2012 ANNUAL REPORT

YOUR MONEY
YOUR FINANCING
YOUR BUSINESS
YOUR FUTURE

CREDIT UNION
CONSOLIDATED

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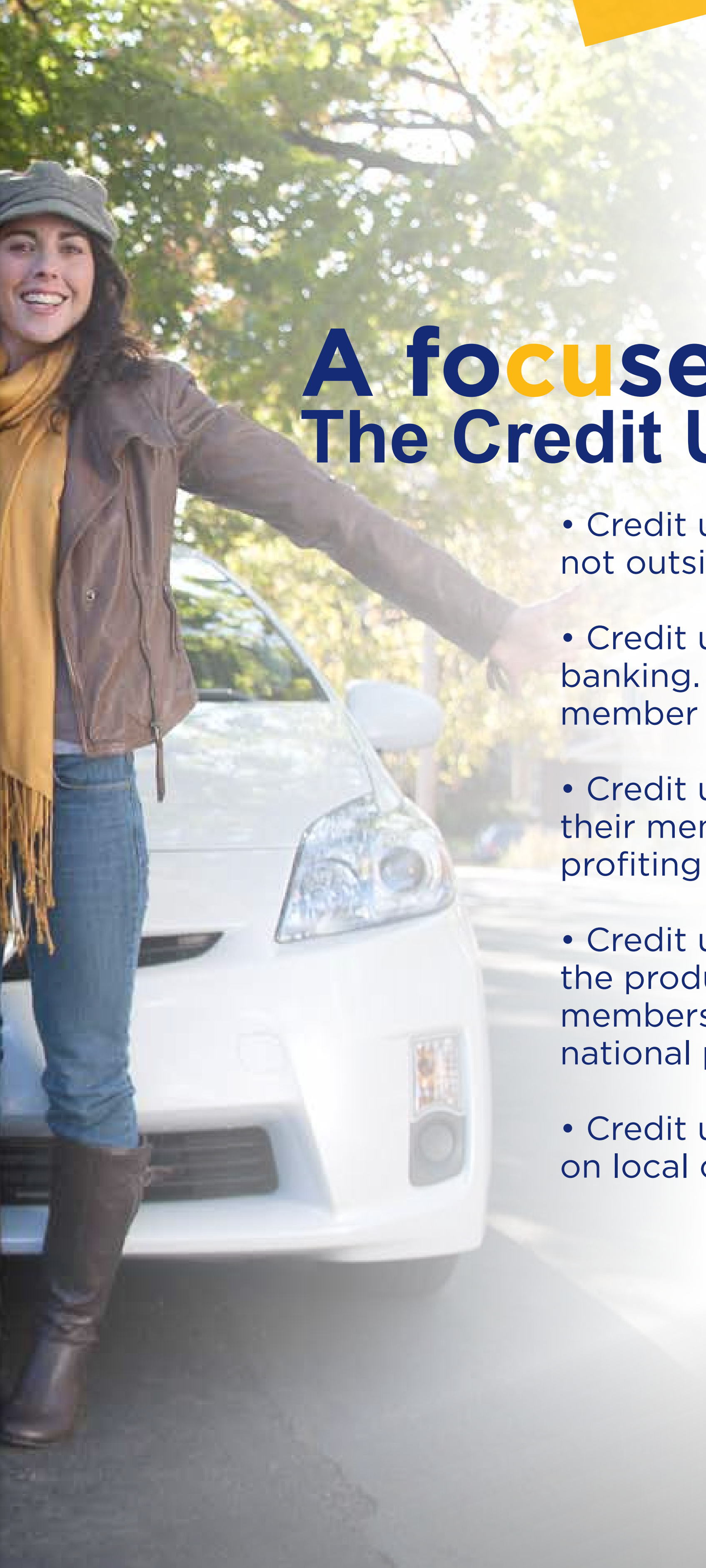


A focused approach:
The Credit Union Advantage

- 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

Consolidated 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

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.

