not individually significant. If the Credit Union determines that no objective evidence of impairment exists for an individually assessed loan, it includes a financial asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Short-term balances are not discounted.

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The calculation of the present value of estimated future cash flows reflects the projected cash flows including provisions for impaired financial assets, prepayment losses, and costs to securitize and service financial assets.

For the purpose of the collective evaluation of loan impairment, financial assets are grouped on the basis of the Credit Union's internal system that considers credit risk, characteristics such as asset type, industry, geographical location, collateral, delinquency status and other relevant economic factors.

Future cash flows on the group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical credit loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical credit loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year such as changes in unemployment rates, inflation, borrowing rates, consumer fuel prices, vehicle auction values or other factors that are indicative of incurred losses in the group and their magnitude.

3. Significant accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Property, plant and equipment are recorded at cost. Depreciation is provided using the following methods and rates intended to depreciate the cost of the assets over their estimated useful lives:

Data processing equipment	10% per quarter, declining balance
Furniture and equipment	5% per quarter, declining balance
Leasehold improvements	term of lease up to 10 years
Automated bank machines	5 years, straight-line
Automobile	5 years, straight-line

The useful lives of items of property, plant and equipment are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the income statement.

Intangible assets

Depreciation on limited life intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for intangibles with definite lives are as follows:

Banking system	5 years, straight-line

Intangible assets with finite useful lives are depreciated on a systematic basis over their useful lives. The depreciation period and depreciation method for an intangible asset with a finite useful life reflects the pattern in which the assets' future economic benefits are expected to be consumed. The depreciation period and method is reviewed at least at each financial year end.

Payables and accruals

Payables and accruals are stated at amortized cost, which approximates fair value due to the short term nature of these liabilities.

Member deposits

Member deposits are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

Member shares

Shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union board of directors are classified as equity.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest income is recognized on the statement of comprehensive income for all financial assets measured at amortized cost using the effective interest rate method**.** The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on shares.

Other revenue is recognized as services are provided to members.

3. Significant accounting policies *(continued)*

Income taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the balance sheet date. Translation gains and losses are included in other income.

Financial instruments

All financial instruments are initially recognized on the balance sheet at fair value at acquisition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss (FVTPL), available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. During the year, there has been no reclassification of financial instruments.

The financial instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net income. The Credit Union's financial instruments classified as FVTPL include cash and cash equivalents.

Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The Credit Union's investments classified as available for sale are Central 1 shares, Stabilization Central Credit Union shares, and CUPP Services Ltd. shares and their respective accrued dividends.

The financial assets classified as loans and receivables are initially measured at fair value then subsequently carried at amortized cost. The Credit Union's financial instruments classified as loans and receivables include all member loans, accrued interest, bid and liquidity deposits with Central 1 and accrued interest, and other receivables balances.

Financial instruments classified as other financial liabilities include all member deposits, borrowings and payables and accruals. Other financial liabilities are initially measured at fair value then subsequently carried at amortized cost.

Comprehensive income is comprised of net earnings and other comprehensive income. Other comprehensive income represents the members' equity during the year that is attributable to unrealized gains and losses on financial instruments classified as available-for-sale. The Credit Union had $ NIL (2010: $NIL) other comprehensive income during the year and has $NIL accumulated other comprehensive income at December 31, 2011, and 2010.

3. Significant accounting policies *(continued)*

De-recognition of financial assets

De-recognition of a financial asset occurs when:

- The Credit Union does not have rights to receive cash flows from the asset;
- The Credit Union has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
- The Credit Union has transferred substantially all the risks and rewards of the asset, or
- The Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Credit Union has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred or retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent that the Credit Union's continuing involvement in the asset, in that case, the Credit Union also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the statement of comprehensive income.

IFRS standards and interpretations not yet effective

Certain new standards have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2012 or later periods that the Credit Union has decided not to early adopt. The new IFRS standards not yet applied include:

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The Credit Union has not yet assessed the impact of adopting the new standard.

IFRS 13 Fair Value Measurement defines fair value, provides guidance on the measurement of fair value, and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value, with limited exceptions. The standard is effective for annual periods beginning on or after January 1, 2013. The Credit Union has not yet assessed the impact of adopting the new standard.

