# 2012 ANNUAL REPORT

YOUR MONEY

YOUR FINANCING

YOUR BUSINESS

YOUR FUTURE

CREDIT UNION

TIGNISH

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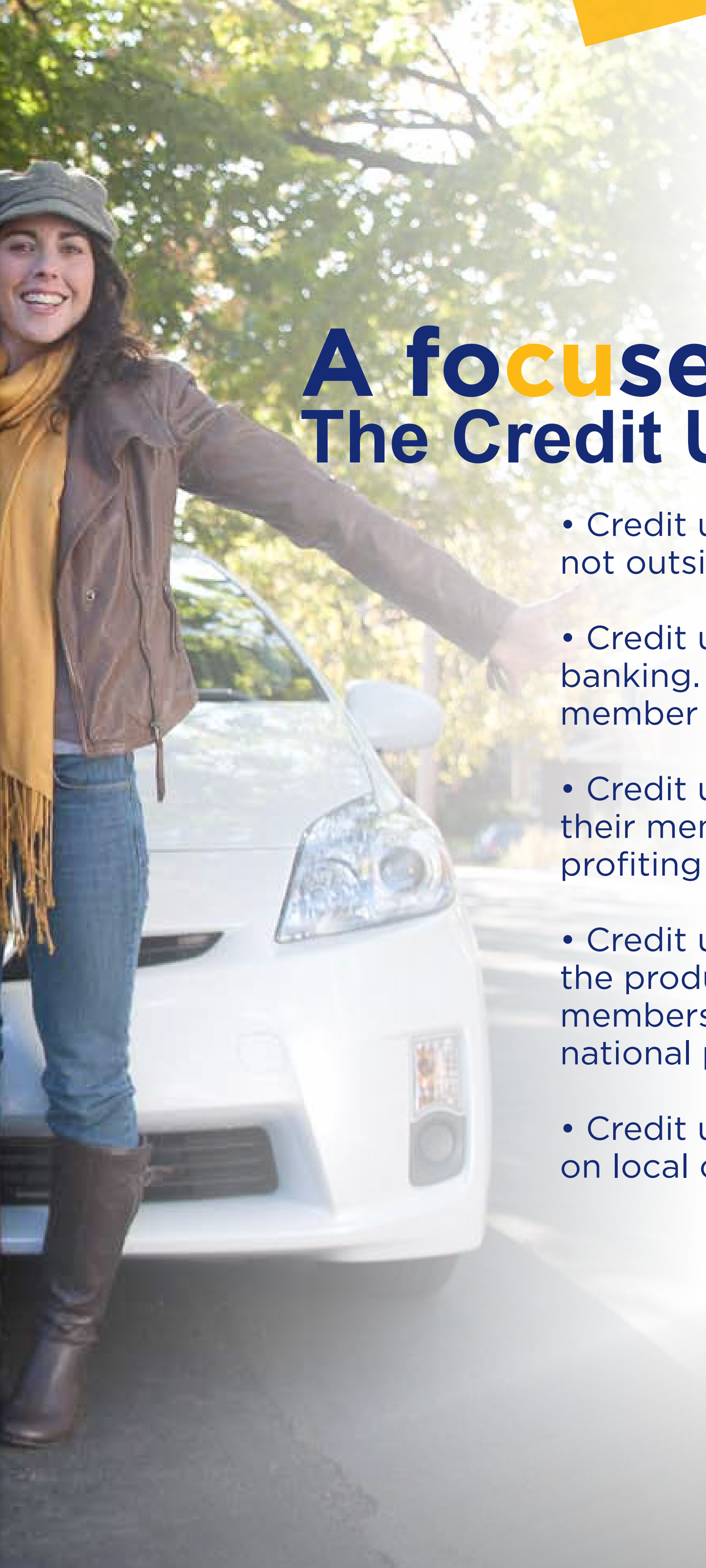

# A focused approach:
## The Credit Union Advantage

• Credit unions are owned by their members, not outside shareholders.

• Credit unions offer a different approach to banking. One that is focused on putting the member first.

• Credit unions believe in creating profits for their members and community, rather than profiting from them.

• Credit unions have the flexibility to meet the product and service needs of their members, rather than forcing standard national programs.

• Credit unions make policy decisions based on local community needs.

# 1 VOLUNTARY AND OPEN MEMBERSHIP

On January 12, 2012, your Credit Union joined the 49,329 other credit unions around the world to celebrate the Canadian launch of the International Year of Co-operatives.

Having 2012 chosen by the UN couldn't have been more suiting; every day in the news there is further evidence that values-based co-operative financial services are needed. Consumers are less trusting. Bad decisions have been made in the name of shareholder profit. In a co-operative institution like a credit union, there are no shareholders. Our members are our owners.

Credit unions are based on co-operative values including fairness, democracy, autonomy, co-operation, and concern for community. These are values Atlantic Canadians hold dear. At the credit union, we manage the money of our members with great care, because they are our owners. It's a direct relationship. There are no shareholders.

## About IYC 2012

On December 18, 2009, the United Nations General Assembly, with the support of the Government of Canada, passed a resolution declaring 2012 the UN International Year of Co-operatives. The resolution, entitled "Co-operatives in Social Development", recognizes the diversity of the co-operative movement around the world and urges governments to take measures aimed at creating a supportive environment for the development of co-operatives.

The International Year gave both the co-operative sector and governments an opportunity to:

- Raise public awareness of co-operatives and the economic and social contribution of the co-operative business model.
- Support the growth and sustainability of co-operatives
- Create legacy initiatives that will live beyond December 31, 2012.

The International Year was an incredible opportunity for co-operatives everywhere; in Canada, and around the world.

2012 International Year of Co-operatives

# CO-OPERATIVE ENTERPRISES BUILD A BETTER WORLD



## Largest network of financial institutions in Canada

Tignish Credit Union is part of a larger network of financial institutions that make up the Credit Union System. In Canada, the Credit Union System includes 359 Canadian Credit Unions, Concentra Financial Services Association, the Co-operators Group Limited, the CUMIS Group, Credit Union Insurance Services, Credential Financial, Credential Securities Inc., CUETS Financial, League Savings and Mortgage, and the Credit Union Deposit Insurance Corporation.

2 DEMOCRATIC MEMBER CONTR

# Our Mission

*"The mission of Tignish Credit Union is to provide competitive financial services tailored to meet the needs of our owners and their communities.*

*We pride ourselves in directing the organization we control and in the equality of services provided.*

*Tignish Credit Union is a community-minded co-operative that helps build through its involvement, its leadership, and the retention of financial resources in the community."*

## Board of Directors

Michael Gaudet

Clifford Doucette

Janet Hackett

Walter Callaghan

# First
## in Customer Service

For the eighth year in a row, an independent survey of Canadians ranked credit unions FIRST in overall quality of customer service among all financial institutions.*

We ranked ahead of all other financial institutions in the following categories:

- Customer Service Excellence
- Values My Business
- Branch Service Excellence

Credit unions also tied for first in the following categories:

- Financial Planning & Advice
- Telephone Banking Excellence

* Ipsos 2012 Best Banking Awards are based on quarterly Customer Service Index (CSI) survey results. Sample size for the total 2012 CSI program year ended August 2012 was 43,202 completed surveys yielding 63,750 financial institution ratings.

Brenda Doyle

Larry Drouin

Jackie Arsenault

Ann Marie McInnis

Robert Carruthers

# Tignish Credit Unio

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## AND INDEPEND

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EDUCATION AND INFORMATION TRAIN...

# Report of the Board of Di

## Board Governance

Each year the Board of Directors reports on how the business of Tignish Credit Union has gone over the past year. It also highlights areas where changes might take place in the future. In general terms, Tignish Credit Union has had another successful year. What follows reviews some of the main changes that have taken place and points out items of interest.

The Board of Directors remains ultimately responsible to the owners for the success of the Credit Union. Through the by-laws the Board is given the authority and responsibility to make decisions on behalf of owners. From the year-end reports presented, owners are able to judge whether or not the Board controlled the business successfully within its authority and responsibility. The Board hires a General Manager to manage the day-to-day operations of the Credit Union with the help of the staff that he hires. The General Manager is the only employee directly responsible to and evaluated by the Board of Directors. He is evaluated based on policies, guidelines, approved budgets and attainment of goals. The Board has reviewed most Board policies this year and has approved an updated loan policy.

Each year the Deposit Insurance Corporation (CUDIC) conducts an inspection of the Credit Union. The inspector reports directly to the Board on any areas where the Manager might not be operating within policy and alerts the Board if there appears to be trends developing that might be cause for concern. Tignish Credit Union received a positive inspection report this past year with particular note being made of improvements in our loans department.

