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# 1975 First City Annual Report

## First City Financial Corporation Ltd.



**First City Financial Corporation Ltd.  
and its subsidiaries offer a wide  
range of financial services:**

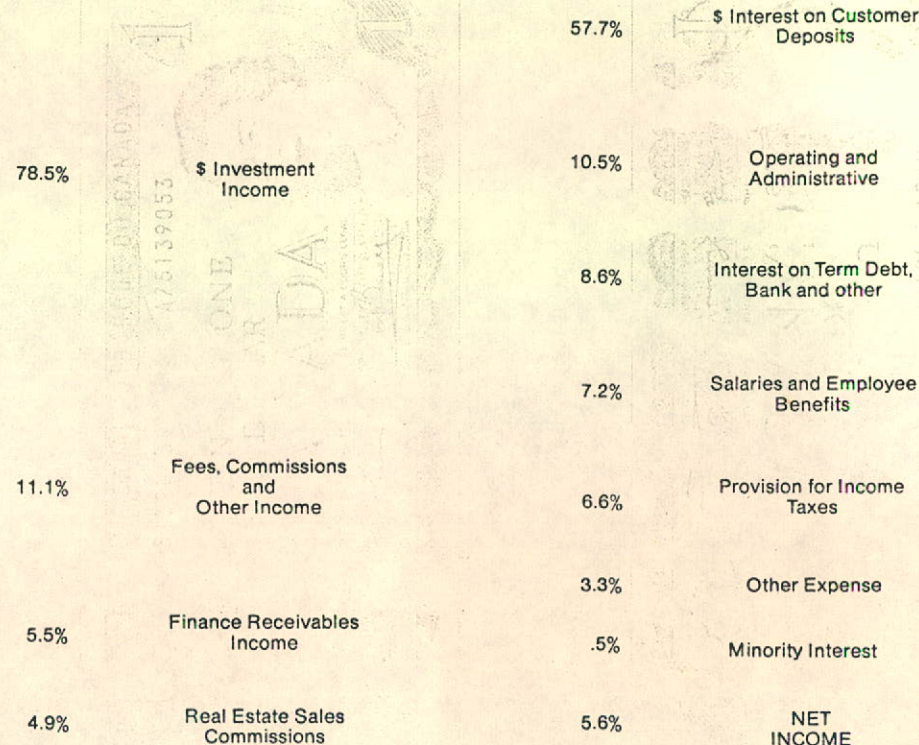
Savings Accounts  
Chequing Accounts  
Guaranteed Investment Certificates  
Personalized Cheques  
Corporate Trust Services  
Personal Loans  
Registered Retirement Savings Plans  
Registered Home Ownership Savings Plan  
Deferred Profit Sharing Plans  
Income Averaging Certificates  
Real Estate Brokerage  
Purchase and Sale of Mortgage Portfolios  
First Mortgage Loans  
Second Mortgage Loans  
Interim and Construction Financing  
Land Development Loans  
N.H.A. Loans  
Real Estate Development  
Lease-Back Financing  
Joint Venture Participations  
Stand-By Commitments  
Term Lending  
Equipment Leasing  
Factoring



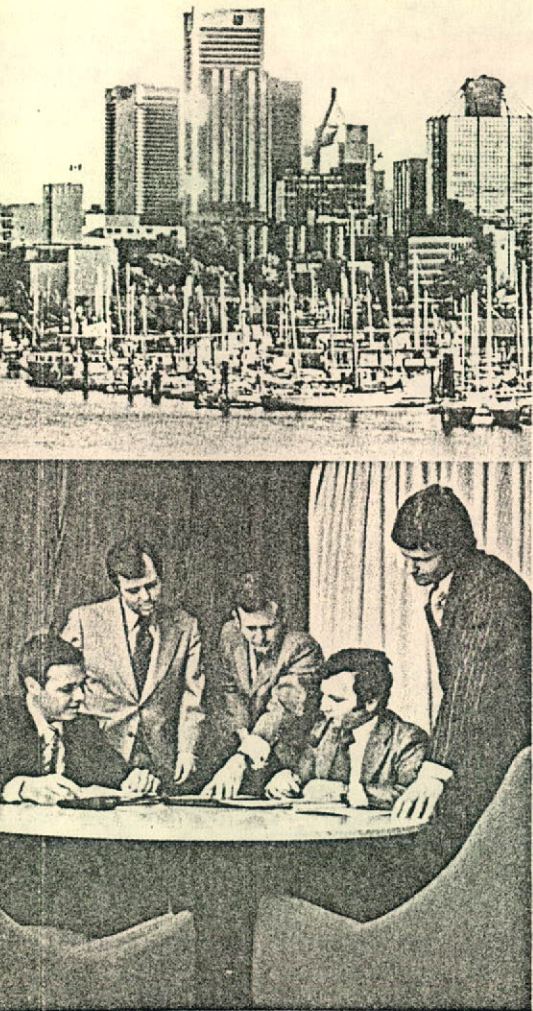
# First City Financial Corporation Ltd. Annual Report For The Year 1975