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2012 or later periods that the Credit Union has decided to early adopt. The Credit Union has early adopted the amendments to IFRS 1 which replaces references to a fixed date of January 1, 2004 with 'the date of transition to IFRSs'. This eliminates the need for the Credit Union to restate de-recognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011 however, the Credit Union has early adopted the amendment. The impact of the amendment and early adoption is that the Credit Union only applies IAS 39 de-recognition requirements to transactions that occurred after the date of transition.

4. Significant accounting judgments, estimates and assumptions

As the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. These estimates are based on management's best knowledge of current events and actions that the Credit Union may undertake in the future.

Allowance for credit losses

The Credit Union reviews its individually significant loans at each reporting date to assess whether an impairment loss should be recognized. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Credit Union makes judgements about the borrower’s financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Members loans receivable that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective provision assessment takes account of data from the loan portfolio such as credit quality, delinquency, historical performance and industry economic outlook. The impairment loss on member loans receivable is disclosed in more detail in Note 7.

5. Cash resources

	December 31, 2011	*December 31, 2010*	*January 1, 2010*
Cash and current accounts	**11,754,313**	5,653,577	6,076,779
Deposits on account with Central 1, Callable or maturing in less than three months	**1,611,940**	3,435,581	2,750,570
Cash and cash equivalents	**13,366,253**	9,089,158	8,827,349
Deposits on account with Central 1, maturing in greater than three months	**15,326,746**	15,219,578	20,579,073
	28,692,999	24,308,736	29,406,422

Under government legislation, the Credit Union must maintain, for liquidity purposes, deposits with Central 1 of at least 8% of deposits and borrowings. At December 31, 2011, the Credit Union deposits exceeded the minimum required by $14,073,381 (2010: $8,118,129).

6. Investments and other

	December 31, 2011	*December 31, 2010*	*January 1, 2010*
Shares:			
Central 1	**743,488**	455,205	453,360
Stabilization Central	**204**	204	204
BC Cooperative Association	**1,200**	1,200	1,200
CUPP Services Ltd.	**70,345**	65,935	65,935
Property held for resale	**329,237**	192,600	331,223
Deferred income taxes (Note 14)	**118,000**	65,000	73,972
Receivables and prepaids	**114,527**	118,563	159,009
	1,377,001	898,707	1,084,903

Investment in shares of Central 1 is required by governing legislation and as a condition of membership in Central 1.

7. Member loans receivable

	December 31, 2011	*December 31, 2010*	*January 1, 2010*
Personal loans			
Residential mortgages	**124,936,712**	124,808,638	118,843,149
Other	**3,635,399**	4,794,226	5,574,116
Commercial loans			
Mortgages	**48,201,128**	41,214,554	36,702,233
Other	**649,948**	648,669	772,495
Accrued interest	**376,468**	440,560	459,342
	177,799,655	171,906,647	162,351,335
Allowance for credit losses			
Specific	**(120,955)**	(186,402)	(205,662)
Collective	**(807,091)**	(736,832)	(700,000)
	(928,046)	(923,234)	(905,662)
	176,871,609	170,983,413	161,445,673

Principal and allowance by loan type

January 1, 2010

	Principal Performing	***Principal Impaired***	***Allowance Specific***	***Allowance Collective***	***Net carrying value***
Personal and other	5,381,041	215,269	150,912	121,395	5,324,003
Real estate secured	116,660,433	2,503,812	54,750	267,644	118,841,851
Commercial	37,590,780	-	-	310,961	37,279,819
	159,632,254	2,719,081	205,662	700,000	161,445,673
Total allowance				905,662	

December 31, 2010

	Principal Performing	***Principal Impaired***	***Allowance Specific***	***Allowance Collective***	***Net carrying Value***
Personal and other	4,601,614	212,410	114,378	57,394	4,642,252
Real estate secured	122,921,432	2,169,237	22,024	460,635	124,608,010
Commercial	41,831,264	170,690	50,000	218,803	41,733,151
	169,354,310	2,552,337	186,402	736,832	170,983,413
Total allowance				923,234	

7. Member Loans Receivable *(continued)*

					December 31, 2011
	Principal Performing	***Principal Impaired***	***Allowance Specific***	***Allowance Collective***	***Net carrying Value***
Personal and other	3,554,012	97,565	88,386	36,829	3,526,362
Real estate secured	123,828,155	1,323,948	32,569	565,315	124,554,219
Commercial	48,995,975	-	-	204,947	48,791,028
	176,378,142	1,421,513	120,955	807,091	176,871,609
Total allowance				928,046	

Loan allowance details

	December 31, 2011	*December 31, 2010*	*January 1, 2010*
Balance, beginning of year	**923,234**	905,662	700,591
Provision for credit losses	**117,027**	101,761	304,352
Write-offs less recoveries	**(112,215)**	(84,189)	(99,281)
Balance, end of year	**928,046**	923,234	905,662

Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of loans at year-end that are past 29 days due but not classified as impaired because they are less than 90 days past due.

