

Sunshine Coast Credit Union



2003 ANNUAL REPORT



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NOTICE OF ANNUAL GENERAL MEETING

The 63rd Annual General Meeting of Sunshine Coast Credit Union will be held on Thursday, April 29th, 2004 at 7:30 p.m. at the:

Sechelt Seniors' Activity Centre,
5604 Trail Avenue, Sechelt, B.C.

AGENDA

1. Call to Order
2. Introduction of Officers
3. Adoption of Agenda
4. Appointment of Recording Secretary
5. Adoption of Minutes of the 62nd AGM, May 1, 2003
6. Business Arising Out of the Minutes
7. Directors' Report
8. Auditors' Report
9. Chief Executive Officer's Report
10. Adoption of Reports
11. Report on Attendance
12. Directors' Election Results
13. New Business
14. Appointment of Auditors
15. Motion to Authorize the Directors to Set the Audit Fee
16. Good and Welfare
17. Adjournment

2003 BOARD OF DIRECTORS

Tim Anderson, Chairperson
Brian Beecham*, 1st Vice Chairperson
Karen Archer, 2nd Vice Chairperson
Stan Anderson
Bernard Bennett*
Harris Cole
Rick Gamache
Elfie Hofmann*
Margaret Penney

** Terms expire at 2004 Annual General Meeting*

REPORT OF THE CHIEF EXECUTIVE OFFICER



Low interest rates and a strong real estate market on the Sunshine Coast resulted in exceptional growth in loans to members in 2003. Total loans grew 15%, or \$21.4 million to \$164.9 million. Total assets of the credit union increased 9.3% in 2003 to \$202.6 million. Deposit growth of 8% or \$14 million was achieved. The credit union's liquidity, which had been at historically high levels in 2003, began to drop in the later part of 2003 and ended the year at \$32.6 million, down \$5 million from the previous year end.

As a result of strong growth in loans, earnings before taxes and distributions to members were up significantly over the previous year. Net operating income amounted to \$2,054,904 and after patronage rebates to members, net earnings totalled \$1,638,313. Retained earnings at December 31, 2003 amounted to \$10.8 million for a capital adequacy ratio of 17% of risk-weighted assets.

Overall, I am very pleased with the financial results achieved in 2003. The fact that we were able to reward member shareholders, borrowers and depositors for their patronage of the credit union was particularly gratifying.

The credit union's expanding membership and increasing level of business on the Sunshine Coast made it necessary to expand and restructure our branch staffing compliments in 2003. These changes, combined with internal promotions, resulted in many human resource changes during the year. However, as a result of considerable effort on the part of our staff and management, substantial progress has been made to ensure that the high level of service our members expect will be maintained.

I would like to thank the Board of Directors of Sunshine Coast Credit Union for their support and contributions in 2003. We are fortunate to have a very capable and competent Board of Directors, which provides the foresight and strategic leadership to this organization. Member shareholders can be assured that their interests are well-represented by their Board of Directors.

***A proud supporter
of economic
development
on the
Sunshine
Coast***



Growth, size of assets and financial return are not the only criteria by which we measure our success, however, 2003 was a milestone by virtue of our attainment of over \$200 million in assets. This is certainly a notable achievement for a community credit union in a well defined market of 28,000 residents. Once again, I would like to thank members, staff, management and directors for their support throughout the year.

Dale Eichar
Chief Executive Officer

Committed to



*improving the
well-being of our
members and
communities*

REPORT OF THE BOARD OF DIRECTORS



I am pleased to report that Sunshine Coast Credit Union turned in a very successful year in 2003. Budgetary objectives approved by the Board of Directors were met and exceeded, resulting in one of the best financial performances in recent years. As a result, your Board of Directors approved payment of a 3% patronage rebate and 3% interest bonus to members totalling \$417,000. In addition, dividends on Equity Shares were paid at the following rates: Class D Voluntary Equity Shares: 5%; Class C Transaction Equity Shares: 3.26%; Class B Membership Equity Shares: 1.83%. The Board of Directors authorized the issuance of \$3 million in Class D Voluntary Equity Shares to members a number of years ago. This class of shares is now fully subscribed to and no further issues are contemplated at this time because of the strong capital position of the credit union. Total Equity Shares issued to members amount to \$3,315,141.