## Board Meetings and Activities

Your Board holds regular monthly meetings, as well as committee, and other meetings. Committees are used to assist in getting the work done with each member sitting on at least one committee. Board members have completed, or are taking, training in conjunction with system requirements which helps us understand the business that we direct and our responsibility in doing so. At the regular meetings Board members review the financial statements and operational reports prepared by our Manager to keep us informed on the progress of the Credit Union.

Our credit union continues to work toward completing the items identified in the April 2011 Strategic Planning Session. While many items have seen efforts being made, as in all things today, many changes are happening in the financial world that means there are lots of challenges and opportunities. We will be holding a follow up session on November 29th to review how far we have come and to identify new priorities for the next year or so.
Planning is always an important part of the Board function as we try to recognize the needs of our members even before they become common place.
We have used the service of Atlantic Central to facilitate these sessions and have been very pleased with what they have to offer us. With the rapid changes that are occurring in the financial industry, as I mentioned earlier, we are very fortunate to have access to experts through our central organizations and system partners.

Board Secretary, Anne Marie McInnis, represented our credit union at the Atlantic Central AGM in Charlottetown this year along with myself, Janet Hackett, Michael Gaudet and Brenda Doyle. I attended the semi-annual meeting in Halifax along with Arlene Hackett from management. Our Manager, Louis was present at these meetings representing the credit union and also as a member of the Atlantic Central Board. Louis was re-elected to the Central Board representing PEI Credit Unions for a three year term.

The wind up of Credit Union Central of PEI has been completed as has the transfer of loans for the fish processors from CUCPEI to the company formed last year to finance them. While a lot of time was spent, especially at the management level, to complete the transfer everything appears to be working well and, most importantly, our two sister co-ops are being well served.

Manager, Louis, keeps the board up to date on all products, services and other issues both on a provincial and national level. The Credit Union recognizes and thanks Louis for his leadership and for the excellent staff that serves our owners. He and they are a very big reason that our credit union is recognized for its success and why your credit union shows the results of 2011-2012. With income before provisions of $ 2 million, the Board is declaring a 2% dividend on share savings, a $600,000 loan interest rebate and a $300,000 deposit interest bonus. In total, $1,540,772 is being returned directly to owners. This is done because you, as owners, should benefit from the extra income without the financial health of your credit union being put at risk. This is especially true in these tough economic times. The financial statements will be reviewed later in the agenda.

## Central and System Relations

As described earlier, the PEI Credit Union system works together for the benefit of each local credit union. There is actually a full network of partners that the credit union continues to work with and that is talked about through promotions. It is through this network that makes up Provincial, National and International systems that the credit union can offer owners the strength and connectivity of a multinational organization.

Tignish Credit Union says thank you to Credit Union Centrals, sister credit unions, League Savings & Mortgage, League Data, CUIS, Concentra Financial, CUETS, Credential Financial Strategies, CUDIC, government departments and others for the co-operation and support during this year.

## Promotion and Community Activities

Tignish Credit Union continues to be active and supportive of organizations in the West Prince area. I would like to recognize and thank the staff for giving their time to support different organizations such as the Health Co-op, the annual IWK fundraiser and the Relay for Life of which the credit union is event sponsor. We donate to all our schools to support year-end closings and continue our $1,000 bursaries for graduates from Grade 12 at Westisle. This year the bursaries went to Jesse Knox, Dominic Harper, Savanna Sentner & Megan Wilkie and we wish them well as they continue their studies.

2012 was declared “The International Year of Co-operatives” by the United Nations. It was a tremendous recognition of how co-operative enterprises, like your credit union, work to build a better world. There were a number of events held during this year to celebrate those achievements and to high-light our accomplishments. The report in your booklet explains our involvement in more detail and hi-lights other assistance given. Please share that report with other owners so they too can take pride in their organization.

## Thank You

Once again, your Credit Union has experienced a successful year. This success can be attributed to a number of things or people. As noted earlier, the manager and staff including the Credential Financial Services (CFS) team has contributed greatly to the success and the Board thanks them for the fine service they offer. May 2012 saw the retirement of two employees, Roger Gallant, Manager of Business Services after almost 13 years with our credit union and Rena Matthews retired after 44 years of service to our members. Rena was the longest serving employee in the Island Credit Union System and I want to recognize their contribution to our credit union and wish them well in their future. All members of the Board of Directors take their role very seriously and it has made the role of President a much easier one. The credit union exists because of its owners. It is successful when owners support it. Thank you for your support this year and please be proud of your business.