January 1, 2010	*30-89 days*
Personal	2,213,248
Commercial	176,333
	2,389,581

December 31, 2010	*30-89 days*
Personal	2,008,848
Commercial	170,218
	2,179,066

December 31, 2011	*30-89 days*
Personal	1,687,576
Commercial	891,444
	2,579,020

The principal collateral and other credit enhancements the Credit Union holds as security for loans include (i) insurance, mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. The Credit Union has policies in place to monitor the existence of undesirable concentration in the collateral supporting its credit exposure. In management's estimation, the fair value of the collateral is sufficient to offset the risk of loss on the loans past due but not impaired.

8. Property, plant and equipment, and intangible assets

	Data processing equipment	*Furniture and equipment*	*Leasehold improvements*	*Automated bank machines*	*Automobile*	*Total*	*Intangible Asset Computer Software*
Cost							
Balance at January 1, 2010	649,179	1,274,945	1,787,209	325,182	7,500	4,044,015	196,695
Additions	19,557	155,910	341,918	114,768		632,153	6,429
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2010	668,736	1,430,855	2,129,127	439,950	7,500	4,676,168	203,124
Additions	20,234	59,215	69,842	2,794	-	152,085	-
Disposals	(214,365)	(406,388)	(392,098)	(65,689)	-	(1,078,540)	-
Balance at December 31, 2011	**474,605**	**1,083,682**	**1,806,871**	**377,055**	**7,500**	**3,749,713**	**203,124**
Depreciation and impairment losses							
Balance at January 1, 2010	(566,409)	(1,016,747)	(1,181,880)	(265,002)	(3,873)	(3,033,911)	(9,744)
Additions	(30,343)	(59,676)	(109,974)	(31,479)	(1,554)	(233,026)	(41,590)
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2010	(596,752)	(1,076,423)	(1,291,854)	(296,481)	(5,427)	(3,266,937)	(51,334)
Additions	(28,199)	(67,139)	(146,650)	(55,871)	(1,554)	(299,413)	(41,400)
Disposals	208,625	379,647	320,332	63,570	-	972,174	-
Balance at December 31, 2011	**(416,326)**	**(763,915)**	**(1,118,172)**	**(288,782)**	**(6,981)**	**(2,594,176)**	**(92,734)**
Net book value							
At January 1, 2010	**82,770**	**258,198**	**605,329**	**60,180**	**3,627**	**1,010,104**	**186,951**
At December 31, 2010	**71,984**	**354,432**	**837,273**	**143,469**	**2,073**	**1,409,231**	**151,790**
At December 31, 2011	**58,279**	**319,767**	**688,699**	**88,273**	**519**	**1,155,537**	**110,390**

9. Member deposits

	December 31, 2011	*December 31, 2010*	*January 1, 2010*
Demand	**63,351,737**	54,411,061	51,089,693
Member shares (Note 10)	**1,976,398**	2,001,782	1,997,951
Term deposits	**100,030,088**	100,431,800	101,935,384
Registered savings plans	**31,126,598**	29,917,029	28,206,988
	196,484,821	186,761,672	183,230,016
Accrued interest and dividends	**1,454,743**	1,488,582	1,575,321
	197,939,564	188,250,254	184,805,337

10. Equity shares

The Credit Union has three classes of equity shares designated as follows:

Class B equity shares (membership)
Class C preferred equity shares (voluntary)
Class P patronage equity shares

The Credit Union is authorized to issue an unlimited number on non-transferable, voting equity shares, with a par value of $1. With certain exceptions, all members are required to own twenty-five membership equity shares which, under certain occurrences, are redeemable at the option of the member.

Equity shares are not guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia. Class P shares are redeemable only with the consent of the board of directors of the Credit Union.