Your credit union was a strong supporter of community organizations and events in 2003. Charitable donations and sponsorships amounted to \$59,560, putting Sunshine Coast Credit Union well above the Canadian Centre for Philanthropy's *Imagine Caring Program* benchmark of 1% of pre-tax earnings. We are also pleased to report that the newly formed Sunshine Coast Community Foundation is registered provincially and federally and is nearing its public launch. As a demonstration of our support, and to ensure that this organization has the capital needed in its formative years, we have agreed to contribute \$100,000, over a four year period, in an endowment to the Foundation. The first installment of \$25,000 was made to the Foundation on December 31, 2003.

This past year Ray Williston stepped down from the Board of Directors after serving for nine years as a director. Ray was a significant contributor as a director of the credit union. Joan McKean, who had served on the Board since 1997, also left the Board of Directors in 2003 due to her relocation to Vernon. We thank Joan and Ray for their contributions as directors over the years. They both will be missed. Elfie Hofmann was appointed to the Board of Directors to fill the vacancy created by Joan's resignation. Elfie is well-known for her past service as Manager of the Sunshine Coast Golf and Country Club and in her current position as Public Relations Officer for Howe Sound Pulp and Paper. We welcome Elfie to the Board.

Bernard Bennett, who served as Chairperson for five years prior to the 2003 Annual General Meeting, continues on as a director. On behalf of the Board, thank you Bernard for your dedicated leadership.

I would like to take this opportunity to thank the staff and management of the credit union for their contributions which resulted in an excellent year for Sunshine Coast Credit Union. And, I would also like to especially thank the members for their continued patronage and support of their credit union.

Tim Anderson, Chairperson
Board of Directors

AUDITORS' COMMENTS ON SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

To the Members of Sunshine Coast Credit Union

The accompanying summarized consolidated balance sheet and consolidated statements of earnings and retained earnings and cash flows are derived from the complete consolidated financial statements of Sunshine Coast Credit Union as at December 31, 2003 and for the year then ended on which we expressed an opinion without reservation in our report dated January 21, 2004. The fair summarization of the complete consolidated financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized consolidated financial statements.

In our opinion, the accompanying consolidated financial statements fairly summarize, in all material respects, the related complete consolidated financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized consolidated financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the credit union's financial position, results of operations and cash flows, reference should be made to the related complete consolidated financial statements.


New Westminster, Canada
January 21, 2004

GRANT THORNTON LLP
Chartered Accountants

SUMMARIZED CONSOLIDATED BALANCE SHEET

December 31	2003	2002
ASSETS		
Cash resources	\$ 32,641,507	\$ 37,879,408
Loans	164,893,743	143,478,585
Investments and other	2,921,192	1,951,848
Premises and equipment	2,236,004	2,225,935
	\$ 202,692,446	\$ 185,535,776
LIABILITIES AND EQUITY		
Deposits	\$ 186,705,249	\$ 172,732,073
Payables and accruals	1,847,754	1,067,838
Equity shares	3,315,141	2,026,138
Retained earnings	10,824,302	9,709,727
	\$ 202,692,446	\$ 185,535,776

On behalf of the Board


Tim Anderson, Director


Brian Beecham, Director

SUMMARIZED CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year Ended December 31	2003	2002
Financial income	\$ 11,457,404	\$ 10,723,796
Financial expense	5,265,853	4,963,389
Financial margin	6,191,551	5,760,407
Provision for credit losses	(180,000)	(146,000)
Other income	2,458,686	2,057,526
Operating margin	8,470,237	7,671,933
Operating expenses	6,415,333	6,040,238
Earnings before patronage dividend and income taxes	2,054,904	1,631,695
Patronage dividend	416,591	–
Earnings before income taxes	1,638,313	1,631,695
Income taxes	417,775	300,000
Net earnings	1,220,538	1,331,695
Dividends on equity shares (net)	(105,963)	(110,128)
Retained earnings, beginning of year	9,709,727	8,488,160
Retained earnings, end of year	\$ 10,824,302	\$ 9,709,727

SUMMARIZED CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31	2003	2002
Cash flows provided by (used in)		
Operating activities	\$ 1,672,736	\$ 1,728,187
Financing activities	15,029,607	22,884,252
Investing activities	(21,940,244)	(13,259,322)
Net (decrease) increase in cash resources	(5,237,901)	11,353,117
Cash resources, beginning of year	37,879,408	26,526,291
Cash resources, end of year	\$ 32,641,507	\$ 37,879,408

A complete set of financial statements is available from the credit union.