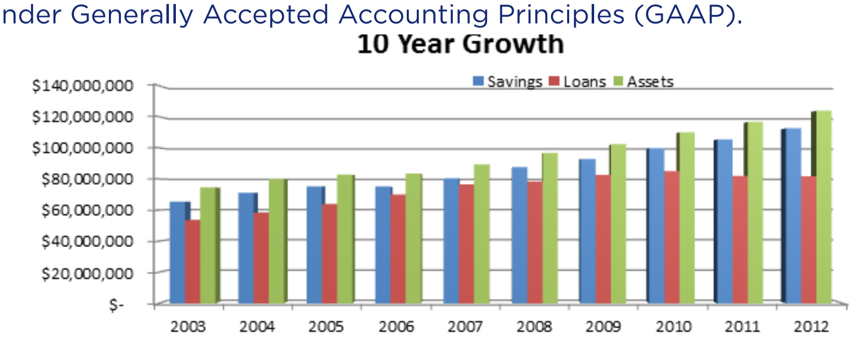
Respectfully submitted,

Larry Drouin
President

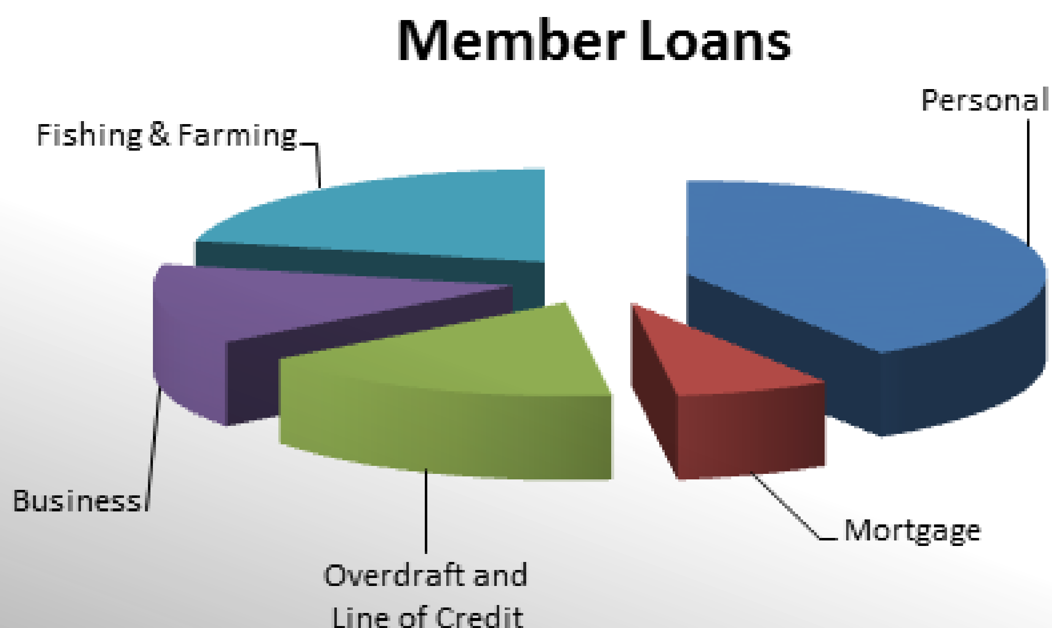
# 6 CO-OPERATION AMONG CO-OPERATI

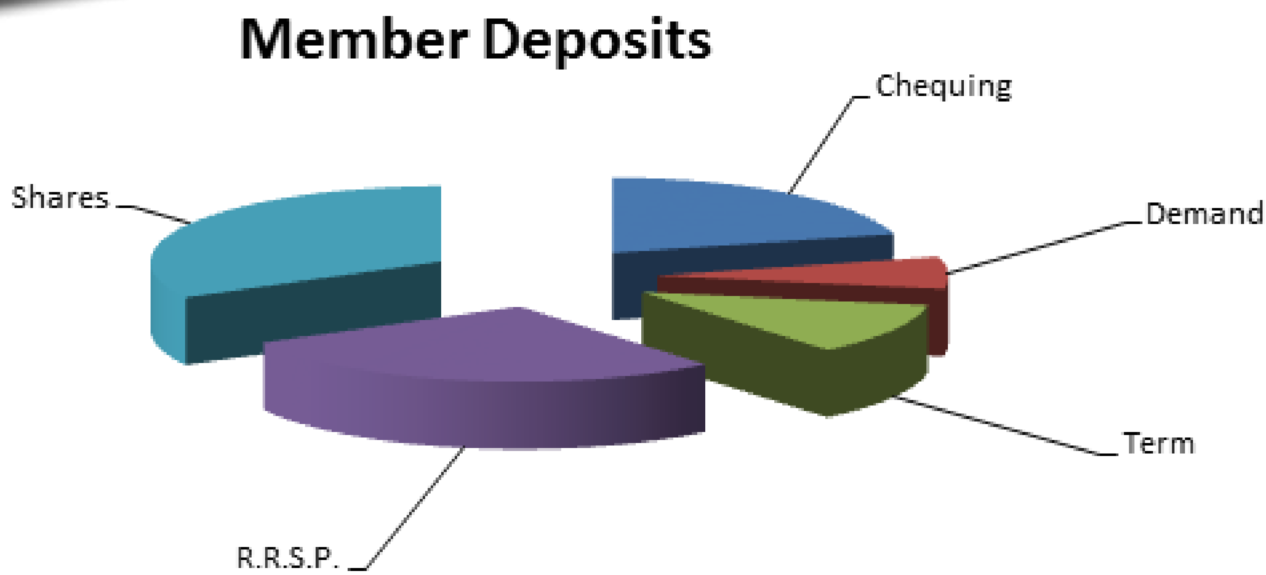

## Manager's Report

I want to review the financial statements with you to hi-light the changes or items of significance and hopefully make the statements more than just a bunch of numbers. The first thing to point out is that we are using the International Financial Reporting Standards (IFRS) so there are many more notes and much more disclosure than shown last year under Generally Accepted Accounting Principles (GAAP).




- Assets have reached $123 million level at year-end, which is a growth of 6%.
- Loans decreased by $1.1 million and are at 66% of assets. The Credit Union continues to partner with League Savings & Mortgage to finance homes in this area and has $36.8 million mortgages on its books.






- Member Deposits grew by $7.1 million or 6.8% this year: Deposits remain at 90% of assets. Between direct deposit products and what is offered through Sharon Gallant with Credential Financial Strategies, the credit union can provide any investment option needed.
- The result of increased deposits without the offsetting growth in loans means that we have much more liquidity with a large increase in our Cash and equivalents which actually means held on deposit with Atlantic Central.
- Undistributed Income increased by $544,701 or 6.7%. This is the income remaining after dividends, interest rebates and taxes for the year.
- There are a couple of items on the Income statement that I want to make note of: 1)our investment income is almost $150,000 higher mainly because we have been carrying a lot of money in our accounts at Atlantic Central. 2) There is also an item for CUCPEI Dividend which is our share of our Provincial Central that was returned to us when Atlantic Central was formed. There are really no other significant changes to income or expenses during the past year for a credit union of our size.

The Board of Directors reviews certain areas each month at its meeting to determine whether the credit union remains strong financially. The credit union has grown again in the areas of assets and deposits as shown above. Equity has also increased by $544,701 and remains at 7% and enough money has been set-aside in loan loss reserve to cover all identified risk while profitability, before rebates and reserves, was 2% of assets. All these numbers are signs of the credit union's strength.

This allows your Board and Manager to return extra earnings to the owners. When reviewing the final results this year, it was agreed that owners could better use the monies rather than having it left in credit union equity. This is possible because the equity has built up over the past number of years so the business remains very strong. This extra $900,000 represents just another benefit of doing business with your own company and is in addition to the $640,772 paid in share dividends. I thank you for recognizing the benefits of owning your own financial institution. It is your continued support that allows your credit union to offer competitive products and services and to support those things that are important to this area and its residents.

# REPORT OF COMMUNITY INVOLVEMENT

The staff and Board of Directors of Tignish credit union continued to be strong supporters of our communities this past year and this report will cover a few of the high-lights of that involvement.

Donations of just over $200,000.00 were made during the year. A year ago The Sport's Association approached our Credit Union to talk about some assistance with the outstanding debt on the arena. As explained last year, the credit union agreed to match funds dollar for dollar to a maximum of $100,000.00 over a 1 year period. We are proud to say that their board and fundraising committee reached that goal and as recently reported our arena now has an outstanding mortgage balance that is very manageable. Their board and volunteers have to be commended on their outstanding efforts throughout the year.

We wanted to help celebrate 2012 IYC (International Year of Co-Ops) as declared by the United Nations during the past year. On April 22nd, which was also the 75th anniversary of the signing of our charter, we hosted a reception at the Tignish Heritage Inn and invited all local Co-op Boards and management. The evening included a slide presentation of the co-ops in our area and the many changes seen throughout the years. David Whiting, the Executive Director of the Co-op Council, spoke on the role of the council and also some plans that were under way for IYC. The Credit Union, Co-op and Fisheries Co-op/Royal Star Foods formed a committee to plan an event to help celebrate our rich Co-op heritage. We hosted a Family Day at Fisherman's Haven Park on Sunday, July 8th that included great entertainment, kids' games, and a BBQ that promoted our delicious island lobster. The event was a great success and the proceeds of the event were donated to our sister Co-op, the Tignish Health Centre, in the amount of $1664.00.

Donations throughout the year were given the same considerations as in the past. Decisions are based on how many members are benefiting from the donation and whether this event will bring people to the area, which in turn benefits local businesses. The Credit Union was a major sponsor for the Red Clay Blue Grass Festival, The Irish Folk Festival, The Tuna Cup Challenge, Alberton Business Assn. Christmas Sponsorship and the Parade Sponsor of the Prince County Exhibition. It also contributed to the St. Louis Bluegrass Festival, Irish Moss Festival and the West Prince Music Festival.

The Credit Union continues to help local organizations such as minor hockey programs, minor ball, volleyball, golf, curling, & winter carnivals. Donations were made to the following: Tignish Medical Center, Crohns & Colitis, Diabetes, MS, Easter Seals, CNIB, Special Olympics, Canadian Mental Health, Cancer Society, Children's Wish, Heart & Stroke Foundation, Autism, Jr. Achievers and Big Brothers-Big Sisters.

We continued our partnership with Evangeline Central Credit Union to fund the Amateur Sport Fund. This fund was designed by the West Prince Sports Council to provide funding to athletes who compete at a National Level and has been very successful.

The Credit Unions of P.E.I. also continue to come together to sponsor larger events that affect all of P.E.I. The Island Credit Unions were again this year, Provincial Event Sponsor for Relay for Life. In addition to this monetary funding credit union staffs volunteer to work bank nights in their local areas. Our staff attended the Westisle bank nights along with staff from the credit union in O'Leary. We also participated in the relay for life for the 6th year in a row. We had great staff participation this year with our largest turnout to walk the track and stay the night. Our team raised over $5,000.

The Credit Unions also formed a partnership with Ronald McDonald House. For anyone who doesn't know what Ronald McDonald House is, it provides accommodations for families that have a child at the IWK Hospital. The island credit unions have agreed to pay the cost of staying at Ronald McDonald house for all its members. This way they can concentrate on their sick child and have one less financial concern to deal with.

The partnership with the 3 other Prince County Credit Unions as the main sponsor for the Prince County Hospital Festival of Lights Campaign continued.

Staff continued with our own fundraising efforts that have been ongoing for many years. From our casual day Friday's fund, in conjunction with Kids West, we were able to provide Xmas dinners and gifts for 4 families. The second fundraiser is the IWK Fun Day in the Park. This fundraiser is a community effort. It was held on Sunday, May 2oth. Staff raised money by selling 50-50 tickets and also helped at the Fun Day by selling tickets, barbequing and working in the canteen. This year this community raised over $ 6,800.00 for the IWK Children's Hospital.

Our weekly 50-50 draw is our largest fundraiser and continues to be a huge success. In keeping with the credit union philosophy again, this money is given back to the communities in areas that benefit a large number of people. In the past year, the following donations were made: $5,000 to Tignish & Alberton Minor Hockey Associations, $1500 to Tignish and Alberton Figure Skating Clubs, $5,000 to each Fire Department – Alberton, Tignish and Miminegash; $5,000 to both Tignish & Alberton rinks; $5000 to the West Prince Caring Cupboard, $500 to each elementary school to help with their lunch programs, $3,000 to Westisle's breakfast program, $1,500 to Callaghan's breakfast program, $4,000 to Relay for Life, $1,000 for the IWK, $2,000 to the Assn. for Community Living, $5,000 each for the purchase of playground equipment in Tignish and Alberton, for a total of $66,000. To date, $320,000 has been donated to our communities through this draw with a similar amount being won by individuals in our communities. We says thank you to all those who take part in this terrific fundraiser.