Equity shares issued:

	December 31, 2011	*December 31, 2010*	*January 1, 2010*
Class B shares	**668,969**	630,948	616,888
Class C shares	**1,307,429**	1,370,834	1,381,063
Class P shares	**483,473**	490,333	513,081
	2,459,871	2,492,115	2,511,032
Class B and C shares included as liabilities (Note 9)	**(1,976,398)**	(2,001,782)	(1,997,951)
Equity shares	**483,473**	490,333	513,081

11. Other Income

	December 31, 2011	*December 31, 2010*
Account service fees	**484,899**	455,526
Loan administration fees	**115,626**	113,263
Other	**98,839**	92,853
Foreign exchange	**55,752**	49,847
Insurance commissions and fees	**24,103**	30,141
	779,219	741,630

12. Operating Expenses

	December 31, 2011	*December 31, 2010*
Salaries and benefits	**2,586,522**	2,617,977
Premises, equipment and supplies	**1,086,017**	1,048,346
Data processing	**288,908**	265,782
Depreciation	**340,813**	273,755
Other	**349,892**	202,317
Dues and assessments	**195,913**	170,102
Advertising and member relations	**165,067**	228,879
Service charges	**138,254**	148,088
Write-down of property held for resale	**70,129**	138,623
Professional services	**131,454**	125,858
Board and committee meetings	**46,761**	56,634
Staff and other meetings	**9,530**	11,273
Member meetings	**12,403**	9,327
	5,421,663	5,296,961

13. Borrowings

The Credit Union has operating lines of credit with Central 1 for $2,000,000 CDN and $250,000 USD. The Credit Union has a term loan arrangement with Central 1 for $1,500,000. At December 31, 2011, there were $NIL (2010: $NIL) borrowed under the agreements. A debenture charge on certain assets of the Credit Union has been provided as security.

14. Income taxes

The total income taxes in the statement of comprehensive income is at a rate less than the combined federal and provincial statutory tax rates for the following reasons:

	December 31, 2011	*December 31, 2010*	*January 1, 2010*
Combined federal and provincial statutory income rate	**26.5%**	28.5%	30.5%
Credit Union rate reduction	**(13.0)%**	(15.0)%	(17.0)%
Other	**1.2%**	0.4%	0.9%
	14.7%	13.9%	14.4%

The components of deferred income tax balances are as follows:

	December 31, 2011	*December 31, 2010*	*January 1, 2010*
Allowance for credit losses	**111,000**	95,000	97,836
Property, plant, and equipment	**(21,000)**	(56,000)	(35,370)
Other	**28,000**	26,000	11,506
Net deferred income tax asset	**118,000**	65,000	73,972

15. Related party transactions

Directors and key management personnel

Key management personnel ("KMP") consists of the General Manager, Operations Manager, and Controller.

Loans made to directors and KMP are approved under the same lending criteria applicable to members. Management and staff do not receive concessional rates of interest on their loans and facilities. The Credit Union does have an interest free staff computer purchase program and interest free payroll GIC purchase program. These benefits are subject to tax with the total value of the benefit included in the compensation figures below.

There are no loans that are impaired in relation to loan balances with Directors and KMP.

There are no benefits or concessional terms and conditions applicable to the family members of Directors and KMP. There are no loans that are impaired in relation to the loan balances with family or relatives of Directors and KMP.

The aggregate value of loans outstanding to employees, Directors, KMP, and their respective spouses and children amount to:

	December 31, 2011	*December 31, 2010*	*January 1, 2010*
Lines of Credit	**8,305**	16,140	8,360
Mortgages	**1,353,427**	1,352,745	1,090,616
Loans	**-**	855	1,795
	1,361,732	1,369,740	1,100,771

During the year the aggregate value of loans disbursed to Directors and KMP amounted to:

	December 31, 2011	*December 31, 2010*
Lines of Credit	**-**	-
Mortgages	**-**	259,713
Loans	**-**	-
	-	259,713

	December 31, 2011	*December 31, 2010*
Interest and other revenue earned on loans to Directors and KMP	**69,774**	57,974
Interest paid on deposits to Directors and KMP	**51,777**	47,597

15. Related party transactions *(continued)*

The total value of member deposits from Directors and KMP as at the year-end:

	December 31, 2011	*December 31, 2010*
Chequing and demand deposits	**418,381**	361,215
Term deposits	**541,578**	470,642
Registered plans	**1,440,062**	1,394,085
Total value of member deposits due to Directors and KMP	**2,400,021**	2,225,942

Aggregate compensation of KMP during the year consisted of:

	December 31, 2011	*December 31, 2010*
Salary and short-term benefits	**289,385**	281,740
Post employment benefits	**-**	-
	289,385	281,740

Directors in their capacity as Directors, received $25,000 (2010: $25,000).

