Annual Report

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1982

FirstCity

Board of Directors

First City Financial Corporation Ltd.

Senator David A. Croll, Q.C.
Chairman of the Board
Toronto, Ontario

●▼**Samuel Belzberg**
President
Vancouver, B.C.

●**Richard C. Baxter**
Vancouver, B.C.

Hyman Belzberg
Calgary, Alberta

▼**William Belzberg**
Beverly Hills, California

Michael Cytrynbaum
Vancouver, B.C.

Senator Allister Grosart, P.C.
Toronto, Ontario

W. Bernard Herman, Q.C.
Toronto, Ontario

Frank D. Jones, Q.C.
Edmonton, Alberta

▼**Morley Koffman,** LL.B.
Vancouver, B.C.

Roderick R. McDaniel
Calgary, Alberta

●**Joseph H. Shoctor,** C.M., Q.C.
Edmonton, Alberta

First City Trust Company

▼**Samuel Belzberg**
Chairman of the Board, President and Chief Executive Officer
Vancouver, B.C.

Richard C. Baxter
Vancouver, B.C.

▼**Hyman Belzberg**
Calgary, Alberta

William Belzberg
Beverly Hills, California

●**W. Bernard Herman,** Q.C.
Toronto, Ontario

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Edmonton, Alberta

▼**Morley Koffman,** LL.B.
Vancouver, B.C.

Roderick R. McDaniel
Calgary, Alberta

Sam Foster Ross, Q.C.
Hamilton, Ontario

Joseph H. Shoctor, C.M., Q.C.
Edmonton, Alberta

Jack C. Stradwick, JR.
Burlington, Ontario

H. J. Michael Watson
Toronto, Ontario

● Audit Committee
▼ Executive Committee

Financial Highlights

First City Financial Corporation Ltd.

	1982	1981
Earnings Per Common Share		
Before extraordinary items	**$ 1.78**	$ 5.27
After extraordinary items	**$ 2.17**	$ 6.68
Gross Revenue	**$561.8 million**	$495.9 million
Net Income	**$ 17.3 million**	$ 56.1 million
Total Assets	**$ 2.4 billion**	$ 2.2 billion
Shareholders' Equity	**$153.4 million**	$126.4 million

First City Trust Company

	1982	1981
Earnings Per Common Share		
Before extraordinary items	**$ 7.35**	$ 7.60
After extraordinary items	**$ 9.23**	$ 10.32
Gross Revenue	**$547.0 million**	$433.6 million
Net Income	**$ 17.2 million**	$ 18.6 million
Total Assets	**$ 2.2 billion**	$ 2.0 billion
Shareholders' Equity	**$113.2 million**	$101.7 million

The First City Group of Companies

First City is an integrated group of companies operating under the First City name. The parent company of the Group is First City Financial Corporation Ltd., formed primarily as a holding company for First City Trust Company in which it presently has a 98.5% interest. In recent years First City Financial's investment activities have been expanded to provide a basis for portfolio diversification and the ability to take meaningful long-term investment positions in companies in both Canada and the United States.

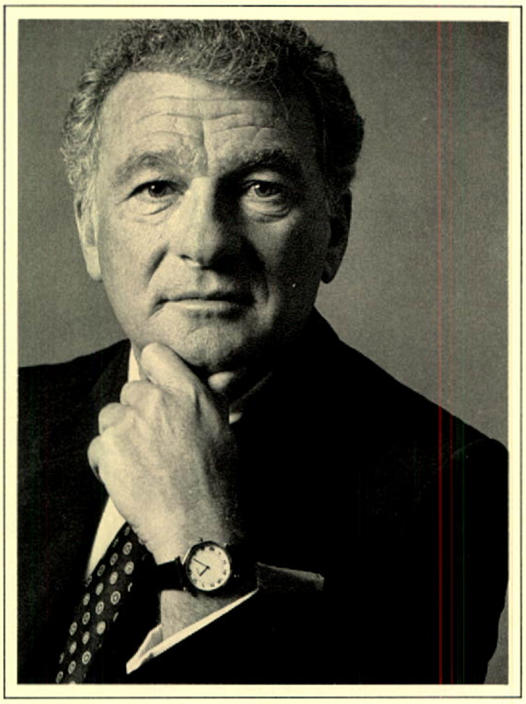
First City Trust Company is a major Canadian financial institution which offers a full range of customer deposit services, mortgage financing, personal and commercial lending, leasing, and fiduciary services. First City Trust Company wholly owns both First City Development Corp. Ltd., and First City Capital Ltd.

First City Development Corp. Ltd. is a diversified real estate company which, together with its subsidiaries, is engaged in the acquisition and development of real estate throughout Canada and the United States. First City Capital Ltd. is the lease acquisition arm of the First City Group which maintains leasing operations across Canada.

Contents

To our Shareholders

The past twenty years of operation have demonstrated First City's capacity for growth and ability to adapt in changing economic times. Last year was particularly important as it once again tested and proved the validity of our fundamental business philosophies. While providing the Company with a solid foundation, our corporate approach has allowed us to remain creative and flexible, enabling us to act effectively when confronted with the external pressures that have recently faced our industry.



Samuel Belzberg

Much of this year's annual report literature will focus on "the economy." Naturally this is a topic uppermost in the minds of Canadian business people. We have all been affected on many levels, both corporately and personally, by drastic negative economic changes after more than thirty-five years of unprecedented growth and wealth creation. Companies who have managed to produce positive results despite these circumstances seem to share certain inherent characteristics. Most notably, they all appear to have had a successful operational framework firmly in place well before the recession was at hand which allowed them to take these economic changes in their stride.

Our ability to present a 1982 annual report reflecting First City's continued strong performance stems directly from the Company's straightforward market approach, one that has successfully seen us through favourable and, recently, through less favourable times. Fortunately we have read our market comparatively well, and have remained consistent in our basic thinking.

THE COMPANY PERFORMED WELL in 1982. Although we were unable to surpass our outstanding 1981 earnings achievements, the operating financial results of both First City Financial Corporation Ltd. and First City Trust Company compare favourably with previous years. First City Financial Corporation Ltd.'s income from operations was $14.1 million compared with $11.1 million a year ago, excluding our 1981 net gain of $33.3 million on the sale of our investment in Bache Group, Inc. First City Trust Company's income from operations was $14.4 million, down slightly from $14.6 million in 1981. Operationally, both Companies reflected strong fourth quarter results, derived largely from declining interest rates, securities gains, and a positive contribution from the Companies' investment in Aberford Resources Ltd., which is discussed later in this report. Another factor in measuring our 1982 operations is the provision for losses on non-earning assets, which accounts for a substantial portion of the increase in operating and administrative expenses over 1981 levels. We believe that our present provision for losses is adequate.

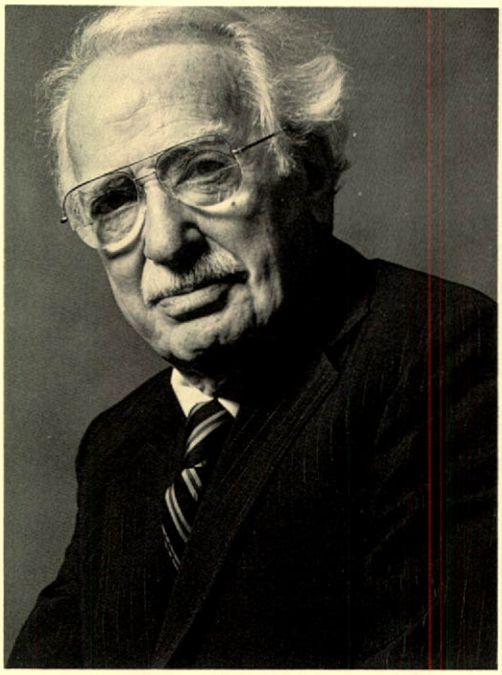
A COURSE OF DIVERSIFICATION for the 1980's continued to be actively pursued by the Company in 1982. To this end, excellent results were achieved by the First City Group in certain key areas. In April, First City Financial jointly with First City Trust acquired approximately 50% of Aberford Resources Ltd., concurrently with that company's purchase of Marathon Oil Company's Canadian operations. This was a major step toward broadening our asset base, through purchasing a significant interest in a resource company engaged in quality production and abundant in oil, natural gas, and mineral reserves.

Geographic diversification was augmented in March when the Company completed a fully subscribed, fifty million Swiss Franc, 8.25% unsecured bond issue due in 1992. Underwritten by a syndicate of European banks, including Banque Keyser Ullman SA of Geneva, in which First City Financial has a 10% ownership, the bond issue represented the Company's first entry into the European capital market.

Within the First City Group measures were taken to strengthen our total operation. One of the most significant took place in our Treasury Department where we introduced an industry advanced, state-of-the-art cash management and financial modelling system. The new system streamlines the handling of our day-to-day cash flow and gives us the capability to analyze a wide variety of complex financial alternatives.

Another important development was the increase of the Company's ownership in First City Properties Inc., a New York Stock Exchange traded company, to approximately 70%, and subsequent consolidation of the Company's California real estate concerns under common management within First City Properties. As a result, the administrative efficiency of our real estate asset base in the Western United States was markedly increased.

CONCERNING LEGISLATION and the stance of government during the past year, there are certain key areas we would like to address. Clearly, for a number of reasons, the financial institution's customer has changed. That customer is now investing heavily in shorter term deposits. Consequently, companies such as ours, who have previously been able to rely on their investors' long term deposits to finance consumer requirements such as mortgages and leases, now find themselves unable to do so sufficiently. However, the consumer who has changed investment patterns for reasons beyond his control, still, understandably, needs a full range of long-term products and is frustrated with financial institutions for not providing them. We feel that the financial industry and government must co-operate as much as possible to meet this consumer demand.



DAVID A. CROLL

Programs such as the Income Averaging Annuity Contract have, in the past, been very successful in providing long-term incentives to the investor and we hope that their positive aspects will be recognized. Along these lines, the recent introduction of a new program allowing trust companies to offer a refined Registered Retirement Income Fund has had a very constructive effect. This product generates long-term funds for trust companies, and therefore strengthens their competitive position within the financial industry.

In 1982 the federal government released a discussion paper on revision and consolidation of the federal Trust Companies Act and Loan Companies Act. We welcome the government's comprehensive review of this legislation. Many of the proposals will provide a sound basis for the trust industry to remain competitive with other financial institutions in the future, the benefits of which can then be passed on to Canadian business and the consumer. However, there are two areas of the proposal which concern us. The first is a proposed restriction on the total amount and type of commercial lending that trust companies may undertake. In a time of increased competition and volatile interest rates, commercial lending provides a stable and profitable asset base that should be expanded rather than limited. The second is a proposed 10% ownership restriction which, we believe, does not reflect the reality of present ownership with regard to the majority of trust and loan companies in Canada. Furthermore, it is not supportive of the concept of individual commitment and leadership that has, until now, been encouraged.

First City intends to remain actively involved as the financial industry consults with government in an effort to develop legislation that is more responsive to the current business environment. As in the past, we will continue to support Canadian business to the limits of our capabilities and to allocate resources to the development of new products.