We continue to offer the school credit union program. The schools involved are Tignish, Alberton and St. Louis Elementary and the French School. We also sponsored a fundraiser for our local Home and School organizations which include St. Louis Elementary, Alberton Elementary, Tignish Elementary and M E Callaghan Jr. High. Tickets were sold for prizes that we provided and over $7,000 was raised.

The credit union presented 4 x $1000 bursaries at Westisle again this year. Congratulations to the recipients – Dominic Harper, Jesse Knox, savanna Sentner and Megan Wilkie. Founder awards were presented to graduating students from Tignish, St. Louis, Alberton Elementary and the French schools and M.E. Callaghan Jr. High in addition to prize money given for other grades.

These are a few of the highlights of our donations and sponsorships and as you can see, our employees take their role as contributors to our communities very seriously. Management provides the time and resources to allow this to happen as it recognizes that as one of the largest businesses in our area, we have to set the standard for others to follow. I hope this report outlines for you the social side of the business that our staff and credit union have been involved in over the past year.

ArsenaultBestCameronEllis
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October 30, 2012

**Independent Auditor's Report**

**To the Members of**
**Tignish Credit Union Ltd.**

We have audited the accompanying financial statements of **Tignish Credit Union Ltd.**, which comprise the statement of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010, and the statements of comprehensive income, changes in members' equity and cash flows for the years ended September 30, 2012 and September 30, 2011, and 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.

**Auditor's 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 auditor's 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 audit 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 **Tignish Credit Union Ltd.** as at September 30, 2012, September 30, 2011 and October 1, 2010, and the results of its operations and its cash flows for the years ended September 30, 2012 and September 30, 2011 in accordance with International Financial Reporting Standards.

ArsenaultBestCameronEllis

**Chartered Accountants**

# Tignish Credit Union Ltd.

Statement of Financial Position

**As at September 30, 2012**

| | September 30, 2012 $ | September 30, 2011 $ | October 1, 2010 $ |
|---|---|---|---|
| **Assets** | | | |
| Cash and equivalents | 31,297,063 | 23,350,262 | 16,040,779 |
| Loans and mortgages (notes 7 and 17) | 81,764,253 | 82,906,580 | 85,284,035 |
| Prepaid expenses and other | 290,094 | 182,973 | 140,670 |
| Income taxes receivable | 11,247 | - | 1,409 |
| Property and equipment (note 8) | 1,219,008 | 1,158,541 | 1,184,859 |
| Investments (note 9) | 9,177,036 | 9,161,149 | 7,307,167 |
| Deferred income taxes | 87,200 | 92,700 | 56,700 |
| | 123,845,901 | 116,852,205 | 110,015,619 |
| **Liabilities** | | | |
| Member deposits (notes 10 and 12) | 112,579,985 | 105,453,771 | 99,758,710 |
| Accrued interest payable | 2,077,274 | 1,640,775 | 1,883,248 |
| Other liabilities | 475,222 | 1,504,596 | 550,993 |
| Income taxes payable | - | 84,311 | - |
| | 115,132,481 | 108,683,453 | 102,192,951 |
| **Contingent liability** (note 11) | | | |
| **Members' Equity** | | | |
| **Undistributed income** | 8,713,420 | 8,168,752 | 7,822,668 |
| | 123,845,901 | 116,852,205 | 110,015,619 |

**Approved by the Board of Directors**

Director

Larry Drouin Director

# Tignish Credit Union Ltd.

Statement of Changes in Members' Equity

**For the year ended September 30, 2012**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Undistributed income - Beginning of year** (note 20) | 8,168,752 | 7,822,668 |
| Net earnings for the year | 544,668 | 346,084 |
| **Undistributed income - End of year** | 8,713,420 | 8,168,752 |

# Tignish Credit Union Ltd.

Statement of Comprehensive Income

**For the year ended September 30, 2012**

| | 2012 $ | 2011 $ |
|---|---:|---:|
| **Revenue** | | |
| Loan interest (note 17) | 5,497,099 | 5,498,931 |
| Investment | 384,499 | 236,010 |
| CUCPEI dividend | 534,123 | - |
| Service fees | 433,560 | 391,039 |
| Commissions | 772,119 | 1,004,855 |
| Other income | 61,859 | 43,249 |
| | 7,683,259 | 7,174,084 |
| **Expenses** | | |
| Staff (note 15) | 1,894,116 | 1,658,600 |
| Premises | 159,032 | 174,912 |
| Insurance | 250,409 | 248,631 |
| Office | 158,016 | 172,288 |
| Service fees | 885,631 | 773,096 |
| General | 506,272 | 323,757 |
| Cost of capital | 1,290,073 | 1,371,696 |
| Amortization | 93,366 | 91,806 |
| | 5,236,915 | 4,814,786 |
| **Operating earnings** | 2,446,344 | 2,359,298 |
| **Other expense** | | |
| Share dividends | 640,772 | 589,227 |
| Provision for loan losses (note 7) | 295,445 | 816,717 |
| Loan interest rebate | 600,000 | 300,000 |
| Interest bonus on savings | 300,000 | 200,000 |
| | 1,836,217 | 1,905,944 |
| | 610,127 | 453,354 |
| **Provision for (recovery of) income taxes** | | |
| Current (note 13) | 59,959 | 143,270 |
| Deferred income taxes (notes 13 and 20) | 5,500 | (36,000) |
| | 65,459 | 107,270 |
| **Net earnings for the year (note 20)** | 544,668 | 346,084 |

# Tignish Credit Union Ltd.

Statement of Cash Flows

**For the year ended September 30, 2012**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net earnings for the year | 544,668 | 346,084 |
| Items not affecting cash | | |
| Amortization | 93,366 | 91,806 |
| Deferred income taxes (recovery) | 5,500 | (36,000) |
| Provision for loan losses | 295,445 | 816,717 |
| | 938,979 | 1,218,607 |
| Net change in non-cash working capital items | | |
| Decrease in loans and mortgages | 846,882 | 1,560,738 |
| Increase in prepaid expenses and other | (107,121) | (42,303) |
| Decrease (increase) in income taxes receivable | (11,247) | 1,409 |
| Increase in member deposits | 7,126,214 | 5,695,061 |
| Increase (decrease) in accrued interest payable | 436,499 | (242,473) |
| Increase (decrease) in other liabilities | (1,029,374) | 953,603 |
| Increase (decrease) in income taxes payable | (84,311) | 84,311 |
| | 8,116,521 | 9,228,953 |
| **Investing activities** | | |
| Purchase of property and equipment | (153,833) | (65,489) |
| Increase in investments | (15,887) | (1,853,981) |
| | (169,720) | (1,919,470) |
| **Increase in net cash** | 7,946,801 | 7,309,483 |
| **Net cash - Beginning of year** | 23,350,262 | 16,040,779 |
| **Net cash - End of year** | 31,297,063 | 23,350,262 |
| **Net cash consists of** | | |
| Cash and equivalents | 1,350,140 | 1,219,642 |
| Current accounts | 29,946,923 | 22,130,620 |
| | 31,297,063 | 23,350,262 |
| **Supplementary disclosure** | | |
| Interest received | 6,325,375 | 6,068,607 |
| Interest paid | 1,382,673 | 1,614,169 |
| Dividends received | 69,768 | 5,218 |
| Dividends paid | 589,227 | 520,178 |
| Income taxes received | - | 71,822 |
| Income taxes paid | 155,517 | 129,372 |

# Tignish Credit Union Ltd.

Notes to Financial Statements
**September 30, 2012**

## 1 General

The Tignish Credit Union Ltd. (the "Credit Union") is incorporated under the Prince Edward Island Credit Unions Act. Its principal business activities include financial and banking services for credit union members.

The Credit Union's head office is located in Tignish, Prince Edward Island.

## 2 Basis of presentation

(a) Statement of compliance

The Credit Union prepares its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. In these financial statements , the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These financial statements have been prepared in compliance with IFRS and have consistently applied the same accounting policies in its opening IFRS statement of financial position at October 1, 2010 and throughout all periods presented, as if these policies have always been in effect. The Credit Union has applied IFRS 1- First-time adoption of International Financial Reporting Standards in preparing these first IFRS financial statements. An explanation of the impact of the transition to IFRS is provided in note 20.

These financial statements have been approved for issue by the Board of Directors on October 30, 2012.