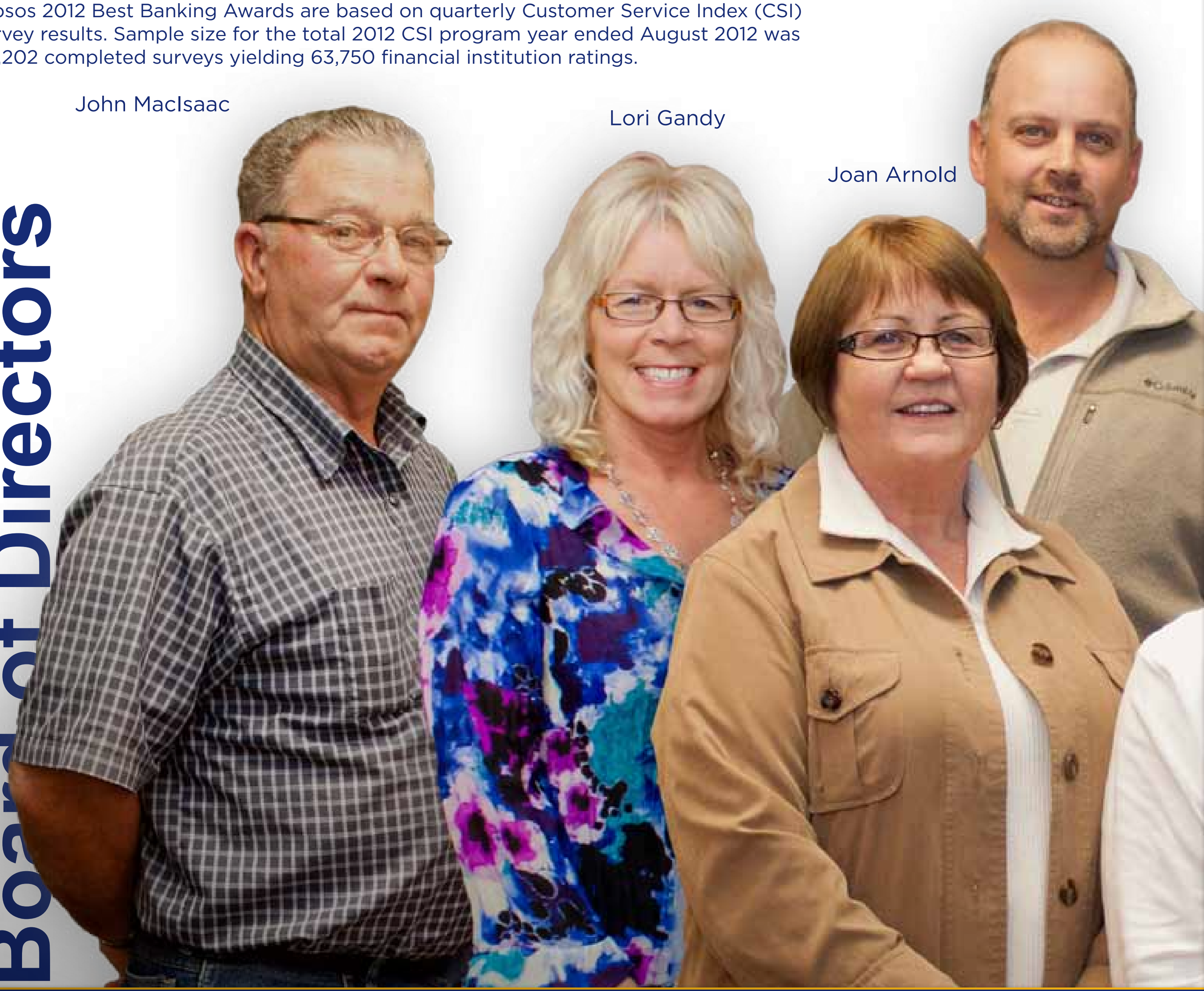
Board of Directors

Scott Costain

John MacIsaac

Lori Gandy

Joan Arnold



Our Mission

"Your Credit Union is dedicated to provide you with the most effective financial services and wise financial guidance to empower you to make the best decisions for your financial well being"

Consolidated Credi

Sarah Millar General Manager
Shane MacKinnon Operations Manager
Linda Hardy Special Projects; Privacy Officer
Steve Boyd Commercial Accounts Manager
Garnet Gibson Commercial Accounts
Amanda Murphy Commercial Accounts
Sandra Reeves Consumer Loans
Keith Johnston Consumer Loans
Pete Peters Consumer Loans
Judy Winchester Loans Administration
Kelly Culleton Administrative Services
Debi Gallant Administrative Services
Tanya Bernard Administrative Services
Barb Murphy Financial Services & Student Loans
Sandra Hickey Financial Services & Student Loans
Janet Grady Investment Services

Debbie MacLean Office Supervisor
Krista Woods Assistant Supervisor
Nancy Clark Receptionist
Nick Clow Member Services
Dawn Coughlin Member Services
Ann Ellis Member Services
Laurie Hickey Member Services
Vickie MacLellan Member Services
Mary Lou Profitt Member Services
John Smallwood Member Services
Deanna Walsh Member Services
Sally Paynter Consumer Loans
Sandra Paynter Financial Services
Gloria Paynter Member Services
Margaret Ann Gallant Member Services

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5 EDUCATION TRAINING AND INFORMATION

President's Report

Bill Martin
President

As president of Consolidated Credit Union, it is my privilege to represent your Board of Directors this evening & report to you on their behalf. It is my pleasure to report to you that once again, Consolidated Credit Union has had an excellent year through the combined efforts of our excellent staff and the support of you, our members.

Each year at the Annual General Meeting, all directors participate in a formal procedure known as the installation of officers. By taking their oath, each board member publicly acknowledges the responsibility and trust that is placed in them by their fellow members. Throughout the year, your Board of Directors fulfills this responsibility through monthly meetings, committee meetings and various other gatherings. By working with and engaging relevant stakeholders, your board ensures that they stay educated and informed on matters of importance.

In my second year as Board President, we continue to navigate through some significant changes in the Credit Union landscape. In last year's report, I alluded to PEI Credit Unions merger with the other 4 provinces and the formation of a governing body which is now known as Atlantic Central. It is becoming clear that this merger was both necessary and beneficial to our long-term prosperity & survival. It will become even more so as the banking landscape continues to change at a rapid pace particularly in the area of technology and mobile banking offerings & solutions.