LONG-TERM THINKING AND continuity have played a major role in First City's achievements over the years. As an annual report necessarily isolates each year, it is important to speak of 1982's performance in terms of our long-range outlook. The Company has now established a strong foundation for the coming decade, last year being particularly formative. Forward planning coupled with an ability to adjust for the reality of present economic circumstances is certainly a formula that has proved successful for First City. We plan to pursue our strategy of diversifying the Company's asset base and broadening its geographic market areas.

During the last quarter of 1982 First City Trust increased its equity by approximately $14 million through the private placement of floating rate subordinated notes with several senior Canadian financial institutions. As of December 31, 1982 our capital base provides us with the ability to take in substantial additional deposits without adding capital. We intend to maintain a strong position of liquidity giving the Company maximum flexibility, particularly in anticipation of a gradual economic recovery. We do not underestimate the pressures that continue to face Canadian business, but we confront those pressures with confidence in our ability to overcome them.

Respectfully, on behalf of the Boards of Directors,

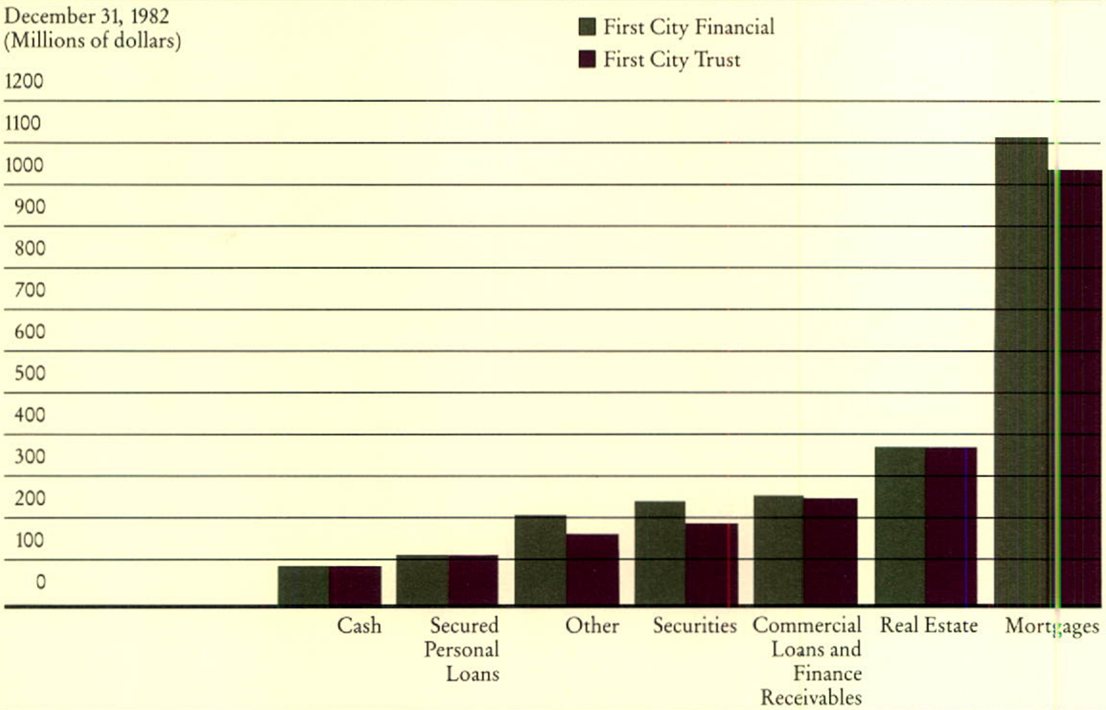
David A. Croll, Q.C.
Chairman of the Board
First City Financial Corporation Ltd.

Samuel Belzberg
President
First City Financial Corporation Ltd.,
President and Chairman of the Board
First City Trust Company

Financial Review

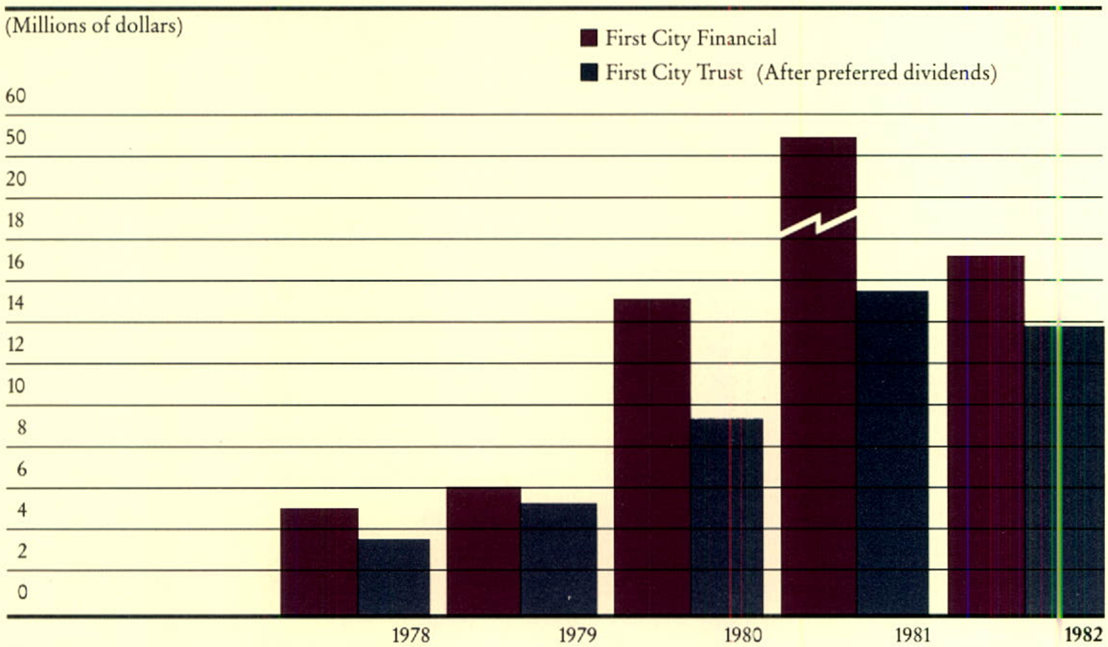
First City Financial Consolidated Assets

December 31, 1982
(Millions of dollars)



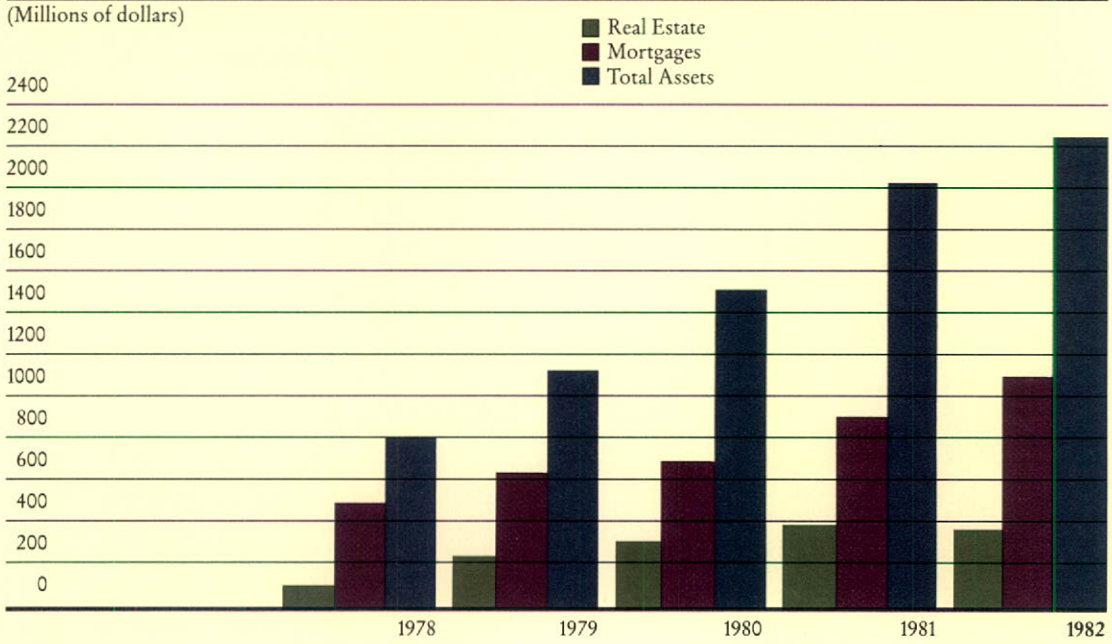
First City Financial Consolidated Net Income

(Millions of dollars)



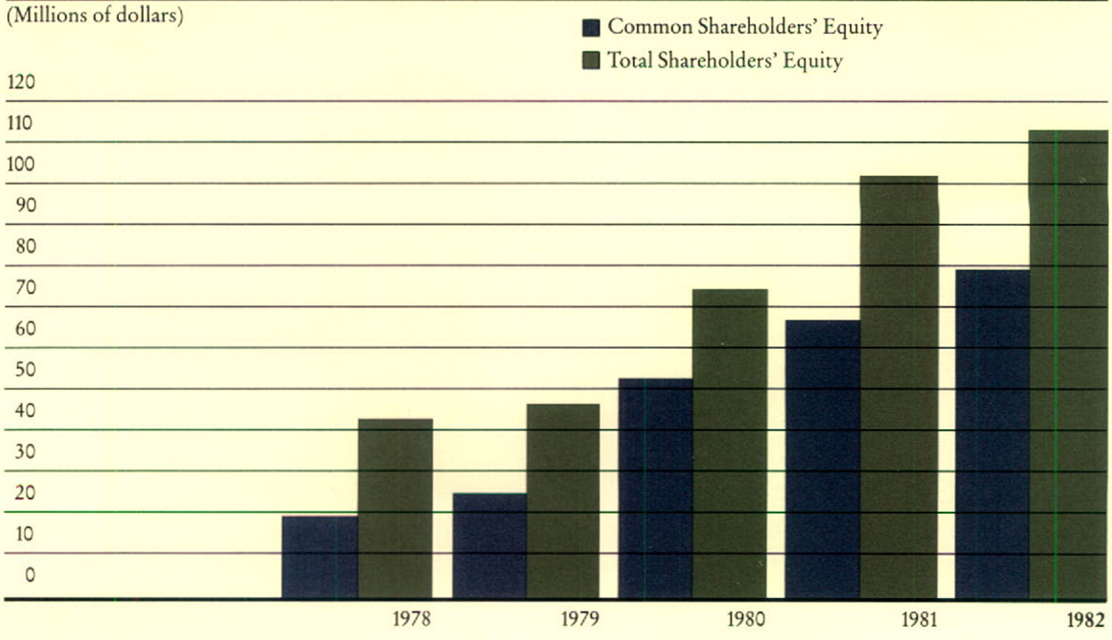
First City Trust Total Assets

(Millions of dollars)



First City Trust Shareholders' Equity

(Millions of dollars)



First City Financial Corporation Ltd.
Net income including extraordinary income for 1982 amounted to $17,272,000 as compared with $56,117,000 in 1981. Earnings per common share amounted to $2.17 per share including extraordinary income, or $1.78 per share, excluding extraordinary income compared with $6.68 per share and $5.27 per share respectively last year. Included in the results of operations for 1981 was $33,300,000, or $4.54 per share, arising from the sale of shares of Bache Group, Inc., after deducting the cost of purchase, interest, income taxes, and other related costs. The extraordinary income of $3,139,000 in 1982 results primarily from tax reductions in a real estate subsidiary company. The extraordinary income of $11,701,000 in 1981 resulted from a gain on the sale of the Company's investment in Canada Permanent Mortgage Corporation and from tax reductions in an affiliated real estate company.