(b) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 3.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and report amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are detailed in note 4.

## 3 Summary of significant accounting policies

(a) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Credit Union at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between cost in the functional currency at the beginning of the period, and the cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on the translation are recognized in the statement of comprehensive income.

(b) Financial instruments

i) Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued. At initial recognition, the Credit Union classifies its financial instruments as follows:

- Financial assets at fair value through profit or loss ("FVTPL")

  Financial assets at FVTPL through the statement of other comprehensive income are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if so designated by management or it is a derivative that is not designated and not effective as a hedging instrument.

  Financial assets carried at fair value through the statement of comprehensive income are initially recognized, and subsequently carried at fair value, with changes recognized in the statement of comprehensive income. Transaction costs are expensed.

  Assets in this category include cash and equivalents and investments in the liquidity reserve deposit.

- Held to maturity investments

  Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Credit Union has the positive intent and ability to hold to maturity, and which are not designated as at FVTPL or as available for sale.

  Held to maturity investments are carried at amortized cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held to maturity investments would result in the reclassification of all held to maturity investments as available for sale, and would prevent the Credit Union from classifying investment securities as held to maturity for the current and the following two financial years. However sales and reclassifications in any of the following circumstances would not trigger a reclassification:

  - Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value

  - Sales or reclassifications after the Credit Union has collected substantially all of the asset's original principal

  - Sales or reclassifications attributable to non-recurring isolated events beyond the Credit Union's control that could not have been reasonably anticipated.

  Assets in this category include investments in term deposits.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recorded at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

  Assets in this category include loans and mortgages.

- Available for sale ("AFS")

  Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are recognized initially at fair value plus transactions costs, and are subsequently carried at fair value, other than the Credit Union's investment in certain shares as their fair value cannot be reliably measured. Upon such time that their fair value can be reliably measured, the carrying amount of these financial assets will be adjusted to fair value. Gains and losses arising from remeasurement are recognized in other comprehensive income. Available for sale investments are classified as non-current unless an investment matures within twelve months, or management expects to dispose of it within twelve months.

  Dividends or distributions on available for sale investments are recognized in the statement of comprehensive income as investment income, when the Credit Union's right to receive payment is established.

  Assets in this category include investments in credit union and co-operative type shares.

- Other financial liabilities

  Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

  Liabilities in this category include member deposits, accrued interest payable, and other liabilities.

ii) Impairment of financial assets

The Credit Union assesses, at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Credit Union on non-market terms that the Credit Union would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

- Financial assets classified as loans and receivables

  For the purposes of individual evaluation of impairment, the amount of the impairment loss on a loan or receivable is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. The calculation of the carrying value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

  For the purposes of a collective evaluation of impairment, financial assets are categorized on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparties' ability to pay all amounts due according to contractual terms of the assets being evaluated. Future cash flows in a 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.

  The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off after all the necessary procedures have been completed and the amount of loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income in provision for loan loss expense.

  Loans that were past due and either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, if the loan becomes past due, this will be disclosed only if renegotiated again.

- Assets classified as available for sale

  At each balance sheet date, the Credit Union assessed if there is objective evidence that an AFS financial asset or a group of AFS financial assets may be impaired. A significant or prolonged decline in the fair value of an AFS security below its costs is considered objective evidence in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is reclassified from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed.

(c) Cash and equivalents

Cash and equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(d) Property and equipment

Property and equipment are stated at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost can be measured reliably. Repairs and maintenance costs are charged to expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated using the declining balance method at the following annual rates:

| | |
|---|---|
| Buildings | 4%, 5%, 10% |
| Furniture, equipment and computers | 20%, 30%, 45%, 55% |
| Pavement | 8% |

Leasehold improvements are amortized using the straight-line method over 16 years.

The Credit Union allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates each part separately. The useful lives of property and equipment are reviewed, and adjusted if appropriate, at each statement of financial position date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were identified as impaired as at September 30, 2012.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds to the net book value of the asset and are presented as a gain or loss on disposal in the statement of comprehensive income.

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

(e) Revenue recognition

i) Loan interest

Interest on loans is recognized on an amortized cost basis using the effective interest rate method. The effective rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the net carrying amount of the loan. When estimating the future cash flows the credit union considers all contractual terms of the loan excluding any future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premium or discounts. Mortgage prepayment fees are recognized in income when received, unless they relate to a minor modification to the terms of the mortgage, in which case the fees are recognized over the expected remaining term of the original mortgage using the effective interest rate method. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. All interest is recognized on an accrual basis.

ii) Investment and other income

Investment and other income is recognized as revenue on an accrual basis.

iii) Service fees

Service fees are recognized on an accrual basis in accordance with the service agreement.

iv) Commissions

Commissions income is recognized when the event creating the commission takes place.

(f) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly to equity.

i) Current income tax

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

ii) Deferred income tax

Deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intent to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can 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.

(g) Related parties

A related party is a person or an entity that is related to the Credit Union.

A person or a close member of that person's family is related to the Credit Union if that person:

i) Has control or joint control over the Credit Union, with the power to govern the Credit Union's financial and operating policies;

ii) Has significant influence over the Credit Union, participating in financial and operating policy decisions, but not control over these policies; or

iii) Is a member of the key management personnel of the Credit Union. Key management personnel, consistent with the definition under IAS 24, Related Party Disclosures, are persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director of the Credit Union.

(h) Standards issued but not yet effective

As at September 30, 2012, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. Other than the introduction of IFRS 9 described below, these changes are not excepted to a have a material impact on the financial statements.

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

IFRS 9 Financial Instruments, was issued in November 2009 and addresses classifications and measurement of financial assets. It will replace the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 will also replace the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

This standard is effective for periods beginning on or after January 1, 2015.

(i) Capital disclosures

The Credit Union considers its capital to be its members' equity. The Credit Union's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to provide services to its members. Capital is under the direction of the Board with the objective of minimizing risk and ensuring adequate liquid investments are on hand to meet the Credit Union's national standards.

## 4 Critical accounting estimates and judgments

The Credit Union makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions changed. The principal areas involving a higher degree of judgment or complexity and/or area which require significant estimates are described below:

(a) Provision for loan losses

The Credit Union regularly reviews its loan portfolio to assess for impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Credit Union makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of members in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

(b) Estimated useful lives of property and equipment

Management estimates the useful lives of property and equipment based on the period during which assets are expected to be available for use. The amounts and timing of recorded depreciation expense of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Credit Union's property and equipment in the future.

(c) Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using specific valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models. Where market observable data inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. To the extent practical, models use only observable data.

For investments in co-operatives and credit unions, consideration was given as to whether or not par value was equal to redemption value and whether the co-operative or credit union had the right to redeem those shares at their discretion. To the extent that the redemption value of those shares is equal to their par value, then these shares will also be designated as AFS at fair value with fair value equal to (or in the case of potential impairment, less than) par value. In certain cases, the fair value of co-operative or credit union investments exceeds par value when applying a discounted cash flow method of valuation and using market rates of return for similar investments available in public markets. Despite fair value exceeding par value, these investments are reported at par value on the basis that they are not liquid investments and have a limited number of potential purchasers. Where fair value cannot be reliably measured, these investments are recorded at cost.

(d) Income taxes

The actual amounts of income tax expense only become final upon filing and acceptance of the tax return by relevant authorities which occur subsequent to the issuance of the financial statements. Estimation of income taxes include evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions, before they expire, against future taxable income. The assessment is based upon enacted tax acts and estimates of future taxable income. To the extent estimates differ from the final tax provision, earnings would be affected in a subsequent period.

## 5 Risk management

The Credit Union's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board, which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout the Credit Union manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

(a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Credit Union's commercial and consumer loans and advances, and loan commitments arising from such lending activities.

Credit risk is the single largest risk for the Credit Union's business; management therefore carefully manages its exposure to credit risk. Oversight for the credit risk management and control is done by management who report to the Board.

The Credit Union's maximum exposure to credit risk at the balance sheet date in relation to each class of recognized financial asset is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities or parties fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements the credit union holds as security for loans include (i) insurance and mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, and (iii) recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Credit Union's maximum exposure to credit risk at the reporting date was:

| | **September 30, 2012 $** | **September 30, 2011 $** | **October 1, 2010 $** |
|---|---|---|---|
| Cash and equivalents | 31,297,063 | 23,350,262 | 16,040,779 |
| Loans and mortgages | 81,764,253 | 82,906,580 | 85,284,035 |
| Investments | 9,177,036 | 9,161,149 | 7,307,167 |
| | 122,238,352 | 115,417,991 | 108,631,981 |

Cash and equivalents and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, the Credit Union's underwriting methodologies and risk modelling is customer based rather than product based. The Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing risk.