16. Capital requirements and management

The Credit Union requires capital to fund existing and future operations and to meet regulatory capital requirements.

In the management of capital, the Credit Union includes retained earnings and equity shares totaling $9.8 million (2010: $9.0 million).

The Credit Union is required under provincial legislation to maintain a capital base equal to 8% of the total risk-weighted value of assets; each asset being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset. At December 31, 2011, the Credit Union had a capital base approximating 15.40% (2010: 15.20%) of the risk-weighted value.

The Credit Union employs a forward looking capital plan that is reviewed by management and the Board of Directors. The capital plan forecasts the Credit Union's capital position over a five year period. The capital plan dictates management's approach to growth, loan mix, credit quality, fixed assets, profitability objectives, and dividend/patronage rebate policy, and has a significant influence on member service objectives. It also establishes the criteria to maintain a cushion beyond the minimum statutory capital requirements. Management and the Board of Directors ensure the Credit Union's investment and lending policy and credit risk profile reflect loan portfolio composition and levels of risk that are consistent with the Credit Union's capital resources and objectives.

There has been no change in the overall capital requirements strategy employed during the year ended December 31, 2011.

17. Risk management

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, market risk, fair value risk, interest rate risk and liquidity risk.

The Credit Union, as part of operations, has established avoidance of undue concentrations of risk, managing risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows a risk management policy approved by its Board of Directors.

17. Risk management (continued)

The Credit Union's risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Credit Union;
- Balance risk and return;
- Manage credit, market and liquidity risk through preventative and detective controls;
- Ensure credit quality is maintained;
- Ensure credit, market, and liquidity risk is maintained at acceptable levels
- Diversify risk in transactions, member relationships and loan portfolios;
- Price according to risk taken; and
- Using consistent credit risk exposure tools.

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit Committee, Conduct Review Committee, Executive Committee and I&L Committee.

The risk policies, procedures and objectives have not changed significantly from the prior year.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counter party to honour its financial or contractual obligation to the Credit Union. Credit risk primarily arises from loans receivable. Management and the board of directors reviews and monitors the credit risk of the Credit Union throughout the year. The maximum exposure of the Credit Union to credit risk before taking into account any collateral held is the carrying amount of the loans as disclosed on the balance sheet. See Note 7 for further information.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region, and indicate the relative sensitivity of the Credit Union’s performance to developments affecting a particular segment of borrowers or geographic region. Geographic risk exists for the Credit Union due to its primary service area being the Greater Vancouver area.

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union’s management oversees the Credit Union’s liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union’s business requires such funding for operating and regulatory purposes. See Notes 5 and 16 for further information about the Credit Union’s funding requirement and management.

The Credit Union manages its liquidity position from three perspectives:

a) Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;

b) Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows;

c) Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union’s responses thereto.

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure
- Measurement of cash flows;
- Maintain a line of credit and borrowing facility with Central 1;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits.

17. Risk management (*continued*)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Credit Union segregates market risk into two categories: fair value risk and interest rate risk. The Credit Union is not significantly exposed to currency risk or other price risk.

Interest rate risk

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments. The Credit Union does not hedge its interest rate risk. See below for further information on interest rate sensitivity.

Contractual repricing and maturity

All financial instruments are reported based on the earlier of their contractual repricing date or maturity date. The schedule does not identify management's expectations of future events where repricing and maturity dates differ from contractual dates.