In March, First City completed a fully subscribed, fifty million Swiss Franc unsecured bond issue representing the Company's first entry into the European capital market.

Total revenue for the year was $562 million, compared with $496 million in 1981. Total assets amounted to $2.37 billion at December 31, 1982 compared with $2.15 billion a year ago.

First City Trust Company
Income before extraordinary income amounted to $14,393,000 compared with $14,571,000 for the same period last year. Earnings per common share excluding extraordinary income amounted to $7.35 per share compared with $7.60 per share one year ago. The extraordinary incomes of $2,826,000, or $1.88 per share in the current year and $4,076,000, or $2.72 per share in 1981 result primarily from tax reductions in a real estate subsidiary company in 1982, and from similar tax reductions and a gain on the sale of the Company's investment in Canada Permanent Mortgage Corporation in 1981.

Total revenue amounted to $547 million compared with $434 million in 1981. Total assets amounted to $2.23 billion at December 31, 1982 compared with $2.04 billion at the same date one year ago.

Savings Services
The Savings Division underwent considerable change during 1982, both structurally and strategically. This was necessitated by two basic shifts in the marketplace. Firstly, the industry found itself dealing with a changing customer who was becoming increasingly interest rate sensitive and therefore more inclined to "comparison shop" than in previous years. Secondly, customers continued to invest in short term and demand deposits, where long term investments had traditionally funded our business. These situ-

ations required immediate solutions. The Division was separated into eastern and western regions, each having a regional vice president responsible to the Vice President, Savings. This restructuring increased executive control and allowed us to implement a more responsive type of project management.

Many positive results were generated by these organizational changes. Overall productivity improved by 15% over the year. Although manpower was reduced, we developed and expanded our customer services, as evidenced by a higher deposit level and a considerable increase in our total number of customers. In addition, operating costs were held to a minimal 6% increase over 1981. The 1982 RRSP campaign raised $95 million, an increase of 35% over 1981. FIFTY-FIRST, a preferred savings account for customers fifty years of age and over, was launched in September and brought in over 3,600 new accounts.

Last year also saw the introduction of a systemized commercial call program whereby Savings managers contact commercial customers each month to inform them of First City's commercial services. This program, combined with the inter-marketing of Trust Services and Savings products traditionally marketed separately, produced increased actual and potential sales for both divisions. In summary, the Savings Division met its 1982 growth targets, increasing total deposits to $1.56 billion, and poised itself strategically for the immediate and long-range future.

Trust Services

Economic factors had little negative impact on the Trust Division in 1982 as most Trust Services products are not interest rate sensitive. The volume of new business was reduced to some extent, however, and there were fewer corporate trust opportunities. Certain legislative changes, particularly with respect to the sale of Deferred Profit Sharing Plans, were a deterrent. In general, Trust Services showed marked gains with profits doubling over 1981 results. During the year the Division centralized all Trust business, a consolidation which resulted in both cost savings and improved customer service. Last year also saw the computerization of our Oil Royalty Trust function in Calgary, involving the implementation of a sophisticated information system which was completed in July.

Major activity in the balance of the year focused on a plan developed by both the Trust Services and Savings Divisions to overlap the marketing of their respective products and services in order to increase marketing efficiency and facilitate the identification of potential clientele.

Mortgages

Strict mortgage underwriting practices maintained in 1982 helped to neutralize the impact of negative economic factors. As a result, First City has a substantial mortgage portfolio that compares favourably within the industry. The mortgage arm of First City is well-known for taking an innovative approach to the market, and has been consistently flexible and responsive in structuring mortgage financing. These strengths were once again responsible for 1982's effective performance.

Through the first six months of the year the public was reluctant to invest in longer term deposits. Having anticipated this shortage, the Mortgage Group entered the year emphasizing floating rates and short term mortgages. These were well received and enabled the

Company to successfully match its mortgage assets against corresponding liabilities throughout the year. Additionally, shorter mortgage terms allowed our customers to take advantage of recent reductions in borrowing rates. After a long absence of favourable spreads in residential mortgages, this business once again began to yield a satisfactory return. First City re-entered the residential mortgage market in mid-year and wrote a substantial volume of new mortgages.

A course of diversification for the 1980's continued to be actively pursued by the Company in 1982. To this end, excellent results were achieved by the First City Group. . .

Total mortgages for the year increased 11%, crossing, for the first time, the one billion dollar mark. New mortgage fundings reached $192 million, surpassing the level of fundings reached during the more favourable economic climate of the previous year. The Mortgage Group continues to introduce new services and plays a major role in the overall profitability of the Company.

Leasing

Throughout 1982 the Company continued to be an active leader in the Canadian leasing industry. A floating rate lease program introduced in 1981 to combat volatile interest rates was very successful, and by 1982 year-end the portfolio included approximately 30% floating rate leases. A vigorous asset/liability management program was initiated to match our scheduling and funding in order to ensure the continuing profitability of our portfolio.

During the year the Leasing Division diversified by designing new programs and began a gradual shift into the medical, industrial, and resource industry equipment fields. This shift is intended to increase the average size of transactions, thereby reducing administrative costs. First City's leasing portfolio remained strong in many facets of Canadian business technology including telephone inter-connect systems and equipment, data control and word processing equipment, and computer hardware and software. Over the year the Leasing Division's computerized management system was expanded combining its accounting functions with those of the Treasury Department in order to improve controls and cash management.

Commercial Lending

It became evident during 1982, particularly in light of proposed changes in federal trust legislation, that commercial lending would be an increasingly important component of trust industry business throughout the 1980's. As a result, the Company planned and implemented a Commercial Lending and Syndication Division providing additional diversification within First City's asset groups.

The groundwork was laid for concentration on term loans to corporate clients requiring financing in excess of one million dollars. Relationships were established with certain selected financial institutions regarding potential syndications. Through syndications we will involve participating institutions in loans we have generated and, similarly, First City can take positions in loans originating with other participants. Syndications will apply not only to our commercial loan portfolio but to other activities such as mortgage financing and leasing as well.

Investment Management

Along with managing the Company's investment portfolio of government bonds and preferred and common stocks, First City's Investment Department is responsible for our money market activities and the acquisition of wholesale customer deposits. The Investment Department also works in conjunction with the Company's Treasury Group to provide cash and liquidity management.

In addition to performing these functions, the Department met other targeted objectives in 1982. We achieved a planned reduction in specific components of our investment portfolio, and a more diversified account base in the wholesale deposit area.

During the year we began dealing directly with many new corporate and government clients, and were therefore able to be more rate selective. We also pursued extensive direct call activities which reduced administrative costs. A generally flexible investment approach served us well throughout 1982 and we are continuing to employ similar strategies in the present capital market.

Treasury

As outlined in the letter to shareholders, Treasury functions were revamped considerably in 1982 through the implementation of a computer modelling facility that will be instrumental in maximizing First City's future cash management capability. The highly sophisticated new system meets our increasing need to monitor and forecast asset/liability matching, cash flow, and liquidity requirements and is being integrated with the Company's financial accounting system.

Corporate Administration

The Corporate Administration Division was formed during 1982 to centralize and streamline the administrative functions of First City Trust, including Data Processing, Mortgage Administration, Deposit Liability Administration, Human Resources, Office Services, and Corporate Systems. In order to increase operational efficiency, all head office functions were consolidated into one location and operating departments were then further consolidated and reorganized.

Real Estate

Having accurately anticipated and planned for industry difficulties in 1982, the performance of First City Development Corp. Ltd. and its subsidiary companies compared favourably with 1981. We dealt constructively with the depressed real estate market by increasing the efficiency with which First City Development managed its existing assets and reduced its debt load. For example, the Company sold its interest in the Mayer Group Inc., a residential development company in the southwestern United States. We also selectively sold several major properties throughout North America, including a number of offices and commercial buildings in Denver and several income properties in Toronto.

Innovative sales and financing packages were effective in increasing housing and condominium conversion unit sales during the latter part of the year. In 1982 we also completed construction and sold our multiple unit residential building in British Columbia and neared completion on a similar project in Ontario, which has been substantially presold.

Because of the Corporation's concentration on increased efficiency and consolidation of cash requirements, we did not enter into any new major land development projects. We did, however, continue to put existing properties into marketable positions through effective land planning. We also continued to make financing packages available to builders, addressing their needs in the current market. Generally speaking, our 1982 operations successfully positioned us for the gradual stabilization and improvement of the North American real estate market.

Natural Resources

As discussed in the letter to shareholders, in April of 1982 the First City Group purchased approximately 50% of Calgary-based Aberford Resources Ltd., in conjunction with that company's purchase of the Canadian subsidiaries of Marathon Oil Company. Effective December 31, 1982 Aberford had net reserves of 20.2 million barrels of oil and liquids, 143.7 billion cubic feet of natural gas, as evaluated by independent petroleum consultants, and approximately 348,000 net undeveloped acres.

Aberford's oil and gas production is derived from properties located in Alberta, British Columbia, and Saskatchewan. The company's oil reserves consist mainly of older, established pools under natural or artificial water drive, and gas reserves include a 20% interest in one of Canada's finest gas fields, the Strachan Field. Mineral assets consist of a net profits interest in a producing uranium mine plus significant interests in prospective uranium, base, and precious metal properties in three Canadian provinces, the Yukon and Northwest Territories. The company also has a significant interest in coal reserves in southeast British Columbia and the Yukon.