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities as they come due. Liquidity risk is inherent in any financial institution and could result from entity level circumstances and/or market events.

The Credit Union's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

Exposure to liquidity risk:

The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to deposits. For this purpose, liquid assets may comprise of the following:

| | September 30, 2012 $ | September 30, 2011 $ |
|---|---|---|
| Cash and equivalents | 31,297,063 | 23,350,262 |

The Credit Union is required to maintain 6% of the prior quarter's assets in liquid investments of which 100% must be held by Atlantic Central. The Credit Union was in compliance with this requirement at September 30, 2012.

Cash flows payable under financial liabilities by remaining contractual maturities are as follows:

| | Under 1 year $ | Over 1 to 5 years $ | Over 5 years $ | September 30, 2012 Total $ |
|---|---|---|---|---|
| Member deposits | 50,709,198 | 24,744,500 | - | 75,453,698 |
| Share accounts | 37,126,287 | - | - | 37,126,287 |
| Accrued interest payable | 2,077,274 | - | - | 2,077,274 |
| Other liabilities | 475,222 | - | - | 475,222 |
| | 90,387,981 | 24,744,500 | - | 115,132,481 |

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

| | Under 1 year $ | Over 1 to 5 years $ | Over 5 years $ | September 30, 2011 Total $ |
|---|---|---|---|---|
| Member deposits | 44,554,136 | 28,214,274 | - | 72,768,410 |
| Share accounts | 32,685,361 | - | - | 32,685,361 |
| Accrued interest payable | 1,640,775 | - | - | 1,640,775 |
| Other liabilities | 1,504,596 | - | - | 1,504,596 |
| Income taxes payable | 84,311 | - | - | 84,311 |
| | 80,469,179 | 28,214,274 | - | 108,683,453 |

| | Under 1 year $ | Over 1 to 5 years $ | Over 5 years $ | October 1, 2010 Total $ |
|---|---|---|---|---|
| Member deposits | 43,110,135 | 25,764,900 | - | 68,875,035 |
| Share accounts | 30,883,675 | - | - | 30,883,675 |
| Accrued interest payable | 1,883,248 | - | - | 1,883,248 |
| Other liabilities | 550,993 | - | - | 550,993 |
| | 76,428,051 | 25,764,900 | - | 102,192,951 |

The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

(c) Market risk

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Credit Union as part of its normal trading activities. As the Credit Union does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk. The objective of market rate risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. For the Credit Union, mismatches in the balances of assets, liabilities and off-balance sheet financial instruments that mature and reprice in varying reporting periods generate interest rate risk. These mismatches will arise through the ordinary course of business as the Credit Union manages member portfolios of loans and deposits with changing term preferences and through the strategic positioning of the credit union to enhance profitability.

The following table provides the potential before-tax impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Credit Union's management initiatives.

| | **Net interest income change 2012 $** | **Net interest income change 2011 $** |
|---|---|---|
| Before tax impact of | | |
| 1% increase in interest rates | 116,786 | 93,877 |
| 1% decrease in interest rates | (321,634) | (265,769) |

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(f) Capital management

The primary objective of the Credit Union's capital management is to ensure that it maintains a healthy financial position in order to support its business. The Credit Union manages its capital structure and makes changes to it in light of changes in economic conditions.

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

The Credit Union has agreed to maintain an equity level equal to 5% of the total assets.

In accordance with the recommendations of the Canadian Institute of Chartered Accountants related to the financial statement presentation of financial instruments, the ownership shares are presented in the balance sheet as financial liabilities. At September 30, 2012, the equity level for regulatory purposes is as follows:

| | **September 30, 2012 $** | **September 30, 2011 $** |
|---|---|---|
| Ownership shares (note 12) | 43,445 | 50,370 |
| Members' equity | 8,713,420 | 8,168,752 |
| Total regulatory equity | 8,756,865 | 8,219,122 |
| Total assets | 123,845,901 | 116,852,205 |
| Equity level | 7.0% | 7.0% |

| | | **September 30, 2012** | | **September 30, 2011** |
|---|---|---|---|---|
| | **#** | **$** | **#** | **$** |
| Opening, October 1 | 10,074 | 50,370 | 9,942 | 49,710 |
| Issued | 490 | 2,450 | 497 | 2,485 |
| Redeemed | (1,875) | (9,375) | (365) | (1,825) |
| Closing, September 30 | 8,689 | 43,445 | 10,074 | 50,370 |

## 6 Financial instruments

*Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | September 30, 2012 | | September 30, 2011 | |
|---|---|---|---|---|
| | **Carrying amount $** | **Fair value $** | **Carrying amount $** | **Fair value $** |
| **Assets carried at fair value** | | | | |
| Financial assets held for trading - | | | | |
| Cash | 31,297,063 | 31,297,063 | 23,350,262 | 23,350,262 |
| Liquidity reserve deposit | 7,371,421 | 7,371,421 | 6,993,000 | 6,993,000 |
| | 38,668,484 | 38,668,484 | 30,343,262 | 30,343,262 |
| **Assets carried at amortized cost** | | | | |
| Loans and mortgages | 81,764,253 | 81,764,253 | 82,906,580 | 82,906,580 |
| Investments - available for sale | 1,805,615 | 1,805,615 | 2,168,149 | 2,168,149 |
| | 83,569,868 | 83,569,868 | 85,074,729 | 85,074,729 |
| **Liabilities carried at amortized cost** | | | | |
| Member deposits | 112,579,985 | 112,579,985 | 105,453,771 | 105,453,771 |
| Accrued interest payable | 2,077,274 | 2,077,274 | 1,640,775 | 1,640,775 |
| Other liabilities | 475,222 | 475,222 | 1,504,596 | 1,504,596 |
| | 115,132,481 | 115,132,481 | 108,599,142 | 108,599,142 |

The fair value of financial assets held for trading is determined by their quoted market value at the reporting date.

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

## 7 Loans and mortgages

(a) Summary

| | | | | September 30, 2012 | September 30, 2011 | October 1, 2010 |
|---|---|---|---|---|---|---|
| | **Total $** | **Impaired Loans $ (included in total)** | **Specific Provision $** | **Net $** | **Net $** | **Net $** |
| Personal | 33,419,558 | 649,537 | 310,647 | 33,108,911 | 35,520,852 | 36,764,702 |
| Business | 11,814,772 | 3,997,748 | 462,447 | 11,352,325 | 8,588,401 | 6,578,665 |
| Mortgages | 5,703,482 | 446,073 | 44,528 | 5,658,954 | 6,101,035 | 6,156,858 |
| Lines of credit and overdrafts | 13,483,858 | 154,622 | - | 13,483,858 | 11,902,481 | 13,440,394 |
| Farming and fishing | 17,362,094 | 682,711 | 128,305 | 17,233,789 | 19,818,894 | 19,485,793 |
| Student loans | - | - | - | - | - | 1,543,822 |
| Accrued interest | 995,495 | 69,079 | 69,079 | 926,416 | 974,917 | 1,313,801 |
| | 82,779,259 | 5,999,770 | 1,015,006 | 81,764,253 | 82,906,580 | 85,284,035 |

*Mortgages and other loans*

Mortgage loans are secured by realty mortgages with interest rates of 4.75% - 7.5% (2011 - 4.25% - 8.25%). Other loans are priced at market rates unless circumstances warrant special considerations. The loans are secured by an assignment of specific call deposits and share capital of the borrower and other specific assigned securities.

*The Credit Union's prime lending rate*

The Credit Union's prime lending rate is set by the Board based on the prime interest rate of chartered banks in Canada. The rate as at September 30, 2012 was 3.0% (2011 - 3.0%).