In my report last year, I stated that 2011 was my 6th year as a board member when, as it turns out, it was my 7th and 2012 is my 8th. As such, in compliance with provincial by-laws next year will be my last on the CCU board and I have already informed our existing board that I will be stepping down as President after this meeting. This will allow for a smooth transition and mentoring period for your new President & board.

I would like to personally and publicly thank two members of our current board who, after many years of dedicated service are retiring. To Joan Arnold & Scott Dawson on behalf of all Consolidated Credit Union members and your fellow board, we can only say "Thank You." We will miss your knowledge, professionalism, experience and integrity.

As Sarah will share with you shortly, this has been another successful year at Consolidated Credit Union. I would like to thank the staff of Arsenault, Best, Cameron and Ellis for their external audit and in particular Brian Cameron who not only provided us with timely guidance but also took a lead role as we moved into a new accounting regime governed by international standards (IFRS) . Also, I would like to thank the staff of CUDIC for their ongoing support and guidance.

Credit Unions generally and certainly Consolidated Credit Union are well positioned to play a key role as important players in the financial services industry. What separates us from our major competitors has been and will continue to be our focus on Customer Service. This service is provided by a group of employees who have day in and day out exceeded expectations through their commitment to excellence.

In closing, I would like to thank the current board of directors for their dedication and commitment, welcome the new directors to the board, congratulate our "Member of the Year" and thank Sarah and her staff for another successful year. I would also like to thank you our members. Consolidated Credit Union is your organization and continues to prosper because of you. Thanks, & have a wonderful evening.

Bill Martin
President

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

6 CO-OPERATION AMONG CO-OPERATI

Sarah Millar
General Manager

Manager's Report

Each year, as I prepare for the AGM, I begin by reviewing my speeches from previous years. As I reviewed the last few, I found that a constant theme and message emerged. The economic uncertainties that I spoke about for the past few years have now created the foundation for our new reality. This is evident each evening as the nightly news provides reminders of how many of the worlds economies are continuing to work through significant issues and how the turmoil is far from over.

While Canada has faired better than most economies, governments and regulators are ensuring that the proper frameworks are in place to prevent similar situations. On the credit union level, these new requirements show up in such things as our adoption of the International Financial Reporting Standards and an increasing number of audits/reviews from various stakeholders. With the adoption of IFRS, our financial statements grew from 16 pages last year to over 30 this year. Operationally, we were audited by five different groups in 2011/2012 covering all areas of the credit union. These included our external auditors Arsenault Best Cameron Ellis, the Credit Union Deposit Insurance Corporation, the Risk Management Agency on behalf of CUDIC, Atlantic Central's Risk Management division and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

The undeniable reality of this increased transparency is that it is beneficial. It is beneficial because it allows us to grow and improve. It is important in that it allows you, the owners, to have better insight and informed confidence. The challenge is that this oversight is costly and time consuming which is why the creation of the Atlantic Central is so timely. While there has always been an openness within the system for sharing, I have found that since the creation of the Atlantic Central this has increased and that there is a strong movement within the system to work more closely, to share ideas and best practices and to help each other succeed. We are all coming to terms with the fact that the future will involve tighter margins, increasing expenses associated with oversight, enhanced competition and the need to offer cutting edge technology to our members. Regardless of the reasons, credit unions are realizing that they have to work together and the Atlantic Central provides a means of doing so.

As General Manager of Consolidated Credit Union, I work each day to do what is best for the credit union and our member/owners. I have long ago accepted that the temporary phase we were going through has become the new reality. I believe that in doing so we can benefit from what comes with these new changes. Consolidated welcomes the advice of our partners and the opportunity to learn from others and benefit from their experience. We are confident that in doing so we will continue to not just survive the new environment but to continue to succeed within it.

In closing, I would like to thank the Board of Directors for their professionalism and support. They are a dedicated group who always act with your best interests in mind and who provide me with thoughtful leadership and support. As well, I would like to thank my staff. Each year I have the opportunity to stand in front of you and talk about our wonderful credit union. I trust that all of you know that none of this would be possible without this talented and dedicated group. It is always a pleasure to watch as they embrace change, move forward and continue to make Consolidated more than just a place to work.

Thank you,

Sarah Millar,
General Manager

2012 HIGHLIGHTS

Net Income of **$1.3 Million**

$140.3 Million Total Assets (increase of 3.5% from 2011)

$4.0 Million in **Equity** (2.90% of assets)

$105.9 Million In **Loans and Mortgages**

$134.8 Million In **Member Deposits**

Approximately **8,600 members**

Investing in our Community

Consolidated Credit Union prides itself on being actively involved in the communities we serve. During the past year we have had the privilege of being associated with the following worthwhile organizations:

- Holland College
- Summerside Minor Hockey
- Summerside Chamber of Commerce
- Summerside Rotary
- Prince Edward Island Cooperative Council
- Summerside Lions Club
- South Shore Chamber of Commerce
- Generation XX
- Credit Union Place
- College of Piping
- Relay for Life
- Prince County Hospital
- Y Kids
- Summerside Community Church
- Special Olympics
- Muscular Dystrophy
- Boys and Girls Club
- Summerside Legion
- TOSH Safe Grad
- University of Prince Edward Island
- Crapaud Curling Club
- PEI Women's Institute
- PEI Sports Hall of Fame
- Crapaud Exhibition
- Le Club Richelieu Evangeline
- Hike for Hospice Palliative Care
- Crime Stoppers
- Junior Achievement
- Children's Wish Foundation
- Salvation Army
- Kinsmen
- Camp Abby
- Big Brothers Big Sisters
- PEI Under 18 Rugby
- Summerside Lobster Carnival
- Dolphin Swim Club
- Lacrosse PEI
- TOSH Pumpkin Patrol
- PEI Scout Council
- Somerset Festival
- Aviation Heritage PEI
- Basketball PEI
- Somerset Steppers
- PEI Autism Society
- Bedeque Recreation Center
- MADD

Samantha Kwiatkowski

Janelle Bradley

Logan McAulay

Bryanna Thompson

Education Report

On Tuesday, May 29th, at 3:30PM a meeting of the Education/Scholarship Committee was held in the CCU boardroom. Members in attendance were Linda Hardy, Barb Murphy, Lori Gandy, Joan Arnold, Larry MacKinnon and Ron Silliker.

Seven scholarships were awarded (2 to Kinkora Regional High School and 5 to Three Oaks Senior High School).

Kinkora Regional High School	Three Oakes High School
1. Kristen Lawless	1. Janelle Bradley
2. Zachary Muttart	2. Samantha Kwiatowski
	3. Bryanna Thompson
	4. Jenna MacKinnon
	5. Logan McAulay

The Kinkora graduation was held on Tuesday, June 19th, at 7:00PM at the High School. The Three Oaks graduation was held on Thursday, June 21st at Credit Union Place.

A discussion was held, at the committee level, on offering scholarships to mature students, starting next year. A motion was brought to the Board, and passed, that up to two $500.00 scholarships be offered to mature students, starting next year.

I would like to thank the committee members for all their help.

Yours truly,

Ron Silliker

Education/Scholarship Chairperson

Jenna MacKinnon

Kristen Lawless

Zachary Muttart

7 CONCERN FOR COMMUNITY

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS
A Member Firm of The AC Group of Independent Accounting Firms Limited

Chartered Accountants &
Business Advisors
Prince Edward Place
80 Water Street
PO Box 455
Charlottetown, Prince Edward Island
Canada C1A 7L1
Telephone (902) 368-3100
Fax (902) 566-5074
www.acgca.ca

November 7, 2012

Independent Auditor's Report

To the Members of
Consolidated Credit Union Ltd.
We have audited the accompanying financial statements of **Consolidated Credit Union Ltd.**, which comprise the statement of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010, and the statement 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 opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Consolidated 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

Consolidated 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	12,478,555	10,164,252	11,958,937
Loans and mortgages (note 7)	105,916,538	102,675,476	98,310,585
Prepaid expenses and other	178,819	208,885	194,830
Property and equipment (note 8)	2,271,275	2,350,717	2,358,011
Investments (note 9)	19,503,198	20,200,121	18,485,238
	140,348,385	135,599,451	131,307,601
Liabilities			
Member deposits (note 10)	134,848,401	129,825,772	127,486,021
Accrued interest payable	987,161	1,039,921	1,055,419
Other liabilities	303,524	1,849,037	561,264
Income taxes payable	135,783	84,694	53,246
	136,274,869	132,799,424	129,155,950
Contingent liability (note 11)			
Members' Equity			
Undistributed income	4,073,516	2,800,027	2,151,651
	140,348,385	135,599,451	131,307,601

Approved by the Board of Directors

________________ Director

________________ Director

Consolidated Credit Union Ltd.

Statement of Changes in Members' Equity

For the year ended September 30, 2012

	2012 $	2011 $
Undistributed income - Beginning of year (note 19)	2,800,027	2,151,651
Net earnings for the year	1,273,489	648,376
Undistributed income - End of year	4,073,516	2,800,027

Consolidated Credit Union Ltd.

Statement of Comprehensive Income

For the year ended September 30, 2012

	2012 $	2011 $
Revenue		
Loan interest	5,176,843	5,096,924
Investment	288,208	356,557
CUCPEI dividend	641,125	-
Service fees	739,629	779,477
Commissions	642,346	528,849
Property rentals	28,733	36,790
Other income	39,876	35,458
	7,556,760	6,834,055
Expenses		
Staff	1,907,201	1,883,170
Premises	196,346	228,609
Insurance	220,227	212,304
Office	177,833	216,163
Service fees	744,543	674,937
General	681,094	553,545
Cost of capital	2,084,523	2,199,066
Amortization	92,568	92,670
	6,104,335	6,060,464
Operating earnings	1,452,425	773,591
Other		
Share dividends	(43,153)	(40,521)
	1,409,272	733,070
Provision for income taxes		
Current (note 13)	135,783	84,694
Net earnings for the year (note 19)	1,273,489	648,376

Consolidated Credit Union Ltd.