The Aberford purchase represents a productive long-term investment for First City in a sound and growing Canadian business, and is pivotal to the Company's future diversification plans ■

Financial Statements

Auditors' Report

To the Shareholders of
First City Financial Corporation Ltd.:

We have examined the consolidated balance sheet of First City Financial Corporation Ltd. as at December 31, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for joint ventures and partnerships as explained in Note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells
Chartered Accountants

Vancouver, British Columbia
February 18, 1983

Consolidated Statement of Income

Year ended December 31, 1982

	1982	1981
Revenue		
Investments	$231,408,000	$208,596,000
Real estate	301,274,000	216,568,000
Securities gains and other (Note 15)	29,079,000	70,714,000
	561,761,000	495,878,000
Expenses		
Interest on customer deposits	214,126,000	185,461,000
Bank, term debt and other interest	44,706,000	49,440,000
Cost of real estate sold and property rental expenses	223,165,000	165,587,000
Salaries and employee benefits	22,396,000	20,573,000
Operating and administrative	28,678,000	26,184,000
Depreciation and amortization	5,366,000	5,590,000
	538,437,000	452,835,000
Income from Operations before Income Taxes	23,324,000	43,043,000
Income Taxes (Recovered) (Note 16)		
Current	(1,186,000)	2,452,000
Deferred	5,886,000	(2,277,000)
	4,700,000	175,000
Income from Operations (Note 15)	18,624,000	42,868,000
Share of Affiliates' Operating Income	1,154,000	4,992,000
Income before Minority Interest and Extraordinary Items	19,778,000	47,860,000
Minority Interest	5,645,000	3,444,000
Income before Extraordinary Items	14,133,000	44,416,000
Extraordinary Items (Note 17)	3,139,000	11,701,000
Net Income	$ 17,272,000	$ 56,117,000
Earnings Per Common Share (Note 18)		
Before extraordinary items	$ 1.78	$ 5.27
After extraordinary items	$ 2.17	$ 6.68

Consolidated Balance Sheet

Year ended December 31, 1982

Assets	1982	1981
Cash and Short Term Investments	$ 97,748,000	$ 116,946,000
Securities (Note 4)	241,374,000	240,596,000
Secured Personal Loans	110,465,000	114,377,000
Commercial Loans and Finance Receivables	248,880,000	174,478,000
Mortgages	1,102,853,000	944,444,000
Real Estate (Note 5)	364,213,000	387,847,000
Accounts Receivable and Other Assets (Note 6)	40,080,000	47,849,000
Income Taxes Recoverable	3,312,000	—
Investment in Affiliated Companies (Note 7)	57,320,000	32,001,000
Investment in and Advances to Joint Ventures and Partnerships (Notes 2 and 14)	92,241,000	76,621,000
Fixed Assets (Note 8)	11,680,000	11,911,000
Goodwill	3,252,000	3,550,000
	$2,373,418,000	$2,150,620,000

Liabilities	1982	1981
Customer Deposits	$1,561,268,000	$1,446,703,000
Bank Indebtedness (Note 9)	339,875,000	328,134,000
Accounts Payable and Accrued Liabilities	40,942,000	33,327,000
Income Taxes Payable	—	3,255,000
Due to Related Parties (Note 10)	32,133,000	48,410,000
Term Debt (Note 11)	162,405,000	110,170,000
Deferred Income	5,793,000	2,746,000
Deferred Income Taxes	18,240,000	15,137,000
Minority Interest (Note 12)	59,340,000	36,319,000
	2,219,996,000	2,024,201,000
Contingencies (Note 21)		
Shareholders' Equity		
Capital Stock (Note 13)	32,852,000	20,799,000
Contributed Surplus	17,402,000	17,402,000
Retained Earnings	103,168,000	88,218,000
	153,422,000	126,419,000
	$2,373,418,000	$2,150,620,000

Approved by the Board of Directors.
On their behalf,

David A. Croll
Chairman of the Board

Samuel Belzberg
President

Consolidated Statement of Retained Earnings

Year ended December 31, 1982

	1982	1981
Balance, Beginning of Year	$ 88,218,000	$34,643,000
Net Income	17,272,000	56,117,000
	105,490,000	90,760,000
Dividends		
Preferred shares	12,000	903,000
Common shares	2,310,000	1,483,000
Preferred Share Issue Expenses of a Subsidiary	—	156,000
Balance, End of Year	$103,168,000	$88,218,000

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1982

	1982	1981
Sources of Cash		
From operations	$ 26,589,000	$ 57,248,000
Extraordinary item	—	6,825,000
Increase in		
Customer deposits	114,565,000	232,440,000
Bank indebtedness	11,741,000	45,378,000
Term debt — net of repayments	52,235,000	21,122,000
Accounts payable, accrued liabilities and income taxes	4,353,000	6,106,000
Deferred income	3,047,000	1,422,000
Decrease in		
Securities	1,225,000	22,437,000
Secured personal loans	3,792,000	—
Real estate	20,357,000	—
Accounts receivable and other assets	7,628,000	—
Increase in minority interest and equity of First City Properties Inc.	48,936,000	—
Issue of common and preferred shares	12,138,000	1,809,000
Issue of common and preferred shares by a subsidiary	10,000	15,203,000
	306,616,000	409,990,000
Uses of Cash		
Net investment in		
Secured personal loans	—	47,333,000
Commercial loans and finance receivables	74,402,000	72,003,000
Mortgages	160,694,000	136,531,000
Real estate	—	22,530,000
Purchase of shares of subsidiaries	556,000	34,570,000
Investment in affiliated companies	48,545,000	5,704,000
Investment in and advances to joint ventures and partnerships	16,246,000	4,995,000
Purchase of preferred shares for cancellation	85,000	—
Dividends	2,322,000	2,386,000
Dividends paid to minority shareholders	3,385,000	3,262,000
Purchase of preferred shares by subsidiaries for cancellation	641,000	915,000
Fixed assets	2,661,000	4,614,000
Due to related parties	16,277,000	5,590,000
Increase in accounts receivable and other assets	—	16,140,000
	325,814,000	356,573,000
(Decrease) Increase in Cash and Short Term Investments	(19,198,000)	53,417,000
Cash and Short Term Investments, Beginning of Year	116,946,000	63,529,000
Cash and Short Term Investments, End of Year	$ 97,748,000	$116,946,000

Notes to the Consolidated Financial Statements

Year ended December 31, 1982

1. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following policies:

Basis of consolidation and presentation

The consolidated financial statements include the accounts of the company and its subsidiaries (Note 7). The fiscal year ends of certain subsidiaries are October 31 and November 30. As a result, figures as at December 31 or for the years then ended include the financial position of those subsidiaries as at October 31 and November 30 and the results of their operations for the years then ended. The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation.

The company accounts for its investments in affiliated companies, joint ventures and partnerships using the equity method (Note 2). Under this method the company's share of earnings and losses of these entities is included in income and the company's investments therein adjusted by a like amount. Dividends received from the affiliated companies and drawings from joint ventures and partnerships are credited to the investment accounts.

Securities valuation

Bonds are carried at amortized cost and shares are carried at cost less provision for permanent declines in value.

Loans valuation

Mortgages, commercial and secured personal loans are carried at cost plus accrued interest, less repayments and provisions for losses.

Finance receivables are carried at the contract amount less repayments, unearned income and provisions for losses. These receivables are recorded in accordance with the financing method of accounting under which income is recognized on the sum-of-the-digits method.

Real estate

Income properties are carried at cost. When the income properties have been developed by the company, all costs incurred are capitalized until the property has been completed. A property is deemed completed when approximately 70% rental occupancy is achieved, subject to a reasonable maximum time period.

Housing completed and under development (including condominium housing) is valued at the lower of cost and estimated net realizable value.

Land, other than land held for income property development, is carried at the lower of cost and estimated net realizable value. Land held for income property development is carried at cost.

Foreclosed property is carried at the lower of cost and estimated net realizable value.

The company capitalizes direct carrying costs related to real estate projects including specific interest, property taxes, legal fees, and those general and administrative expenses that are clearly identified with projects. In addition, a portion of non-specific interest is allocated to projects. Net rentals from income properties under development and apartments under condominium conversion are capitalized until such time as the properties are deemed completed or sold.

Revenue from the sale of housing units is recognized when construction is completed, the unit is accepted by the purchaser and the purchaser has assumed all existing debt obligations related to the unit.

Revenue from the sale of land and income properties is recognized when all material requirements of the sale agreement have been met, risks of ownership have passed to the purchaser and an appropriate down payment has been received.

Foreign currency translation

Foreign currency assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average monthly rate of exchange prevailing during the year. Gains or losses from exchange translations are included in income except for gains or losses resulting from the company's net investment in United States subsidiaries and gains or losses from the translation of term debt. Gains or losses arising from investments in subsidiaries have been deferred since repayment of the net investment is not imminent. Gains or losses arising from term debt are deferred and amortized over the term of the debt.

Deferred income and other operating revenue
Mortgage processing fees are recognized as income by the sum-of-the-digits method over the term of the related mortgage to a maximum of five years. If the term of the mortgage is one year or less, fees are recognized as income quarterly in equal amounts. Other mortgage fees and other revenue are included in income as received.

Fee income from real estate equity financing loans is recorded at the time of making a firm commitment to fund a loan. Participation income is recognized as earned and reported by the borrower as stipulated in the loan agreement.

Depreciation and amortization
Operating income properties in Canada are depreciated principally on a forty-year sinking fund basis and in the United States on a straight-line basis over forty years. The sinking fund depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives, ranging from 10 to 60 years; leasehold improvements are amortized on a straight-line basis over the terms of the related leases.

Goodwill
Goodwill arising from the 1970 acquisition of First City Trust Company is not being amortized. Goodwill arising from the 1981 acquisition of Equitrust Mortgage and Savings Company is being amortized on a straight-line basis over 40 years.

2. Change in Accounting Policy

The company has retroactively changed its method of accounting for joint ventures and partnerships from the proportionate consolidation method to the equity method. Comparative balances have been restated as a result of this change. The effect is a decrease in previously reported assets, liabilities, revenues and expenses by the amounts indicated in Note 14 with no change to previously reported net income.

3. Acquisitions

In January 1982, a subsidiary company exchanged its shares of two wholly-owned U.S. subsidiaries for additional shares of First City Properties Inc. (FCP), thereby increasing its ownership in FCP to 69%. Prior to the increase in ownership, FCP was accounted for on the equity method. From the date of the increase in ownership, the results of FCP have been consolidated in these financial statements. FCP is a New York Stock Exchange listed real estate company which had total assets as at January 31, 1982 of approximately $270 million and at October 31, 1982, approximately $145 million.

In April 1982, the company together with its subsidiary, First City Trust Company, acquired common shares, convertible voting preferred shares and non-voting convertible common shares of Aberford Resources Ltd. (Aberford) for cash and shares of the company concurrently with Aberford's purchase of the Canadian oil, gas and mineral operations of Marathon Oil Company. In August 1982, the companies also acquired additional non-voting convertible common shares of Aberford for cash.

For the payment of cash of $33,870,000 and the issue of 545,454 common shares at $22 per share, the company and its subsidiary own approximately 49.4% of Aberford's voting common and preferred stock and 48.8% of all outstanding stock. Aberford is accounted for as an affiliated company in these financial statements (see Note 7). After the acquisition of Marathon's operations and the issue of shares, Aberford had assets of approximately $329 million and shareholders' equity of approximately $75 million.

4. Securities

	1982	1981
Carrying values		
Government bonds	$ 52,986,000	$ 64,656,000
Preferred and common shares	188,388,000	175,940,000
	$241,374,000	$240,596,000
Market values		
Government bonds	$ 50,583,000	$ 54,394,000
Preferred and common shares	185,974,000	150,141,000
	$236,557,000	$204,535,000

5. Real Estate

	1982	1981
Income properties		
Under development	$ 12,843,000	$ 21,309,000
Operating — net of accumulated depreciation of $3,720,000 (1981 — $3,242,000)	90,386,000	140,151,000
Housing completed and under development	54,607,000	84,906,000
Land under development and held for sale	163,428,000	112,294,000
Real estate equity financing receivables	33,403,000	25,066,000
Foreclosed property	9,546,000	4,121,000
	$364,213,000	$387,847,000

Depreciation on income properties charged to income for the year amounted to $2,372,000 (1981 — $3,161,000).