(b) Continuity of allowance for impaired loans

| | Specific $ |
|---|---|
| **Balance - October 1, 2010** | 913,844 |
| Increase in allowance | 816,717 |
| Amounts written off during the year | (878,109) |
| Recoveries of loans previously written off | 45,328 |
| **Balance - September 30, 2011** | 897,780 |
| Increase in allowance for 2012 | 295,445 |
| Amounts written off during the year | (198,478) |
| Recoveries of loans previously written off | 20,259 |
| **Balance - September 30, 2012** | 1,015,006 |

(c) Members' 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 following table presents the carrying value of loans that are past due but not classified as impaired:

| | $ |
|---|---|
| September 30, 2012 | 1,122,132 |
| September 30, 2011 | 1,265,584 |
| October 1, 2010 | 160,813 |

# Tignish Credit Union Ltd.
Notes to Financial Statements
**September 30, 2012**

## 8 Property and equipment

| | Land $ | Buildings $ | Furniture, equipment and computer $ | Pavement $ | Leasehold improvements $ | Total $ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance - October 1, 2010 | 96,500 | 1,342,846 | 639,143 | 106,129 | 40,388 | 2,225,006 |
| Additions | - | - | 65,489 | - | - | 65,489 |
| Balance - September 30, 2011 | 96,500 | 1,342,846 | 704,632 | 106,129 | 40,388 | 2,290,495 |
| Additions | 134,558 | - | 5,110 | 14,165 | - | 153,833 |
| Balance - September 30, 2012 | 231,058 | 1,342,846 | 709,742 | 120,294 | 40,388 | 2,444,328 |
| **Accumulated amortization** | | | | | | |
| Balance - October 1, 2010 | - | 520,420 | 451,449 | 36,863 | 31,415 | 1,040,147 |
| Current year amortization | - | 37,227 | 48,323 | 5,532 | 725 | 91,807 |
| Balance - September 30, 2011 | - | 557,647 | 499,772 | 42,395 | 32,140 | 1,131,954 |
| Current year amortization | - | 35,520 | 49,657 | 5,665 | 2,524 | 93,366 |
| Balance - September 30, 2012 | - | 593,167 | 549,429 | 48,060 | 34,664 | 1,225,320 |
| **Carrying value** | | | | | | |
| October 1, 2010 | 96,500 | 822,426 | 187,694 | 69,266 | 8,973 | 1,184,859 |
| September 30, 2011 | 96,500 | 785,199 | 204,860 | 63,734 | 8,248 | 1,158,541 |
| September 30, 2012 | 231,058 | 749,679 | 160,313 | 72,234 | 5,724 | 1,219,008 |

## 9 Investments

| | September 30, 2012 $ | September 30, 2011 $ | October 1 2010 $ |
|---|---|---|---|
| **Financial assets** | | | |
| *Fair value through profit or loss:* | | | |
| Liquidity reserve deposit | 7,371,421 | 6,993,000 | 6,141,000 |
| *Available for sale:* | | | |
| Credit Union Central shares | - | 349,876 | 870,025 |
| Atlantic Central shares | 1,507,780 | 1,522,070 | - |
| League Savings & Mortgage shares | 38,010 | 38,010 | 38,010 |
| League Data shares | 255,930 | 255,930 | 255,930 |
| Co-operative membership | 2,530 | 2,263 | 2,202 |
| 7730543 Canada Inc. shares | 1,365 | - | - |
| Total investments | 9,177,036 | 9,161,149 | 7,307,167 |

In order to meet Credit Union national standards, the Credit Union is required to maintain on deposit in Atlantic Central an amount equal to 6% of the prior quarter's assets (see note 5b). The deposit bears interest at a variable rate.

No market exists for the available for sale share investments. Certain of the available for sale share investments may be surrendered on withdrawal from membership for proceeds equal to the paid-in value.

## 10 Member deposits

| | September 30, 2012 $ | September 30, 2011 $ | October 1, 2010 $ |
|---|---|---|---|
| Ownership shares and share accounts (note 12) | 37,126,287 | 32,685,361 | 30,883,675 |
| Savings and Plan 24 | 7,761,380 | 6,907,584 | 7,386,263 |
| Chequing accounts | 23,575,063 | 21,733,170 | 17,886,569 |
| Term deposits | 12,556,239 | 13,646,072 | 13,868,812 |
| RRSP and RRIF | 31,561,016 | 30,481,584 | 29,733,391 |
| | 112,579,985 | 105,453,771 | 99,758,710 |

*Ownership shares and share accounts* include the $5 membership share plus individual members' deposits.

*Share accounts* pay members a dividend at the discretion of the Board. Privileges of the shares are under the authority of the Board. The dividend rate declared and paid for 2012 was 2.0% (2011 - 2.0%) based on the average minimum monthly share account balance throughout the year.

*Savings and Plan 24* are deposits on a call basis that pay the account holders a variable rate of interest ranging from 0.1% - 1.25% (2011 - 0.1% - 1.5%) and 0.25% - 1.0% (2011 - 0.5% - 1.5%), respectively.

*Chequing accounts* are held on a call basis and pay the account holders interest at the Credit Union's stated rates.

Outstanding t*erm deposits* for periods of one to five years generally may not be withdrawn prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Fixed *term deposits* bear interest at various rates and ranging from 0% - 5.1% (2011 - 0% - 5.1%)

*RRSP and RRIF*

Concentra Financial is the trustee for the registered savings plans offered to owners. Under an agreement with the trust company, owner's contributions to the plans, as well as income earned on them, are deposited in the credit union. On withdrawal, payment of the plan proceeds is made to owners, or the parties designed by them, by the credit union, on behalf of the trust company. RRSP and RRIF term deposits bear interest at various rates.

Withdrawal privileges on all member deposit accounts are subject to the overriding right of the Board to impose a waiting period.

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

## 11 Contingent liability

| | September 30, 2012 $ | September 30, 2011 $ | October 1, 2010 $ |
|---|---|---|---|
| Outstanding guarantees on behalf of members | 400,000 | 693,000 | 305,000 |

## 12 Share accounts

Unlimited membership shares, are available for issunace with a par value of $5 each. These shares are non-transferable, redeemable by the Credit Union, retractable by shareholders subject to the Credit Union's right to suspend redemption. If the redemption would impair the financial stability of the Credit Union, for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Corporation.  Dividends on membership shares are payable at the discretion of the Board.

## 13 Income taxes

(a) Tax rate reconciliation

| | 2012 $ | 2011 $ |
|---|---|---|
| Income before income taxes | 610,127 | 453,354 |
| Taxes at statutory rates - 31.38% (2011 - 32.88%) | 191,458 | 149,063 |
| Impact of small business deduction | (96,885) | (104,400) |
| Impact of recording deferred tax at the small business rate | (8,902) | 62,669 |
| Permanent differences and other | (20,212) | (62) |
| | 65,459 | 107,270 |

(b) Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 12% (2011 - 12.0%), as follows:

| | 2012 $ | 2011 $ |
|---|---|---|
| Balance - Beginning of year | 92,700 | 56,700 |
| Comprehensive income statement expense (recovery) | (5,500) | 36,000 |
| Balance - End of year | 87,200 | 92,700 |

Deferred income tax assets are attributable to the following items:

| | 2012 $ | 2011 $ |
|---|---|---|
| **Deferred income tax assets** | | |
| Property and equipment | 6,830 | 6,352 |
| Allowance for impaired loans | 49,987 | 45,618 |
| Retirement allowance | 30,383 | 40,730 |
| | 87,200 | 92,700 |

## 14 Line of credit availability

In 2012, the Credit Union had an approved line of credit with Atlantic Central of $10,000,000. As of September 30, 2012, the line of credit was not being utilized.

## 15 Pension plan

The Credit Union provides employees with a voluntary defined contribution pension plan in which the Credit Union matches employee contributions to the plan, within specified limits. During the year, the Credit Union expensed $67,284 (2011 - $62,455) in contributions to the plan. This expense is included with staff expenses on the Statement of Comprehensive Income.

## 16 Composition of key management

Key management includes the board of directors, general manager, branch managers, commercial and personal loan managers and manager of member services. Compensation awarded to key management included:

(a) Key management, excluding directors

| | 2012 $ | 2011 $ |
|---|---|---|
| Salaries and short-term employee benefits | 458,538 | 396,617 |
| Retirement benefit obligations | 22,927 | 19,831 |

(b) Directors' remuneration

| | 2012 $ | 2011 $ |
|---|---|---|
| Honorariums | 4,875 | 4,875 |
| Payment for expenses while on credit union business | 8,378 | 5,349 |

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

(c) Loans to directors and key management personnel

| | **2012** **$** | **2011** **$** |
|---|---|---|
| Loans outstanding - Beginning of year | 280,155 | 254,788 |
| Add: loans issued during the year | 381,756 | 265,286 |
| Less: loan repayments during the year | (252,368) | (239,919) |
| transfers out of Directors | (84,213) | - |
| Loans outstanding - End of year | 325,330 | 280,155 |
| Interest income earned | 14,027 | 16,570 |

No provisions have been recognized in respect of loans given to key management nil (2011 - nil). The loans issued to directors and key management personnel and close family members during the year of $381,756 are repayable over 3 - 7 years and have interest rates ranging from 6.75% to 7.0% (2011 - 6.75% to 7.0%).