Statement of Cash Flows

For the year ended September 30, 2012

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Net earnings for the year	1,273,489	648,376
Item not affecting cash		
Amortization	92,568	92,670
	1,366,057	741,046
Net change in non-cash working capital items		
Increase in loans and mortgages	(3,241,062)	(4,364,891)
Decrease (increase) in prepaid expenses and other	30,066	(14,055)
Decrease in accrued interest payable	(52,760)	(15,498)
Increase (decrease) in other liabilities	(1,545,513)	1,287,773
Increase in income taxes payable	51,089	31,448
	(3,392,123)	(2,334,177)
Financing activity		
Increase in member deposits	5,022,629	2,339,751
Investing activities		
Purchase of property and equipment	(13,126)	(85,376)
Decrease (increase) in investments	696,923	(1,714,883)
	683,797	(1,800,259)
Increase (decrease) in cash and cash equivalents	2,314,303	(1,794,685)
Cash and cash equivalents - Beginning of year	10,164,252	11,958,937
Cash and cash equivalents - End of year	12,478,555	10,164,252
Supplementary disclosure		
Interest received	5,415,802	5,485,028
Interest paid	2,137,283	2,214,564
Dividends received	641,125	-
Dividends paid	40,521	40,383
Income taxes paid	84,694	53,246

Consolidated Credit Union Ltd.

Notes to Financial Statements
September 30, 2012

1 General information

Consolidated 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 Summerside, 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 19.

These financial statements have been approved for issue by the Board of Directors on November 7, 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 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 effective is 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.

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, other liabilities and retirement benefit obligation.

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.

- 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.

Consolidated Credit Union Ltd.

Notes to Financial Statements

September 30, 2012

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 Credit Union adjusts the inputs to its collective allowance methodology on an ongoing basis, taking into account factors such as historical loss experience and adjusting for current observable data that did not impact the period which the historical loss experience was based on. Estimates of changes in future cash flows from groups of assets reflects and are directionally consistent with changes in related observable data from period to period.

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 not 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

Furniture, equipment and computer and pavement are stated at cost less accumulated amortization. Land and buildings are stated at fair value (see notes 4(a) and 19(i)). 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. Building depreciation is calculated on a straight-line method over 40 years. All other property and equipment is amortized using the declining balance method at the following annual rates:

Furniture and equipment	20%
Computers	30%
Pavement	8%

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.

Consolidated 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.

v) Property rentals

Property rental income is recognized in the month the rent is earned.

(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 31, 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.

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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) Fair value of land and building

On October 1, 2010, the Credit Union increased the carrying value of land and building by $212,112 (note 19(i)). The fair value of the property and equipment was determined by recent independent third party appraisal.

(b) 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.

(c) 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 amortization 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.

(d) 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 assumption. 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, those investments are recorded at cost.

(e) 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.

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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, interest rate and operational risk. Authority for all risk-taking activities rests with the Board of Directors (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.

(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 reports 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 assets 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	12,478,555	10,164,252	11,958,937
Loans and mortgages	105,916,538	102,675,476	98,310,585
Investments	19,503,198	20,200,121	18,485,238
	137,898,291	133,039,849	128,754,760

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:

	2012 $	**2011** $
Cash and equivalents	12,478,555	10,164,252

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	93,728,880	28,824,363	-	122,553,243
Share accounts	12,295,158	-	-	12,295,158
Accrued interest payable	987,161	-	-	987,161
Other liabilities	303,524	-	-	303,524
Income taxes payable	135,783	-	-	135,783
	107,450,506	28,824,363	-	136,274,869

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September 30, 2012

	Under 1 year $	Over 1 to 5 years $	Over 5 years $	September 30, 2011 Total $
Member deposits	78,556,472	40,887,855	-	119,444,327
Share accounts	10,381,445	-	-	10,381,445
Accrued interest payable	1,039,921	-	-	1,039,921
Other liabilities	1,849,037	-	-	1,849,037
Income taxes payable	84,694	-	-	84,694
	91,911,569	40,887,855	-	132,799,424

	Under 1 year $	Over 1 to 5 years $	Over 5 years $	October 1, 2010 Total $
Member deposits	78,875,372	38,941,533	-	117,816,905
Share accounts	9,669,116	-	-	9,669,116
Accrued interest payable	1,055,419	-	-	1,055,419
Other liabilities	561,264	-	-	561,264
Income taxes payable	53,246	-	-	53,246
	90,214,417	38,941,533	-	129,155,950

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	196,400	246,300
1% decrease in interest rates	(195,400)	(242,100)

(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.