6. Accounts Receivable and Other Assets

	1982	1981
Accounts receivable		
Financial services	$10,409,000	$20,677,000
Real estate	21,549,000	12,882,000
Prepaid and deferred expenses	8,122,000	14,290,000
	$40,080,000	$47,849,000

7. Investment in Affiliated Companies

	1982	1981
Aberford Resources Ltd. (Note 3)	$48,295,000	$ —
Clarion Capital Corporation — 59.4% owned	6,864,000	5,580,000
First City Properties Inc. (Note 3)	—	24,129,000
Other	2,161,000	2,292,000
	$57,320,000	$32,001,000

Clarion Capital Corporation (Clarion) is a Small Business Investment Company engaged in venture capital activities in the United States and is regulated by the Small Business Administration. Clarion has not been consolidated as its operations are significantly different from those of the company and its assets, liabilities and operations are not material to these consolidated financial statements.

First City Properties Inc. operating results since January 1982 have been consolidated in these financial statements (Note 3). The company's share of First City Properties Inc. income prior to that date is included in share of affiliates' operating income and extraordinary items.

The company's share of income of Aberford Resources Ltd. since date of acquisition, totals $1,036,000. The following summary information has been taken from Aberford's December 31, 1982 financial statements.

	1982
Current assets	$ 36,871,000
Property, plant and equipment	308,299,000
Other assets	18,991,000
	$ 364,161,000
Current liabilities	$ 26,198,000
Other liabilities	71,216,000
Long term debt	187,037,000
Share capital	77,158,000
Retained earnings	2,552,000
	$ 364,161,000
Revenue	$ 48,023,000
Expenses	(35,045,000)
Income taxes	(9,734,000)
Extraordinary item	1,213,000
Net income	$ 4,457,000

8. Fixed Assets

These assets are stated at cost less accumulated depreciation and amortization of $6,310,000 (1981 — $4,652,000). Depreciation and amortization charged to income for the year amounted to $2,926,000 (1981 — $2,361,000).

9. Bank Indebtedness

	1982	1981
On securities investments	$ 32,125,000	$ 22,719,000
On mortgages receivable	184,000	9,090,000
On finance receivables	6,758,000	841,000
On operating income properties	10,390,000	58,830,000
On housing completed and under development	48,792,000	46,316,000
On land under development and held for sale	22,794,000	6,260,000
General	218,832,000	184,078,000
	$339,875,000	$328,134,000

The majority of the bank loans bear interest at rates which vary with bank prime rates; the weighted average rate of interest at December 31, 1982 was 11.9%.

The securities investments loans are secured by specific securities and the finance receivables loan is secured by a floating charge debenture on the receivables portfolio. General bank loans aggregating $165,000,000 are secured by a demand debenture which provides a first floating charge over certain real estate assets, fixed charges on specific real estate properties, and by a general assignment of book debts. Substantially all of the other loans on real estate are secured by specific charges on assets having a net book value of $107,905,000.

10. Due to Related Parties

	1982	1981
Bel-Fran Investments Limited and related corporations (controlling shareholders of the company)	$32,133,000	$46,879,000
Director	—	1,531,000
	$32,133,000	$48,410,000

The amounts have no specific terms of repayment and bear interest at a weighted average rate of 13.3%; total interest charged for the year was $9,413,000 (1981 — $7,557,000).

11. Term Debt

	1982	1981
Secured		
Income properties	$ 31,745,000	$ 55,795,000
Housing completed and under development	6,753,000	20,216,000
Land under development and held for sale	25,109,000	13,425,000
General	35,147,000	16,126,000
Unsecured		
Subordinated notes	14,350,000	2,500,000
9% Sinking fund debentures, Series A	1,842,000	2,108,000
8¼% Bonds	32,706,000	—
Term notes	14,753,000	—
	$162,405,000	$110,170,000

Secured term debt bears interest at a weighted average rate of 11.3%.

The subordinated notes are due October 15, 1987, and as to $13,500,000, bear interest at a rate, adjusted quarterly, equal to ¼% per annum over the prime rate of three Canadian chartered banks and as to $850,000, at a rate of 15.5%.

The 9% debentures require sinking fund payments of $150,000 annually to 1991 with $750,000 due July 1992. They are redeemable at par plus a decreasing premium until 1992.

The 8¼% ten-year bearer bonds are payable as to principal and interest in Swiss Francs. At the date of issue, the bonds had a face value of 50 million Swiss Francs or $32,645,000. The company is required to make annual redemptions of 4% commencing 1984. The bonds are redeemable at par plus a decreasing premium until 1991.

The term notes are due in five equal annual instalments of U.S. $2,400,000 commencing in 1983 and bear interest at a rate of 1½% over U.S. bank prime rate to a maximum rate of 18% and a minimum rate of 12%. The company can redeem the notes at any time without penalty.

Debt on housing completed and under development will be assumed by the purchasers of such units or discharged out of sale proceeds.

Approximate repayments on term debt other than debt on housing completed and under development are:

1983	$ 45,017,000
1984	14,290,000
1985	21,894,000
1986	12,483,000
1987	25,676,000
Thereafter	36,292,000
	$155,652,000

12. Minority Interest

	1982	1981
Minority interest in subsidiary companies		
Common shareholders	$25,360,000	$ 940,000
Preferred shareholders	33,980,000	35,379,000
	$59,340,000	$36,319,000

13. Capital Stock

Preferred shares

The company is authorized to issue 25,000,000 first preferred shares without par value issuable in series and 25,000,000 second preferred shares without par value issuable in series. The company's directors have designated 12,500,000 shares as $0.6125 First Preferred Shares, Series A with an issue price of $5.00 and 12,500,000 shares as $1.75 Convertible Second Preferred Shares, Series 1 with an issue price of $20.00.

Each First Preferred Share, Series A is cumulative, redeemable after September 15, 1984 at a maximum of $5.25 per share and retractable at the option of the holder on September 15, 1991 at $5.00 per share plus accrued and unpaid dividends.

Each Convertible Second Preferred Share, Series 1 is cumulative, redeemable after September 15, 1983 at a maximum of $21.00 per share and convertible into common shares at the holder's option at any time prior to September 15, 1986 at $24.00 per common share and thereafter up to September 15, 1991 at $27.00 per common share.

At December 31, 1982, the following preferred shares were issued and outstanding:

	First Preferred Shares		Second Preferred Shares	
	Number	Paid-up Value	Number	Paid-up Value
Outstanding December 31, 1981	5,585	$28,000	8,385	$168,000
Repurchased and cancelled	1,010	5,000	4,010	80,000
Outstanding, December 31, 1982	4,575	$23,000	4,375	$ 88,000

Common shares

The company is authorized to issue 25,000,000 common shares without par value.

At December 31, 1982, the following common shares were issued and outstanding:

	Number of Shares	Paid-up Value
Outstanding December 31, 1982	7,503,116	$20,603,000
Issued on acquisition (Note 3)	545,454	12,000,000
Issued on exercise of warrants (expired July 1982)	36,884	138,000
Outstanding, December 31, 1982	8,085,454	$32,741,000

Common Shares Reserved

At December 31, 1982, 3,645 common shares are reserved for issuance in respect of the conversion privilege attached to Convertible Second Preferred Shares, Series 1.

14. Joint Ventures and Partnerships

Subsidiary companies' share of real estate joint venture and partnership assets, liabilities, revenues and expenses are as follows:

	1982	1981
Assets	$178,966,000	$157,383,000
Liabilities	86,725,000	80,762,000
Revenues	26,425,000	36,817,000
Expenses	27,051,000	37,779,000

Included in real estate revenue in the consolidated statement of income for the year ended December 31, 1982 is the company's share of losses from joint ventures and partnerships in the amount of $626,000 (1981 — $962,000).

In certain joint ventures and partnerships the subsidiary companies are contingently liable for the remaining portion of liabilities. The amount of this contingent liability at December 31, 1982 is approximately $74,000,000 against which the subsidiary companies would have claims on the related assets which in total are sufficient to meet these obligations.

15. Securities Gains and Other Revenue

Included in this amount for 1981 is a gain of $48,700,000 resulting from the sale of the company's investment in Bache Group Inc. Also included in the 1981 results from operations are carrying costs including interest and income taxes, totalling $15,400,000 relating to this gain.

16. Income Taxes

A portion of the company's revenue consists of tax-exempt income, principally dividends paid by Canadian corporations; accordingly, income taxes provided in the consolidated statement of income are less than the amount obtained by applying statutory tax rates to income from operations before income taxes.

17. Extraordinary Items

	1982	1981
Share of tax reduction of subsidiary (1981 — affiliated company) from utilization of a loss carry forward	$2,666,000	$ 2,873,000
Share of affiliated company's extraordinary item — settlement of a joint venture dispute	473,000	—
Gain on sale of shares of Canada Permanent Mortgage Corporation — net of deferred income taxes of $940,000	—	8,828,000
	$3,139,000	$11,701,000

18. Earnings Per Common Share

Basic earnings per common share have been calculated on the weighted average number of shares outstanding during each year. Fully diluted earnings per common share are not significantly different from basic earnings per common share.

19. Interest Expense

In respect of real estate development operations of subsidiaries, interest for the year totalled $74,619,000 (1981 — $66,019,000) of which $39,018,000 (1981 — $29,361,000) was charged to operations with the remaining amount being capitalized.

20. Commitments

The company's premises and certain equipment are held under long term leases; the aggregate amount of rentals paid during the year was $2,520,000 (1981 — $1,610,000). The aggregate rentals payable under all leases currently in force during the next five years is approximately $12,000,000.

A subsidiary company involved in real estate development has lodged letters of credit aggregating $16,983,000 with municipalities and utilities as collateral for the fulfillment of various business obligations.

21. Contingencies

In connection with a previous cash tender offer for the outstanding shares of a former subsidiary, another party has commenced an action against a subsidiary which claims interference with contract and interference with prospective advantage and alleges damages in excess of U.S. $8,000,000 and claims exemplary damages of U.S. $40,000,000. The company believes there is legal authority which would support the legality of the tender offer in the circumstances. The company also believes the chances of an award of exemplary damages in this case are remote and the chance of any monetary liability being assessed against the subsidiary are not probable.

Certain subsidiaries have been named as defendants in continuing litigation for compensatory and punitive damages involving an amount of approximately U.S. $21,000,000 with respect to a real estate transaction in California. A number of the same parties were involved in a prior action relating to the same transaction which resulted in a judgement in favour of the subsidiaries. The present proceedings were dismissed at an earlier stage, but on appeal, trial proceedings were reinstated. The companies are contesting the claim and believe the chance of any monetary liability being assessed is remote.