	Within 3 months	*Four months to 1 year*	*Over one to five years*	*Non-interest sensitive*	*December 31, 2011 Total*	*December 31, 2010 Total*
Assets						
Cash resources	12,586,502	6,479,850	8,657,960	968,687	**28,692,999**	24,308,736
Avg yield	1.36%	1.83%	2.49%	-		
Member loans receivable	52,302,649	29,818,298	94,750,662	-	**176,871,609**	170,983,413
Avg yield	4.44%	4.75%	4.70%	-		
Other	-	-	-	827,617	**827,617**	533,683
	64,889,151	36,298,148	103,408,622	1,796,304	**206,392,225**	195,825,832
Financial liabilities						
Member deposits	65,178,409	55,304,676	52,078,610	25,155,205	**197,939,564**	188,250,254
Avg yield	1.24%	2.03%	2.81%	-		
Other	-	-	-	528,352	**528,352**	449,975
	65,178,409	55,304,676	52,078,610	25,683,557	**198,267,916**	188,700,229

Based on the current financial instruments, it is estimated that a 50 basis point increase in the prime rate would increase the financial margin by $9,136 (2010-$57,084). A 50 basis point decrease in the prime rate would decrease the financial margin by $87,483 (2010-$82,915).

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Credit Union incurs fair value risk on it loans, term deposits, and investments held. The Credit Union does not hedge its fair value risk. See Note 18. for further information on fair value of financial instruments.

18. Fair value of financial instruments

The estimated fair values of financial instruments are designed to approximate values at which these instruments could be exchanged in a current market. However, many of the financial instruments lack an available trading market and, therefore, fair values are based on estimates.

Financial instruments recognized at fair value in the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, (as prices) or indirectly (derived from prices)
- Level 3 Inputs for the assets or liability that are not based on observable market data (unobservable inputs)

No fair values have been determined for property, plant and equipment, intangible assets, or any other asset or liability that is not a financial instrument. The fair values of cash resources, variable rate loans and deposits, and other assets and liabilities are assumed to equal book values. The fair values of fixed rate member loans and deposits are determined by discounting the expected future cash flows at the current market rates for loans and deposits with similar characteristics.

Changes in interest rates are the main cause of change in the fair value of the Credit Union’s financial instruments. The majority of the Credit Union’s financial instruments is carried at amortized cost and is not adjusted to reflect increases or decreases in fair value due to interest rate changes.

Estimated fair values of financial instruments are summarized as follows:

(In thousands)		***December 31, 2011***			*December 31, 2010*	
	Fair value	***Book value***	***Fair value over book value***	*Fair value*	*Book value*	*Fair value over book value*
Financial Assets						
Cash resources - *FVTPL* (level 1)	**11,754**	**11,754**	**-**	5,654	5,654	-
Cash resources – *loans and receivables*	**17,155**	**16,939**	**216**	18,800	18,655	145
Investments and other - *loans and receivables*	**13**	**13**		11	11	-
Investments and other - *available for sale*	**815**	**815**	**-**	523	523	-
Member loans - *loans and receivables*	**179,454**	**176,872**	**2,582**	172,458	170,983	1,475
	209,191	**206,393**	**2,798**	197,446	195,826	1,620
Financial Liabilities						
Member deposits - *other financial liabilities*	**198,641**	**197,940**	**701**	196,134	188,250	3,942
Payables - *other financial liabilities*	**528**	**528**	**-**	450	450	-
	199,169	**198,468**	**701**	196,584	188,700	3,942
Difference			**2,097**			(2,322)

18. Fair value of financial instruments (*continued*)

January 1, 2010

	Fair value	*Book value*	*Fair value over book value*
Financial Assets			
Cash resources - *FVTPL* (level 1)	6,077	6,077	-
Cash resources - *loans and receivables*	23,523	23,330	193
Investments and other - *loans and receivables*	25	25	
Investments and other - *available for sale*	521	521	
Member loans - *loans and receivables*	164,819	161,446	3,373
	194,965	191,399	3,566
Financial liabilities			
Deposits - *other financial liabilities*	186,699	184,805	1,894
Payables - *other financial liabilities*	383	383	-
	187,082	185,188	1,894
Difference			1,672

19. Commitments and contingencies

Premises

The Credit Union is committed to leasing branch premises with the following lease terms:

	Start	Finish	
Kingsgate	01-Sep-10	31-Aug-17	With a right of renewal for further five years
Burnaby	01-Sep-07	31-Aug-12	With a right of renewal for further five years
Surrey	01-Jun-04	31-May-14	With a right of renewal for further five years
Brentwood	01-Aug-00	31-Jul-15	With a right of renewal for further five years
Royal Square	01-Oct-07	30-Sep-17	With a right of renewal for further five years

The Credit Union's lease payments for the year ended December 31, 2011 amounted to $681,431 (2010: $664,555).