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

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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)	41,870	42,665
Members' equity	4,073,516	2,800,027
Total regulatory equity	4,115,386	2,842,692
Total assets	140,348,385	135,599,451
Equity level	2.93%	2.10%

	#	**September 30, 2012 $**	**#**	**September 30, 2011 $**
Opening, October 1	8,533	42,665	8,717	43,585
Issued	993	4,965	1,099	5,495
Redeemed	(1,152)	(5,760)	(1,283)	(6,415)
Closing, September 30	8,374	41,870	8,533	42,665

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		March 31, 2012	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Assets carried at fair value				
Financial assets held for trading -				
Cash and equivalents	12,478,555	12,478,555	10,164,252	10,164,252
Liquidity reserve deposit	8,116,293	8,116,293	7,926,660	7,926,660
	20,594,848	20,594,848	18,090,912	18,090,912
Assets carried at amortized cost				
Loans and mortgages	105,916,538	105,916,538	102,675,476	102,675,476
Investments - held to maturity	9,514,824	9,514,824	9,936,104	9,936,104
Investments - available for sale	1,872,081	1,872,081	2,337,357	2,337,357
	117,303,443	117,303,443	114,948,937	114,948,937
Liabilities carried at amortized cost				
Member deposits	134,848,401	134,848,401	129,825,772	129,825,772
Accrued interest payable	987,161	987,161	1,039,921	1,039,921
Other liabilities	303,524	303,524	1,849,037	1,849,037
Income taxes payable	135,783	135,783	84,694	84,694
	136,274,869	136,274,869	132,799,424	132,799,424

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

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Notes to Financial Statements

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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	18,522,726	214,288	198,105	18,324,621	15,556,349	15,051,593
Business	9,445,994	508,351	138,702	9,307,292	11,427,079	9,617,195
Mortgage - personal	37,395,099	158,992	-	37,395,099	38,335,600	36,321,657
Mortgage - business	26,372,164	-	-	26,372,164	21,360,509	18,191,757
Lines of credit and overdrafts	13,972,669	458,295	511,153	13,461,516	14,732,829	12,825,830
Student loans	706,183	-	-	706,183	937,728	5,707,969
Accrued interest	349,663	-	-	349,663	325,382	594,584
	106,764,498	1,339,926	847,960	105,916,538	102,675,476	98,310,585

Mortgages and other loans

Mortgages are secured by realty mortgages with interest rates of 2.5% - 10.19% (2011 - 2.5% - 7.4%). Other loans are priced at market rates unless circumstances warrant special considerations. The interest rates range from 2.5% - 18% (2011 - 2.5% - 18%) on personal and business loans, 0.00% - 18% (2011 - 0.00% - 18%) on line of credits and overdrafts and 0.00% - 12.5% (2011 - 0.00% - 5.5%) on student loans. 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 3.00% (2011 - 3.00%).

(b) Continuity of allowance for impaired loans

	Specific $	Collective $	Total $
Balance - October 1, 2010	1,317,337	22,287	1,339,624
Increase (decrease) in allowance	(4,286)	4,286	-
Amounts written off during the year	(419,292)	-	(419,292)
Recoveries of loans previously written off	9,750	-	9,750
Balance - September 30, 2011	903,509	26,573	930,082
Increase (decrease) in allowance	26,573	(26,573)	-
Amounts written off during the year	(94,820)	-	(94,820)
Recoveries of loans previously written off	12,698	-	12,698
Balance - September 30, 2012	847,960	-	847,960

(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	1,534,551
September 30, 2011	1,058,583
October 1, 2010	1,498,624

Consolidated Credit Union Ltd.

Notes to Financial Statements

September 30, 2012

8 Property and equipment

	Land $	Buildings $	Furniture, equipment and computer $	Pavement $	Total $
Recorded amount					
Balance - October 1, 2010	572,000	1,576,000	1,665,917	88,952	3,902,869
Additions	-	-	76,649	8,727	85,376
Balance - September 30, 2011	572,000	1,576,000	1,742,566	97,679	3,988,245
Additions	-	-	13,126	-	13,126
Disposals	-	-	(1,374,782)	-	(1,374,782)
Balance - September 30, 2012	572,000	1,576,000	380,910	97,679	2,626,589
Accumulated amortization					
Balance - October 1, 2010	-	-	1,483,133	61,725	1,544,858
Current year amortization	-	39,400	50,743	2,527	92,670
Balance - September 30, 2011	-	39,400	1,533,876	64,252	1,637,528
Current year amortization	-	39,400	50,494	2,674	92,568
Disposals	-	-	(1,374,782)	-	(1,374,782)
Balance - September 30, 2012	-	78,800	209,588	66,926	355,314
Carrying value					
October 1, 2010	572,000	1,576,000	182,784	27,227	2,358,011
September 30, 2011	572,000	1,536,600	208,690	33,427	2,350,717
September 30, 2012	572,000	1,497,200	171,322	30,753	2,271,275

9 Investments

	September 30, 2012 $	September 30, 2011 $	October 1, 2010 $
Financial assets			
Fair value through profit or loss:			
Liquidity reserve deposit	8,116,293	7,926,660	8,009,000
Held to maturity:			
Term deposits	9,514,824	9,936,104	9,337,697
Available for sale:			
Credit Union Central shares	-	419,996	1,044,400
Atlantic Central shares	1,777,940	1,823,220	-
League Savings & Mortgage shares	19,411	19,411	19,411
League Data shares	71,730	71,730	71,730
Co-operative membership	3,000	3,000	3,000
Total investments	19,503,198	20,200,121	18,485,238

Liquidity reserve deposit

In order to meet the 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 (note 5b). The deposit bears interest at a variable rate.