A former employee has commenced an action claiming that a contract existed for the management and ultimate sale of assets which were acquired on the acquisition of a former subsidiary. The subsidiary is contesting this claim which alleges damages of U.S. $4,000,000 and exemplary damages of U.S. $10,000,000. The company believes the chance of any monetary liability being assessed is remote.

The company and certain subsidiaries are defendants in other actions arising in the ordinary course of business. These actions are being contested and in certain cases, counter claims have been made. The company believes that the ultimate outcome of these actions will not result in any significant liability being assessed.

22. Business Segment Information

Operations and identifiable assets by industry segment are as follows (in thousands of dollars):

1982	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 259,451	$302,310	$ —	$ 561,761
Intersegment revenue	6,460	1,037	(7,497)	—
	$ 265,911	$303,347	$(7,497)	$ 561,761
Income from operations	$ 12,653	$ 9,719	$(3,748)	$ 18,624
Identifiable assets	$1,738,250	$635,168		$2,373,418
Depreciation and amortization	$ 1,453	$ 3,913		$ 5,366

1981	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 277,849	$218,029	$ —	$ 495,878
Intersegment revenue	1,051	1,462	(2,513)	—
	$ 278,900	$219,491	$(2,513)	$ 495,878
Income from operations	$ 39,536	$ 4,588	$(1,256)	$ 42,868
Identifiable assets	$1,573,879	$576,741		$2,150,620
Depreciation and amortization	$ 1,356	$ 4,234		$ 5,590

Operations and identifiable assets by geographic region are as follows (in thousands of dollars):

1982	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 356,438	$205,323	$ —	$ 561,761
Intersegment revenue	3,760	2,722	(6,482)	—
	$ 360,198	$208,045	$ (6,482)	$ 561,761
Income from operations	$ 10,006	$ 8,618	$ —	$ 18,624
Identifiable assets	$2,021,496	$424,290	$(72,368)	$2,373,418

1981	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 373,002	$122,876	$ —	$ 495,878
Intersegment revenue	2,367	—	(2,367)	—
	$ 375,369	$122,876	$ (2,367)	$ 495,878
Income from operations	$ 36,695	$ 6,173	$ —	$ 42,868
Identifiable assets	$1,826,561	$372,120	$(48,061)	$2,150,620

23. Comparative Figures

Certain comparative figures for 1981 have been reclassified to conform with the classifications used in the current year; principally, secured personal loans of $217,696,000 in 1981 have been reclassified with a corresponding reduction in the related customer deposits.

Five Year Summary

(In thousands of dollars
except for per share figures)

	1982	1981	1980	1979	1978
Balance Sheet					
Assets					
Cash and Short Term Investments	$ 97,748	$ 116,946	$ 63,529	$ 35,232	$ 22,452
Securities	241,374	240,596	255,696	139,232	99,530
Mortgages	1,102,853	944,444	707,839	627,083	496,017
Secured Personal Loans	110,465	114,377	60,550	20,872	8,325
Commercial Loans and Finance Receivables	248,880	174,478	102,885	72,282	36,002
Real Estate	364,213	387,847	303,321	217,092	98,060
Other Assets	207,885	171,932	121,787	58,002	45,411
Total	$2,373,418	$2,150,620	$1,615,607	$1,169,795	$805,797
Liabilities and Equity					
Deposits	$1,561,268	$1,446,703	$1,075,975	$ 820,994	$612,045
Other Liabilities	418,743	415,872	373,685	244,214	88,389
Term Debt	162,405	110,170	52,315	28,334	33,523
	2,142,416	1,972,745	1,501,975	1,093,542	733,957
Deferred Income Taxes	18,240	15,137	21,379	17,003	15,611
Minority Interest	59,340	36,319	21,219	22,496	24,735
Shareholders' Equity	153,422	126,419	71,034	36,754	31,494
Total	$2,373,418	$2,150,620	$1,615,607	$1,169,795	$805,797
Income Statement					
Revenue:					
Investments	$ 231,408	$ 208,596	$ 119,733	$ 82,120	$ 58,547
Real Estate	301,865	221,560	120,208	108,528	18,359
Securities Gains and Other	29,642	70,714	24,556	9,977	8,165
Total Revenue	562,915	500,870	264,497	200,625	85,071
Expenses:					
Interest	258,832	234,901	125,891	83,853	49,672
Salaries	22,396	20,573	13,482	9,418	5,641
Real Estate	223,165	165,587	84,406	81,699	12,953
Other	39,689	35,218	21,578	17,236	8,980
Total Expenses	544,082	456,279	245,357	192,206	77,246
Income Taxes	4,700	175	3,934	2,396	2,787
Income (before extraordinary items)	$ 14,133	$ 44,416	$ 15,206	$ 6,023	$ 5,038
Per Common Share					
Earnings before extraordinary items (after reflecting 2:1 stock split in 1980)	$ 1.78	$ 5.27	$ 2.63	$ 1.07	$ 0.90
Dividends	$ 0.30	$ 0.20	$ 0.18	$ 0.15	$ 0.12
Book Value	$ 18.96	$ 16.82	$ 9.73	$ 6.55	$ 5.63

Financial Statements

Auditors' Report

To the Shareholders of
First City Trust Company:

We have examined the consolidated balance sheet of First City Trust Company as at December 31, 1982 and the consolidated statements of income, contributed surplus, general reserve and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for joint ventures and partnerships as explained in Note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells
Chartered Accountants

Vancouver, British Columbia
February 18, 1983

Consolidated Statement of Income

Year ended December 31, 1982

	1982	1981
Revenue		
Investments	$220,214,000	$200,783,000
Real estate	301,274,000	216,568,000
Securities gains and other	25,464,000	16,236,000
	546,952,000	433,587,000
Expenses		
Interest on customer deposits	214,126,000	185,461,000
Bank, term debt and other interest	35,894,000	29,206,000
Cost of real estate sold and property rental expenses	223,165,000	165,587,000
Salaries and employee benefits	21,795,000	20,236,000
Operating and administrative	24,774,000	19,864,000
Depreciation and amortization	5,332,000	5,573,000
	525,086,000	425,927,000
Income from Operations before Income Taxes	21,866,000	7,660,000
Income Taxes (Recovered) (Note 14)	5,975,000	(2,094,000)
Income from Operations	15,891,000	9,754,000
Share of Affiliates' Operating Income	721,000	4,992,000
Income before Minority Interest and Extraordinary Items	16,612,000	14,746,000
Minority Interest	2,219,000	175,000
Income before Extraordinary Items	14,393,000	14,571,000
Extraordinary Items (Note 15)	2,826,000	4,076,000
Net Income	$ 17,219,000	$ 18,647,000
Income Attributable to Preferred Shareholders	$ 3,390,000	$ 3,185,000
Income Available for Common Shareholders	$ 13,829,000	$ 15,462,000
Earnings Per Common Share (Note 16)		
Before extraordinary items	$ 7.35	$ 7.60
After extraordinary items	$ 9.23	$ 10.32

Consolidated Balance Sheet

Year ended December 31, 1982

Assets	1982	1981
Cash and Bank Deposit Receipts	$ 46,964,000	$ 92,083,000
Short Term Notes	50,851,000	11,702,000
Securities (Note 4)	188,731,000	196,494,000
Secured Personal Loans	110,465,000	114,377,000
Commercial Loans and Finance Receivables	247,097,000	174,478,000
Mortgages	1,057,633,000	907,280,000
Real Estate (Note 5)	364,213,000	387,847,000
Accounts Receivable	27,539,000	22,189,000
Investment in Affiliated Companies (Note 6)	20,554,000	32,001,000
Investment in and Advances to Joint Ventures and Partnerships (Notes 2 and 13)	92,241,000	76,621,000
Fixed Assets (Note 7)	11,680,000	11,877,000
Other Assets	8,170,000	15,522,000
	$2,226,138,000	$2,042,471,000

Liabilities	1982	1981
Customer Deposits		
Demand and short term deposits	$ 297,328,000	$ 324,756,000
Deposit certificates and term debentures	1,263,940,000	1,121,947,000
	1,561,268,000	1,446,703,000
Bank Indebtedness (Note 8)	295,066,000	292,824,000
Accounts Payable and Accrued Liabilities	37,761,000	12,988,000
Due to Related Parties (Note 9)	56,986,000	59,785,000
Term Debt (Note 10)	98,754,000	105,562,000
Subordinated Notes (Note 11)	14,350,000	2,500,000
Deferred Income	4,456,000	2,745,000
Deferred Income Taxes	18,776,000	16,246,000
Minority Interest	25,515,000	1,463,000
	2,112,932,000	1,940,816,000
Contingencies (Note 19)		
Shareholders' Equity		
Capital Stock (Note 12)		
Preferred shares	34,985,000	35,705,000
Common shares	2,995,000	2,995,000
Contributed Surplus, General Reserve and Retained Earnings	75,226,000	62,955,000
	113,206,000	101,655,000
	$2,226,138,000	$2,042,471,000

Approved by the Board of Directors.
On their behalf,

Samuel Belzberg
Chairman of the Board of Directors,
President and Chief Executive Officer

Morley Koffman
Director

Consolidated Statement of Contributed Surplus, General Reserve and Retained Earnings

Year ended December 31, 1982

	1982	1981
Contributed Surplus		
Balance, beginning of year	$23,151,000	$22,875,000
Discount on preferred shares purchased for cancellation (Note 12)	239,000	276,000
Balance, end of year	23,390,000	23,151,000
General Reserve		
Balance, beginning of year	2,750,000	2,500,000
Transfer from retained earnings	250,000	250,000
Balance, end of year	3,000,000	2,750,000
Retained Earnings		
Balance, beginning of year	37,054,000	23,797,000
Net income	17,219,000	18,647,000
	54,273,000	42,444,000
Transfer to general reserve	250,000	250,000
Dividends		
Common shares	1,797,000	1,797,000
Preferred shares	3,390,000	3,185,000
Preferred share issue expense	—	158,000
Balance, end of year	48,836,000	37,054,000
	$75,226,000	$62,955,000

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1982

	1982	1981
Sources of Cash		
From operations	$ 28,115,000	$ 18,225,000
Extraordinary item	—	1,501,000
Increase in		
Customer deposits	114,565,000	232,440,000
Bank indebtedness	2,242,000	98,235,000
Accounts payable and accrued liabilities	25,015,000	—
Term debt — net of repayments	—	21,671,000
Issue of subordinated notes	14,350,000	—
Increase in minority interest and equity of First City Properties Inc.	48,936,000	—
Decrease in		
Short term notes	—	33,819,000
Securities	7,763,000	—
Secured personal loans	3,792,000	—
Real estate	20,357,000	—
Other assets	7,286,000	—
Issue of preferred shares	10,000	15,023,000
Other	1,563,000	338,000
	273,994,000	421,252,000
Uses of Cash		
Net investment in		
Short term notes	39,149,000	—
Securities	—	4,847,000
Secured personal loans	—	47,333,000
Commercial loans and finance receivables	72,619,000	72,003,000
Mortgages	152,638,000	111,996,000
Real estate	—	22,530,000
Increase in accounts receivable	5,289,000	4,007,000
Investment in affiliated companies	12,576,000	5,704,000
Investment in and advances to joint ventures and partnerships	16,246,000	4,995,000
Fixed assets	2,661,000	4,724,000
Due to related parties	2,799,000	4,702,000
Term debt — net of fundings	6,808,000	—
Subordinated notes redeemed	2,500,000	500,000
Purchase of preferred shares for cancellation	641,000	840,000
Dividends	5,187,000	4,982,000
Purchase of subsidiaries	—	34,025,000
Decrease in accounts payable and accrued liabilities	—	20,012,000
Other	—	275,000
	319,113,000	343,475,000
(Decrease) Increase in Cash and Bank Deposit Receipts	(45,119,000)	77,777,000
Cash and Bank Deposit Receipts, Beginning of Year	92,083,000	14,306,000
Cash and Bank Deposit Receipts, End of Year	$ 46,964,000	$ 92,083,000

Notes to the Consolidated Financial Statements

Year ended December 31, 1982

1. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following policies:

Basis of consolidation and presentation
The consolidated financial statements include the accounts of the company and its subsidiaries (Note 6). The fiscal year ends of certain subsidiaries are October 31 and November 30. As a result, figures as at December 31 or for the years then ended include the financial position of those subsidiaries as at October 31 and November 30 and the results of their operations for the years then ended. The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation.