Banking system and network

The Credit Union is committed to pay for banking system service charges of $201,948 per year until September 2014. The Credit Union banking system and network charges for the year ended December 31, 2011 amounted to $234,495 (2010: $212,173).

Letters of Credit

In the normal course of business, the Credit Union enters into off-balance sheet commitments such as letters of credit. The letters of credit reported below are not reflected on the balance sheet.

At December 31, 2011 the Credit Union has outstanding letters of credit on behalf of members in the amount of $189,920 (2010: $168,000).

19. Commitments and contingencies *(continued)*

Commitments to extend credit

At December 31, 2011 the Credit Union has unadvanced loans and commitments to extend credit totaling $11,466,608 (2010 : $11,087,331).

20. First time adoption of International Financial Reporting Standards

As stated in Note 1, these are the Credit Unions' first financial statements prepared in accordance with IFRS. The accounting exemptions in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2011 and comparative information for the year ended December 31, 2010, and the opening IFRS balance sheet as at January 1, 2010, the Credit Union's date of transition to IFRS.

Reconciliations and explanatory notes on how the transition to IFRS has affected the reported financial position, financial performance and cash flows previously reported under GAAP are presented below.

Reconciliation of Equity at January 1, 2010

	Canadian GAAP	Adjustments	IFRS
Cash resources	29,406,422	-	29,406,422
Investments and other	1,084,903	-	1,084,903
Member loans receivable	161,445,673	-	161,445,673
Property, plant and equipment	1,010,104	-	1,010,104
Goodwill and intangible assets	186,951	-	186,951
Total assets	**193,134,053**	**-**	**193,134,053**
Member deposits	184,805,337	-	184,805,337
Payables and accruals	395,403	-	395,403
Total liabilities	**185,200,740**	**-**	**185,200,740**
Retained earnings	7,420,232	-	7,420,232
Equity shares	513,081		513,081
Total members' equity	**7,933,313**	**-**	**7,933,313**
Total liabilities and members' equity	**193,134,053**	**-**	**193,134,053**

20. First time adoption of International Financial Reporting Standards (*continued*)

Reconciliation of Equity at December 31, 2010

	Canadian GAAP	Adjustments	IFRS
Cash resources	24,308,736	-	24,308,736
Investments and other	898,707	-	898,707
Member loans receivable	170,983,413	-	170,983,413
Property, plant and equipment	1,409,231	-	1,409,231
Goodwill and intangible assets	151,790	-	151,790
Total assets	**197,751,877**	**-**	**197,751,877**
Member deposits	188,250,254	-	188,250,254
Payables and accruals	491,532	-	491,532
Total liabilities	**188,741,786**	**-**	**188,741,786**
Retained earnings	8,519,758	-	8,519,758
Equity shares	490,333	-	490,333
Total member's equity	**9,010,091**	**-**	**9,010,091**
Total liabilities and equity	**197,751,877**	**-**	**$ 197,751,877**

Reconciliation of comprehensive income for the period ended December 31, 2010

	Canadian GAAP	Adjustments	IFRS
Financial income			
Member loans	9,056,165	-	9,056,165
Cash resources and investment	491,276	-	491,276
	9,547,441	-	9,547,441
Financial expense			
Member deposits	3,478,397	-	3,478,397
Borrowed funds	2,531	-	2,531
Share dividends	116,369		116,369
	3,597,297	-	3,597,297
Financial margin	5,950,144	-	5,950,144
Provision for credit losses	(101,761)		(101,761)
Other income	741,630	-	741,630
Operating margin	6,590,013	-	6,590,013
Operating expense	5,296,961		5,296,961
Earnings from operations	1,293,052	-	1,293,052
Patronage rebate	16,298	-	16,298
Earnings before income taxes	1,276,754	-	1,276,754
Income taxes			
Current	168,256	-	168,256
Deferred tax	8,972	-	8,972
	177,228	-	177,228
Net income	1,099,526	-	1,099,526
Other comprehensive income	-	-	-
Total comprehensive income	**1,099,526**	**-**	**1,099,526**

20. First time adoption of International Financial Reporting Standards *(continued)*

Statement of Cash Flows

The transition to IFRS had no impact on the presentation of financing or investing activities in the statement of cash flows. Changes to net income for year-ended December 31, 2010 were offset by adjustments to operating activities.

Equity

The transition to IFRS did not require any adjustments to opening equity at January 1, 2010.