Term deposits

Term deposits are invested with the League Savings & Mortgage Company and Atlantic Central, and are carried at cost which approximates fair value. These term deposits have the following maturity dates and rates of return:

	Amount $	Rate of Return	Maturity
	2,000,000	1.50%	May 22, 2013
	1,135,103	2.99%	July 16, 2014
	2,096,603	1.85%	August 13, 2014
	2,000,000	1.00%	October 9, 2012
	2,283,118	1.45%	August 8, 2013
Total	9,514,824		

Consolidated Credit Union Ltd.

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Available for sale

No market exists for the available for sale shares except that they may be surrendered on withdrawal from membership for proceeds equal to the paid-in value.

10 Member deposits

	2012 $	2011 $
Ownership shares and share accounts (note 12)	12,295,158	10,381,445
Savings and Plan 24	7,974,165	6,612,902
Chequing accounts	30,817,599	30,937,751
Term deposits	41,449,794	40,278,675
RRSP and RRIF	42,311,685	41,614,999
	134,848,401	129,825,772

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

Ownership share and share accounts pay members a dividend return at the discretion of the Board. Privileges of the shares are under the authority of the Board. The member dividend rate declared and paid for 2012 was 0.5% (2011 - 0.5%) based on the average minimum monthly share balance throughout the year.

Savings and Plan 24 are deposits on a call basis that pay holders a variable interest rate ranging from 0.00% - 4.10% (2011 - 0.00% - 4.10%) and 0.00% - 0.50% (2011 - 0.00% - 0.25%), respectively.

Chequing accounts are held on a call basis and pay the account holders interest at the Credit Union's stated rates, 0% - 2% (2011 - 0% - 2%).

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.

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

Fixed *term deposits* bear interest at various rates ranging from 0.00% - 5.0% (2011 - 0.00% to 5.0%) and extend for a term of up to five years.

RRSP and RRIF

Concentra Financial is the Trustee for the registered savings plans offered to owners. Under an agreement with the trust company, members' 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 the members, 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 ranging from 0.00% - 5.6% (2011 - 0.00% to 5.6%).

11 Contingent liability

	September 30, 2012 $	September 30, 2011 $	October 1, 2010 $
Outstanding guarantees on behalf of members	-	346,000	535,000

12 Share accounts

An unlimited number of membership shares are available for issuance, 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

Tax rate reconciliation

	2012 $	2011 $
Income before income taxes	1,409,272	733,070
Taxes at statutory rates - 31.38% (2011 - 32.88%)	442,230	241,033
Impact of small business deduction and additional deduction for credit unions	(362,091)	(147,366)
Permanent differences and other	55,644	(8,973)
	135,783	84,694

14 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 $83,843 (2011 - $81,836) in contributions to the plan. This expense is included with staff expenses on the Statement of Comprehensive Income.

15 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.

Consolidated Credit Union Ltd.
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16 Composition of key management

Key management includes the Board of Directors, general manger, operations manager, commercial credit manager, front office manager, consumer credit manager and compliance officer. Compensation awarded to key management included:

(a) Key management, excluding directors

	2012 $	2011 $
Salaries and short-term employee benefits	541,539	536,851
Retirement benefit obligations	46,367	92,164

(b) Directors' remuneration

	2012 $	2011 $
Honorariums	20,300	19,300
Payment for expenses while on credit union business	5,730	246

(c) Loans to directors and key management personnel

	2012 $	2011 $
Loans outstanding - Beginning of year	3,203,345	1,883,671
Loans issued during the year	594,388	1,034,696
Loan repayments during the year	(816,915)	(502,301)
Net increase (decrease) in line of credits	(277,437)	787,279
Loans outstanding - End of year	2,703,381	3,203,345
Interest income earned	197,942	181,533

The loans issued to directors and key management personnel and close family members during the year of $594,388 (2011 - $1,034,696) are repayable over 0 - 5 years and have interest rates ranging from 2.5% to 6.0% (2011 - 2.5% to 6.0%).

17 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 $	Total $
Assets					
Cash	-	-	-	1,850,143	1,850,143
Short-term deposits	10,628,412	-	-	-	10,628,412
Effective interest rate	0.83%				
Investments	16,271,493	3,231,705	-	-	19,503,198
Effective interest rate	1.00%	2.25%			
Loans and mortgages	71,616,535	34,184,100	614,200	-	106,414,835
Effective interest rate	4.73%	4.50%	5.41%		
Reserve on loan portfolio	(161,116)	(686,844)	-	-	(847,960)
Accrued loan interest receivable	-	-	-	349,663	349,663
Prepaid expenses and other assets	-	-	-	178,819	178,819
Property and equipment	-	-	-	2,271,275	2,271,275
Total assets	98,355,324	37,415,805	614,200	4,649,900	140,348,385
Liabilities and surplus					
Member deposits	8,652,141	-	-	22,165,457	30,817,598
Effective interest rate	0.849%				
Call deposits	11,348,571	-	-	-	11,348,571
Effective interest rate	0.68%				
Share capital	12,295,158	-	-	-	12,295,158
Effective interest rate	0.50%				
Term deposits	51,562,711	28,824,363	-	-	80,387,074
Effective interest rate	2.123%	2.730%			
Accrued interest payable	-	-	-	987,161	987,161
Other liabilities	-	-	-	303,524	303,524
Income taxes payable	-	-	-	135,783	135,783
Undistributed earnings	-	-	-	4,073,516	4,073,516
Total liabilities and surplus	83,858,581	28,824,363	-	27,665,441	140,348,385
Interest rate sensitivity gap	14,496,743	8,591,442	614,200	(23,015,541)	-

Consolidated Credit Union Ltd.