The company accounts for its investments in affiliated companies, joint ventures and partnerships using the equity method (Note 2). Under this method the company's share of earnings and losses of these entities is included in income and the company's investments therein adjusted by a like amount. Dividends received from the affiliated companies and drawings from joint ventures and partnerships are credited to the investment accounts.

Securities valuation
Bonds are carried at amortized cost and shares are carried at cost less provision for permanent declines in value.

Loans valuation
Mortgages, commercial and secured personal loans are carried at cost plus accrued interest, less repayments and provisions for losses.

Finance receivables are carried at the contract amount less repayments, unearned income and provisions for losses. These receivables are recorded in accordance with the financing method of accounting under which income is recognized on the sum-of-the-digits method.

Real estate
Income properties are carried at cost. When the income properties have been developed by the company, all costs incurred are capitalized until the property has been completed. A property is deemed completed when approximately 70% rental occupancy is achieved, subject to a reasonable maximum time period.

Housing completed and under development (including condominium housing) is valued at the lower of cost and estimated net realizable value.

Land, other than land held for income property development, is carried at the lower of cost and estimated net realizable value. Land held for income property development is carried at cost.

Foreclosed property is carried at the lower of cost and estimated net realizable value.

The company capitalizes direct carrying costs related to real estate projects including specific interest, property taxes, legal fees, and those general and administrative expenses that are clearly identified with projects. In addition, a portion of non-specific interest is allocated to projects. Net rentals from income properties under development and apartments under condominium conversion are capitalized until such time as the properties are deemed completed or sold.

Revenue from the sale of housing units is recognized when construction is completed, the unit is accepted by the purchaser and the purchaser has assumed all existing debt obligations related to the unit.

Revenue from the sale of land and income properties is recognized when all material requirements of the sale agreement have been met, risks of ownership have passed to the purchaser and an appropriate down payment has been received.

Foreign currency translation
Foreign currency assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average monthly rate of exchange prevailing during the year. Gains or losses from exchange translations are included in income except for gains or losses resulting from the company's net investment in United States subsidiaries. Gains or losses arising from investments in subsidiaries have been deferred since repayment of the net investment is not imminent.

Deferred income and other operating revenue
Mortgage processing fees are recognized as income by the sum-of-the-digits method over the term of the related mortgage to a maximum of five years. If the term of the mortgage is one year or less, fees are recognized as income quarterly in equal amounts. Other mortgage fees and other revenue are included in income as received.

Fee income from real estate equity financing loans is recorded at the time of making a firm commitment to fund a loan. Participation income is recognized as earned and reported by the borrower as stipulated in the loan agreement.

Depreciation and amortization
Operating income properties in Canada are depreciated principally on a forty-year sinking fund basis and in the United States on a straight-line basis over forty years. The sinking fund depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives, ranging from 10 to 60 years; leasehold improvements are amortized on a straight-line basis over the terms of the related leases.

Goodwill
Goodwill arising from the 1981 acquisition of Equitrust Mortgage and Savings Company is being amortized on a straight-line basis over 40 years.

2. Change in Accounting Policy

The company has retroactively changed its method of accounting for joint ventures and partnerships from the proportionate consolidation method to the equity method. Comparative balances have been restated as a result of this change. The effect is a decrease in previously reported assets, liabilities, revenues and expenses by the amounts indicated in Note 13 with no change to previously reported net income.

3. Acquisitions

In January 1982, a subsidiary company exchanged its shares of two wholly-owned U.S. subsidiaries for additional shares of First City Properties Inc. (FCP), thereby increasing its ownership in FCP to 69%. Prior to the increase in ownership, FCP was accounted for on the equity method. From the date of the increase in ownership, the results of FCP have been consolidated in these financial statements. FCP is a New York Stock Exchange listed real estate company which had total assets as at January 31, 1982 of approximately $270 million and at October 31, 1982, approximately $145 million.

In April 1982, the company together with its parent, First City Financial Corporation Ltd., acquired common shares, convertible voting preferred shares and non-voting convertible common shares of Aberford Resources Ltd. (Aberford) for cash and shares of the parent concurrently with Aberford's purchase of the Canadian oil, gas and mineral operations of Marathon Oil Company. In August 1982, the companies also acquired additional non-voting convertible common shares of Aberford for cash.

For the payment of cash of $10,930,000, the company owns approximately 12.7% of Aberford's voting common and preferred stock and 11.7% of all outstanding stock. Aberford is accounted for as an affiliated company in these financial statements as the company, together with its parent company, own approximately 49% of Aberford's outstanding stock (see Note 6). After the acquisition of Marathon's operations and the issue of shares, Aberford had assets of approximately $329 million and shareholders' equity of approximately $75 million.

4. Securities

	1982	1981
Carrying values		
Government bonds	$ 50,155,000	$ 63,978,000
Preferred and common shares	138,576,000	132,516,000
	$188,731,000	$196,494,000
Market values		
Government bonds	$ 48,008,000	$ 53,716,000
Preferred and common shares	126,132,000	110,401,000
	$174,140,000	$164,117,000

5. Real Estate

	1982	1981
Income properties		
Under development	$12,843,000	$ 21,309,000
Operating — net of accumulated depreciation of $3,720,000 (1981 — $3,242,000)	90,386,000	140,151,000
Housing completed and under development	54,607,000	84,906,000
Land under development and held for sale	163,428,000	112,294,000
Real estate equity financing receivables	33,403,000	25,066,000
Foreclosed property	9,546,000	4,121,000
	$364,213,000	$387,847,000

Depreciation on income properties charged to income for the year amounted to $2,372,000 (1981 — $3,161,000).

6. Investment in Affiliated Companies

	1982	1981
Aberford Resources Ltd. (Note 3)	$11,529,000	$ —
Clarion Capital Corporation — 59.4% owned	6,864,000	5,580,000
First City Properties Inc. (Note 3)	—	24,129,000
Other	2,161,000	2,292,000
	$20,554,000	$32,001,000

Clarion Capital Corporation (Clarion) is a Small Business Investment Company engaged in venture capital activities in the United States and is regulated by the Small Business Administration. Clarion has not been consolidated as its operations are significantly different from those of the company and its assets, liabilities and operations are not material to these consolidated financial statements.

First City Properties Inc. operating results since January 1982 have been consolidated in

. . . continued on page 40

continued from page 39

these financial statements (Note 3). The company's share of the First City Properties Inc. income prior to that date is included in share of affiliates' operating income and extraordinary items.

The company's share of income of Aberford Resources Ltd. since date of acquisition, totals $239,000. The following summary information has been taken from Aberford's December 31, 1982 financial statements.

	1982
Current assets	$ 36,871,000
Property, plant and equipment	308,299,000
Other assets	18,991,000
	$364,161,000
Current liabilities	$ 26,198,000
Other liabilities	71,216,000
Long term debt	187,037,000
Share capital	77,158,000
Retained earnings	2,552,000
	$364,161,000
Revenue	$ 48,023,000
Expenses	(35,045,000)
Income taxes	(9,734,000)
Extraordinary item	1,213,000
Net income	$ 4,457,000

7. Fixed Assets

These assets are stated at cost less accumulated depreciation and amortization of $6,310,000 (1981 — $4,505,000). Depreciation and amortization charged to income for the year amounted to $2,892,000 (1981 — $2,344,000).

8. Bank Indebtedness

	1982	1981
On finance receivables	$ 6,758,000	$ 841,000
On operating income properties	10,390,000	58,830,000
On housing completed and under development	48,792,000	46,316,000
On land under development and held for sale	22,794,000	6,260,000
General	206,332,000	180,577,000
	$295,066,000	$292,824,000

The majority of the bank loans bear interest at rates which vary with bank prime rates; the weighted average rate of interest at December 31, 1982 was 11.7%.

The finance receivables loan is secured by a floating charge debenture on the receivables portfolio and by a guarantee of First City Financial Corporation Ltd. General bank loans aggregating $165,000,000 are secured by a demand debenture which provides a first floating charge over certain real estate assets, fixed charges on specific real estate properties, a $42,785,000 guarantee of First City Financial Corporation Ltd. and by a general assignment of book debts. Substantially all of the other loans on real estate are secured by specific charges on assets having a net book value of $107,905,000.

9. Due to Related Parties

	1982	1981
First City Financial Corporation Ltd. (parent company)	$25,321,000	$16,200,000
Bel-Fran Investments Limited and related corporations (ultimate controlling shareholders)	31,665,000	42,054,000
Director	—	1,531,000
	$56,986,000	$59,785,000

The amounts have no specific terms of repayment and bear interest at a weighted average rate of 13.2%; total interest charged for the year was $11,571,000 (1981 — $6,569,000).

10. Term Debt

Term debt is secured principally by mortgages and bears interest at a weighted average rate of 11.3%.

	1982	1981
Income properties		
Operating	$30,907,000	$ 46,812,000
Under development	838,000	8,983,000
Housing completed and under development	6,753,000	20,216,000
Land under development and held for sale	25,109,000	13,425,000
General	35,147,000	16,126,000
	$98,754,000	$105,562,000

Debt on housing completed and under development will be assumed by the purchasers of such units or discharged out of sale proceeds.

Approximate principal repayments on term debt other than debt on housing completed and under development are:

1983	$41,916,000
1984	9,881,000
1985	17,485,000
1986	8,075,000
1987	6,918,000
Thereafter	7,726,000
	$92,001,000

11. Subordinated Notes

Subordinated Notes are due October 15, 1987, and as to $13,500,000, bear interest at a rate, adjusted quarterly, equal to ¼% per annum over the prime rate of three Canadian chartered banks and as to $850,000, at a rate of 15.5%.

12. Capital Stock

Preferred shares

The company is authorized to issue the following preferred shares:

2,000,000 Cumulative redeemable preferred shares of $10 par value, issuable in series

2,000,000 Cumulative redeemable 8¾% preferred shares of $8.50 par value

4,000,000 Cumulative redeemable preferred shares of $8 par value, issuable in series

During the year, the company issued 1,273 Series 1 preferred shares.