## 17 Related party transactions

The Credit Union provides financial services to members. These members hold the loans and mortgages and member deposits and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

The loans and mortgages balance includes $2,851,516 (2011 - nil) in loans to 7730543 Canada Inc. The loans to 7730543 Canada Inc. are interest bearing at 1% with no set terms of repayment.

Included in loan interest is $79,835 (2011 - nil) of income received from 7730543 Canada Inc.

The Credit Union is a shareholder in 7730543 Canada Inc.

## 18 Interest rate sensitivity

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, notes receivable are shown at contractual maturity but certain notes could prepay earlier.

| | Under 1 year $ | Over 1 to 5 years $ | Over 5 years $ | Not interest rate sensitive $ | 2012 Total $ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and equivalents | - | - | - | 1,350,140 | 1,350,140 |
| Current accounts | 29,946,923 | - | - | - | 29,946,923 |
| Effective interest rate | 0.93% | | | | |
| Investments | 9,177,036 | - | - | - | 9,177,036 |
| Effective interest rate | 1.38% | | | | |
| Effective interest rate | 1.00% | | - | | |
| Loans and mortgages | 79,939,352 | 898,485 | - | 926,416 | 81,764,253 |
| Effective interest rate | 6.55% | 5.47% | 0.00% | | |
| Deferred income tax | - | - | - | 87,200 | 87,200 |
| Income taxes receivable | - | - | - | 11,247 | 11,247 |
| Prepaid expenses and other | - | - | - | 290,094 | 290,094 |
| Property and equipment | - | - | - | 1,219,008 | 1,219,008 |
| Total assets | 119,063,311 | 898,485 | - | 3,884,105 | 123,845,901 |
| **Liabilities and surplus** | | | | | |
| Member deposits | 87,835,485 | 24,744,500 | - | - | 112,579,985 |
| Effective interest rate | 1.48% | 2.82% | | | |
| Accrued interest payable | - | - | - | 2,077,274 | 2,077,274 |
| Other liabilities | - | - | - | 475,222 | 475,222 |
| Undistributed earnings | - | - | - | 8,713,420 | 8,713,420 |
| | - | - | - | - | - |
| Total liabilities and surplus | 87,835,485 | 24,744,500 | - | 11,265,916 | 123,845,901 |
| **Interest rate sensitivity gap** | 31,227,826 | (23,846,015) | - | (7,381,811) | - |

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

| | Under 1 year $ | Over 1 to 5 years $ | Over 5 years $ | Not interest rate sensitive $ | 2011 Total $ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and equivalents | - | - | - | 1,219,642 | 1,219,642 |
| Current accounts | 22,130,620 | - | - | - | 22,130,620 |
| Effective interest rate | 0.88% | | | | |
| Investments | 9,161,149 | - | - | - | 9,161,149 |
| Effective interest rate | 1.38% | | | | |
| Loans and mortgages | 81,245,311 | 686,352 | - | 974,917 | 82,906,580 |
| Effective interest rate | 6.66% | 5.71% | | | |
| League Savings and Mortgage Company | - | - | - | - | - |
| Effective interest rate | | | | | |
| Deferred income tax | - | - | - | 92,700 | 92,700 |
| Prepaid expenses and other | - | - | - | 182,973 | 182,973 |
| Property and equipment | - | - | - | 1,158,541 | 1,158,541 |
| Total assets | 112,537,080 | 686,352 | - | 3,628,773 | 116,852,205 |
| **Liabilities and surplus** | | | | | |
| Member deposits | 77,239,497 | 28,214,274 | - | - | 105,453,771 |
| Effective interest rate | 1.12% | 2.80% | | | |
| Accrued interest payable | - | - | - | 1,640,775 | 1,640,775 |
| Income taxes payable | - | - | - | 84,311 | 84,311 |
| Other liabilities | - | - | - | 1,504,596 | 1,504,596 |
| Undistributed earnings | - | - | - | 8,168,752 | 8,168,752 |
| | - | - | - | - | - |
| Total liabilities and surplus | 77,239,497 | 28,214,274 | - | 11,398,434 | 116,852,205 |
| **Interest rate sensitivity gap** | 35,297,583 | (27,527,922) | - | (7,769,661) | - |

As at September 30, 2012, the Credit Union's net interest spread was 3.86% (2011 - 3.84%). The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year-end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year-end interest bearing liabilities.

## 19 Commitment

The Credit Union has lines of credit, loans and mortgages approved but not dispersed as at September 30, 2012 amounting to $14,745,030 (2011 - $7,998,525).

## 20 Transition to IFRS

As stated in note 2, these are the Credit Union's first financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing these financial statements for the year ended September 30, 2012, for the comparative information presented for the year ended September 30, 2011, and in preparation of an opening IFRS statement of financial position as at October 1, 2010 (the Credit Union’s date of transition).

The effect of the Credit Union’s transition to IFRS is summarized in this note as follows:

(a) Transition elections

IFRS 1 – First-time adoption of IFRS (“IFRS 1”)

Generally, the conversion to IFRS requires an entity to present its financial statements as if it had always reported under IFRS. IFRS 1 provides guidance on the initial adoption of IFRS and provides certain exceptions and exemptions to full retrospective application of IFRS that an entity may elect. The key exemption elected by the credit union is as follows:

Estimates – IFRS 1 requires estimates made under IFRS at October 1, 2010 to be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. The Credit Union’s estimates under IFRS as at October 1, 2010 are consistent with estimates under Canadian GAAP for the same time. Therefore, this exemption has no impact on the Credit Union’s IFRS statements.

(b) The adoption of IFRS results in adjustments to previously reported assets, members' equity and net earnings of the Credit Union. Accordingly, the effect of adopting IFRS retrospectively is as follows:

*Reconciliation of the Credit Union's undistributed income:*

| | **September 30, 2011 $** | **October 1, 2010 $** |
|---|---|---|
| Undistributed income previously reported in accordance with previous GAAP | 8,076,052 | 7,765,968 |
| Adjustments: | | |
| Recording of deferred income taxes in accordance with IFRS | 92,700 | 56,700 |
| Undistributed income in accordance with IFRS | 8,168,752 | 7,822,668 |

# Tignish Credit Union Ltd.

Notes to Financial Statements

**September 30, 2012**

Reconciliation of the company's net earnings for the year ended September 30, 2011:

| | $ |
|---|---|
| Net earnings as previously reported in accordance with previous GAAP | 310,084 |
| Adjustments: | |
| Decrease in deferred tax asset | (36,000) |
| Net earnings reported in accordance with IFRS | 346,084 |

# 1 VOLUNTARY AND OPEN MEMBERSHIP

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

# 4

# 2 DEMOCRATIC MEMBER CONTROL

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

# 3 MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes. developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

# SEVEN CO-OPERATIVE PRINCIPLES

The following seven internationally accepted Co-operative Principles help shape credit union business decisions and governance, setting them apart from other financial institutions.

# AUTONOMY AND INDEPENDENCE

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

# 5 EDUCATION TRAINING AND INFORMATION

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives.

They inform the general public about the nature and benefits of co-operation.

# 6 CO-OPERATION AMONG CO-OPERATIVES

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

# 7 CONCERN FOR COMMUNITY

Co-operatives work for the sustainable development of their communities through policies approved by their members.

# Canadian System

There are currently 359 credit unions in Canada. Collectively, they have:

1,748 locations Almost 5.25 million members $145.7 billion in assets $128.9 billion in deposits $120.7 billion in loans 26,997 employees

# Regional System

$4 Billion in system assets 58 credit unions (as of April 30, 2012) 170 points of service 330,887 members 1,587 Full Time and Part Time employees

# Credential Financial Strategies Report

Following a disappointing 2011, most of the equity markets around the world have risen thus far in 2012. If markets finish the year in positive territory, gains will have been made in 3 of the last 4 years despite the often gloomy financial headlines. Since the March 2009 low reached during the recession, the U.S. market has more than doubled in value and the Canadian market is up more than 50%.

What is pushing the markets higher? Many publically traded companies trimmed expenses during the recession and are reporting rising profits. The implementation of quantitative easing programs designed to maintain low interest rates and support the financial systems in the U.S., Europe and Japan have also had a positive impact. More recently, the European markets have benefitted from more forceful commitments by politicians and central bankers to tackle the government debt issue.

However, economic recoveries rarely proceed smoothly upward. Although many of the conditions necessary for continued progress are in place, some financial experts remain anxious. Factors that are fuelling concern include ongoing government debt problems in Europe and the U.S. and an economic slowdown in China and other emerging markets. It is clear that more work is needed to repair the damage done to government finances by the 2008/09 recession.

Sharon Gallant
*Credential Financial Strategies*

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CREDIT UNION

TIGNISH