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September 30, 2012

September 30, 2011

	Under 1 year $	Over 1 to 5 years $	Over 5 years $	Not interest rate sensitive $	Total $
Assets					
Cash and equivalents	-	-	-	1,933,226	1,933,226
Short-term deposits	8,231,026	-	-	-	8,231,026
Effective interest rate	0.83%				
Investments	19,098,060	1,102,061	-	-	20,200,121
Effective interest rate	1.84%	2.99%			
Loans and mortgages	66,056,931	35,345,107	948,056	-	102,350,094
Effective interest rate	4.87%	4.91%	4.51%		
Accrued loan interest receivable	-	-	-	325,382	325,382
Prepaid expenses and other	-	-	-	208,885	208,885
Property and equipment	-	-	-	2,350,717	2,350,717
Total assets	93,386,017	36,447,168	948,056	4,818,210	135,599,451
Liabilities and surplus					
Member deposits	9,012,371	-	-	21,925,380	30,937,751
Effective interest rate	0.883%				
Call deposits	9,922,094	-	-	-	9,922,094
Effective interest rate	0.66%				
Share capital	10,381,445	-	-	-	10,381,445
Effective interest rate	0.50%				
Term deposits	37,696,627	40,887,855	-	-	78,584,482
Effective interest rate	1.784%	3.115%			
Accrued interest payable	-	-	-	1,039,921	1,039,921
Other liabilities	-	-	-	1,849,037	1,849,037
Income taxes payable	-	-	-	84,694	84,694
Undistributed earnings	-	-	-	2,800,027	2,800,027
Total liabilities and surplus	67,012,537	40,887,855	-	27,699,059	135,599,451
Interest rate sensitivity gap	26,373,480	(4,440,687)	948,056	(22,880,849)	-

As at September 30, 2012, the Credit Union's net interest spread was 2.47% (2011 - 2.47%). 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.

18 Commitments

The Credit Union had lines of credit and loans and mortgages approved but not disbursed at September 30, 2012 amounting to $5,282,199 and $5,948,276, respectively.

19 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 exceptions and exemptions elected by the credit union are as follows:

Deemed cost of property and equipment – IFRS 1 allows an entity to measure an item of property and equipment at its fair value at transition date and use that fair value as deemed cost at the transition date. The Credit Union elected to revalue its land and buildings to fair value and correspondingly recognized $212,112 in members' equity.

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.

Consolidated Credit Union Ltd.

Notes to Financial Statements

September 30, 2012

(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:

	Notes	**September 30, 2011 $**	**October 1, 2010 $**
Undistributed income previously reported in accordance with previous GAAP		3,042,370	2,401,931
Adjustments:			
Impact of earnings adjustment		7,937	-
Revaluation of property and equipment	(i)	212,112	212,112
Employee benefits	(ii)	(462,392)	(462,392)
Undistributed income in accordance with IFRS		2,800,027	2,151,651

		September 30, 2011 $
Comprehensive income		
Comprehensive income reported under Canadian GAAP		640,439
Increase (decrease) in net earnings for changes in:		
Amortization on revaluation of buildings and on change in estimated life	(i)	22,583
Amortization on furniture, equipment and computer on change in estimated useful life	(i)	21,828
Increase in retirement benefit obligations	(ii)	(36,474)
		7,937
Comprehensive income reported under IFRS		648,376

Explanatory notes

(i) Property and equipment – In accordance with IFRS transitional provisions, the Credit Union elected to use fair value as deemed cost for its buildings resulting in an increase of $212,112 to its carrying value at October 1, 2010. The fair value was determined by a third party independent appraisal.

In addition to revaluing the buildings at fair market value, the Credit Union changed its estimated useful life of the buildings to forty years. As a result of building being depreciated on a straight-line method over 40 years versus a declining balance method at 4%, there is a decreased amortization expense of $22,583 for the year ended September 30, 2011.

The Credit Union also changed the estimated useful life of furniture, equipment and computer. The amortization on a declining balance basis decreases to 20% from 20% to 30% for furniture and equipment and 30% for computer from 55% and 45%, resulting in a decreased amortization expense of $21,828 for the year ended September 30, 2011.

(ii) Retirement obligations – In accordance with IAS 19, the Credit Union has recorded the present value of their future retirement obligations, resulting in an increase in liabilities of $462,392. Recording the changes in the present value of the retirement obligation resulted in an increase in salaries expense of $36,474 for the year ended September 30, 2011.

(c) Adjustment to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Credit Union in 2011.

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.

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Rod MacInnis CGA CFP
Financial Planner

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.

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.

4

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.

CREDIT UNION

CONSOLIDATED