The following preferred shares are issued and outstanding:

	1982		1981	
	Number of Shares	**Paid-up Value**	Number of Shares	Paid-up Value
$10 par value				
Series A — 10¾%	276,100	$ 2,761,000	281,600	$ 2,816,000
Series B — 8.32%	505,000	5,050,000	521,700	5,217,000
Series C — floating rate	600,000	6,000,000	600,000	6,000,000
$8.50 par value				
8¾%	1,461,442	12,422,000	1,504,742	12,790,000
$8 par value				
Series 1 — 11¼%	1,093,947	8,752,000	1,110,224	8,882,000
		$34,985,000		$35,705,000

The Series C preferred shares have a dividend rate equal to the sum of 1½% and 50% of the prime commercial lending rate.

Preferred share redemption provisions

$10 par value	
Series A — 10¾%	Redeemable after January 1981 at par plus a decreasing premium to January 1995 and thereafter at par.
Series B — 8.32%	Redeemable after September 1982 at par plus a decreasing premium to September 1987 and thereafter at par.
Series C — floating rate	Redeemable at par at any time prior to mandatory redemption date in June 1991.
$8.50 par value	
8¾%	Redeemable after April 1983 at par plus a decreasing premium to April 1988 and thereafter at par.
$8 par value	
Series 1 — 11¼%	Redeemable after December 1985 at par plus a decreasing premium to December 1990 and thereafter at par. Retractable at the holder's option in December 1985 at par.

Preferred shares purchased for cancellation

During the year the company purchased for cancellation 5,500 Series A shares, 16,700 Series B shares, 43,300 8¾% shares and 17,550 Series 1 shares. Contributed surplus has been credited with $239,000 for the year, being the excess of par value over cost.

Common shares

The company is authorized to issue 3,500,000 common shares of $2.00 par value each. As at December 31, 1982 and 1981, 1,497,544 shares were issued and fully paid.

13. Joint Ventures and Partnerships

Subsidiary companies' share of real estate joint venture and partnership assets, liabilities, revenues and expenses are as follows:

	1982	1981
Assets	**$178,966,000**	$157,383,000
Liabilities	**86,725,000**	80,762,000
Revenues	**26,425,000**	36,817,000
Expenses	**27,051,000**	37,779,000

Included in real estate revenue in the consolidated statement of income for the year ended December 31, 1982 is the company's share of losses from joint ventures and partnerships in the amount of $626,000 (1981 — $962,000).

In certain joint ventures and partnerships the subsidiary companies are contingently liable for the remaining portion of liabilities. The amount of this contingent liability at December 31, 1982 is approximately $74,000,000 against which the subsidiary companies would have claims on the related assets which in total are sufficient to meet these obligations.

14. Income Taxes

A portion of the company's revenue consists of tax-exempt income, principally dividends paid by Canadian corporations; accordingly, income taxes provided in the consolidated statement of income are less than the amount obtained by applying statutory tax rates to income from operations before income taxes.

The provision (recovery) is as follows:

	1982	1981
Current	**$ 660,000**	$ (371,000)
Deferred	**5,315,000**	(1,723,000)
	$5,975,000	$(2,094,000)

15. Extraordinary Items

	1982	1981
Share of tax reduction of subsidiary (1981 affiliated company) from utilization of a loss carry forward	**$2,717,000**	$2,950,000
Share of affiliated company's extraordinary item — settlement of joint venture dispute	**109,000**	—
Gain on sale of shares of Canada Permanent Mortgage Corporation — net of deferred income taxes of $375,000	**—**	1,126,000
	$2,826,000	$4,076,000

16. Earnings Per Common Share

Earnings per common share have been calculated on the weighted average number of shares outstanding during each year.

17. Interest Expense

In respect of real estate development operations of subsidiaries, interest for the year totalled $74,619,000 (1981 — $66,019,000) of which $39,018,000 (1981 — $29,361,000) was charged to operations with the remaining amount being capitalized.

18. Commitments

The company's premises and certain equipment are held under long term leases; the aggregate amount of rentals paid during the year was $2,520,000 (1981 — $1,599,000). The aggregate rentals payable under all leases currently in force during the next five years is approximately $12,000,000.

A subsidiary company involved in real estate development has lodged letters of credit aggregating $16,983,000 with municipalities and utilities as collateral for the fulfillment of various business obligations.

19. Contingencies

In connection with a previous cash tender offer for the outstanding shares of a former subsidiary, another party has commenced an action against a subsidiary which claims interference with contract and interference with prospective advantage and alleges damages in excess of U.S. $8,000,000 and claims exemplary damages of U.S. $40,000,000. The company believes there is legal authority which would support the legality of the tender offer in the circumstances. The company also believes the chances of an award of exemplary damages in this case are remote and the chance of any monetary liability being assessed against the subsidiary are not probable.

Certain subsidiaries have been named as defendants in continuing litigation for compensatory and punitive damages involving an amount of approximately U.S. $21,000,000 with respect to a real estate transaction in California. A number of the same parties were involved in a prior action relating to the same transaction which resulted in a judgement in favour of the subsidiaries. The present proceedings were dismissed at an earlier stage, but on appeal, trial proceedings were reinstated. The companies are contesting the claim and believe the chance of any monetary liability being assessed is remote.

A former employee has commenced an action claiming that a contract existed for the management and ultimate sale of assets which were acquired on the acquisition of a former subsidiary. The subsidiary is contesting this claim which alleges damages of U.S. $4,000,000 and exemplary damages of U.S. $10,000,000. The company believes the chance of any monetary liability being assessed is remote.

The company and certain subsidiaries are defendants in other actions arising in the ordinary course of business. These actions are being contested and in certain cases, counter claims have been made. The company believes that the ultimate outcome of these actions will not result in any significant liability being assessed.

20. Related Party Transactions

(a) For the period November 29, 1982 to December 30, 1982, the company's parent advanced funds on an interest-free basis; the weighted average balance outstanding for the period was approximately U.S. $50 million.

(b) During the year the company recovered certain operating and administrative expenses incurred on behalf of its parent in the amount of $1,194,000.

21. Business Segment Information

Operations and identifiable assets by industry segment are as follows (in thousands of dollars):

1982	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 244,642	$302,310	$ —	$ 546,952
Intersegment revenue	4,302	1,037	(5,339)	—
	$ 248,944	$303,347	$(5,339)	$ 546,952
Income from operations	$ 8,841	$ 9,719	$(2,669)	$ 15,891
Identifiable assets	$1,590,970	$635,168		$2,226,138
Depreciation and amortization	$ 1,419	$ 3,913		$ 5,332

1981	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 215,558	$218,029	$ —	$ 433,587
Intersegment revenue	1,051	1,462	(2,513)	—
	$ 216,609	$219,491	$(2,513)	$ 433,587
Income from operations	$ 6,422	$ 4,588	$(1,256)	$ 9,754
Identifiable assets	$1,465,730	$576,741		$2,042,471
Depreciation and amortization	$ 1,339	$ 4,234		$ 5,573

Operations and identifiable assets by geographic region are as follows (in thousands of dollars):

1982	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 341,629	$205,323	$ —	$ 546,952
Intersegment revenue	3,760	2,722	(6,482)	—
	$ 345,389	$208,045	$ (6,482)	$ 546,952
Income from operations	$ 7,273	$ 8,618	$ —	$ 15,891
Identifiable assets	$1,874,216	$424,290	$(72,368)	$2,226,138

1981	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 310,711	$122,876	$ —	$ 433,587
Intersegment revenue	2,367	—	(2,367)	—
	$ 313,078	$122,876	$ (2,367)	$ 433,587
Income from operations	$ 3,581	$ 6,173	$ —	$ 9,754
Identifiable assets	$1,718,412	$372,120	$(48,061)	$2,042,471

22. Comparative Figures

Certain comparative figures for 1981 have been reclassified to conform with the classifications used in the current year; principally, secured personal loans of $217,696,000 in 1981 have been reclassified with a corresponding reduction in the related customer deposits.

Five Year Summary

(In thousands of dollars
except for per share figures)

	1982	1981	1980	1979	1978
Balance Sheet					
Assets					
Cash and Short Term Investments	**$ 97,815**	$ 103,785	$ 59,827	$ 35,140	$ 22,392
Securities	**188,731**	196,494	180,248	111,127	98,447
Mortgages	**1,057,633**	907,280	695,210	619,163	493,898
Secured Personal Loans	**110,465**	114,377	60,550	20,872	8,325
Commercial Loans and Finance Receivables	**247,097**	174,478	102,885	72,282	36,002
Real Estate	**364,213**	387,847	303,321	217,092	98,060
Other Assets	**160,184**	158,210	118,254	55,579	43,135
Total	**$2,226,138**	$2,042,471	$1,520,295	$1,131,255	$800,259
Liabilities and Equity					
Deposits	**$1,561,268**	$1,446,703	$1,075,975	$ 820,994	$612,045
Other Liabilities	**408,619**	370,842	301,263	223,098	100,816
Term Debt	**98,754**	105,562	47,158	22,430	27,021
	2,068,641	1,923,107	1,424,396	1,066,522	739,382
Deferred Income Taxes	**18,776**	16,246	21,933	16,834	15,465
Minority Interest	**25,515**	1,463	—	1,647	2,632
Shareholders' Equity	**113,206**	101,655	73,966	46,252	42,280
Total	**$2,226,138**	$2,042,471	$1,520,295	$1,131,255	$800,259
Income Statement					
Revenue:					
Investments	**$ 220,214**	$ 200,783	$ 116,680	$ 80,833	$ 55,735
Real Estate	**301,865**	221,560	120,208	108,528	18,359
Securities Gains and Other	**25,594**	16,236	14,344	7,896	4,275
Total Revenue	**547,673**	438,579	251,232	197,257	78,369
Expenses:					
Interest	**250,020**	214,667	118,870	81,603	47,762
Salaries	**21,795**	20,236	13,167	9,368	5,417
Real Estate	**223,165**	165,587	84,406	81,699	12,953
Other	**32,325**	25,612	18,512	14,857	5,708
Total Expenses	**527,305**	426,102	234,955	187,527	71,340
Income Taxes	**5,975**	(2,094)	4,658	2,338	1,246
Income (before extraordinary items)	**$ 14,393**	$ 14,571	$ 11,619	$ 7,392	$ 5,283
Per Common Share					
Earnings before extraordinary items	**$ 7.35**	$ 7.60	$ 8.28	$ 4.71	$ 3.15
Dividends	**$ 1.20**	$ 1.20	$ 1.00	$ 0.50	$ 0.50
Book Value	**$ 52.23**	$ 44.04	$ 34.84	$ 20.77	$ 16.55

Corporate Officers

First City has been fortunate to attract highly motivated professionals and as a result, our management team is as successful a mix as our business. We sincerely value the ability and intelligence of our people, and particularly their concerted effort and resulting effectiveness in 1982.

First City Financial Corporation Ltd.

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