## Financial Highlights

### SOURCE AND USE OF REVENUE —1975



	1975	1974	Percentage Increase (Decrease)
NET INCOME .....	\$ 1,924,336	\$ 868,490	122%
NET EARNINGS PER COMMON SHARE .....	1.34	0.59	127
GROSS REVENUE .....	34,711,980	26,189,857	33
INTEREST COSTS .....	22,990,715	16,885,185	36
SALARIES AND EMPLOYEE BENEFITS .....	2,512,518	2,671,364	(6)
GROSS ASSETS .....	302,455,223	263,157,754	15
SHAREHOLDERS' EQUITY .....	11,701,338	10,076,602	16



Left to Right:  
W. Fraser Grant, President of First City Capital; Peter McPherson, Vice-President of First City Investments; Glenn M. Ferguson, Vice-President Finance and Administration of City Savings & Trust; Michael Cytrynbaum, President of First City Investments and Frank L. Harper, Controller of First City Financial, discussing recent 1976 operating results.



## Report of the Directors



Top:  
Senator David A. Croll, Q.C., Chairman  
of the Board.

Bottom:  
Mr. Samuel Belzberg, B.Comm., President.

We are pleased to report that your Company achieved its financial objectives for fiscal 1975, with both operating income and total assets reaching record levels. Net income more than doubled over the prior year to a high of \$1.9 million or \$1.34 per share. Gross revenue increased by \$8.5 million to \$34.7 million, a 32.5% increase for the year. During this same period total assets increased 14.9% to \$302.5 million. The improved earnings picture reflects directly management's successful efforts in attaining production targets, achieving a more desirable matching of the term structure of assets and liabilities and adherence to strict controls over operating costs. These factors are reflected by the fact our portfolio of Mortgages and Agreements for Sale increased 17% to \$220 million while Finance Receivables recorded a 35% increase to \$15 million. Operating and administrative expense increased only \$282,000 or 8.4% while salaries and employee benefits decreased by some \$159,000 or 5.9%. This latter decrease occurred during a period when management improved the over-all benefits package to the employees of the Company.

First City's three primary operating subsidiaries each experienced very good results in fiscal 1975.

The major subsidiary, *City Savings & Trust Company*, earned a record net income of \$1.6 million or \$1.43 per share. This represents an 88% and 63% increase respectively over the previous year. Gross revenue for the subsidiary increased 32% to over \$29 million while total assets grew by 22.0% to in excess of \$275 million. Subsequent to its 1975 year end City

Trust concluded a \$3,000,000 preferred share issue and this, combined with \$5,000,000 of subordinated notes issued during fiscal 1975, have added a total of \$8,000,000 to the capital base of the subsidiary. There will be no dilution of earnings to the common shareholders as a result of this increase to the capital base. This will allow the Company to expand its deposit borrowings by \$160 million. These financings combined with re-invested future earnings are estimated to satisfy City Trust's growth expectations for the foreseeable future.

*First City Capital Ltd.* experienced a very good year in terms of growth in both the level of operating income and total assets. The demand for term lending and leasing in the province of British Columbia improved over the prior year despite continuing recessionary influences. We are optimistic that a more positive turnaround in demand for lending will be forthcoming by mid 1976. Business generated by our Edmonton branch continued to grow substantially during fiscal 1975. In order to keep pace with this expansion of activity in the province of Alberta, a new office has recently been opened in Calgary. Mr. Ken Schultz who has been appointed manager of this branch brings a number of years experience in the field of commercial and industrial lending to our Company.

*First City Investments Ltd.* completed a successful year following its restructuring as a separate entity during fiscal 1974. The Company increased its activity in the area of joint venture financing. This particular service not only generates equity profits for the Company but also extends the market area of *City Savings & Trust Company* where takeout mortgages can be arranged on completed projects. In addition, the company experienced another active and profitable year in the area of

construction and interim finance loans. To meet the future growth potential in this and all other areas of activity of the Company, we are pleased to announce Mr. Peter McPherson, B.Comm., R.I. (B.C.), has joined *First City Investments Ltd.* as Vice President. He brings many years of experience in the area of real estate and commercial/industrial finance to the Company.

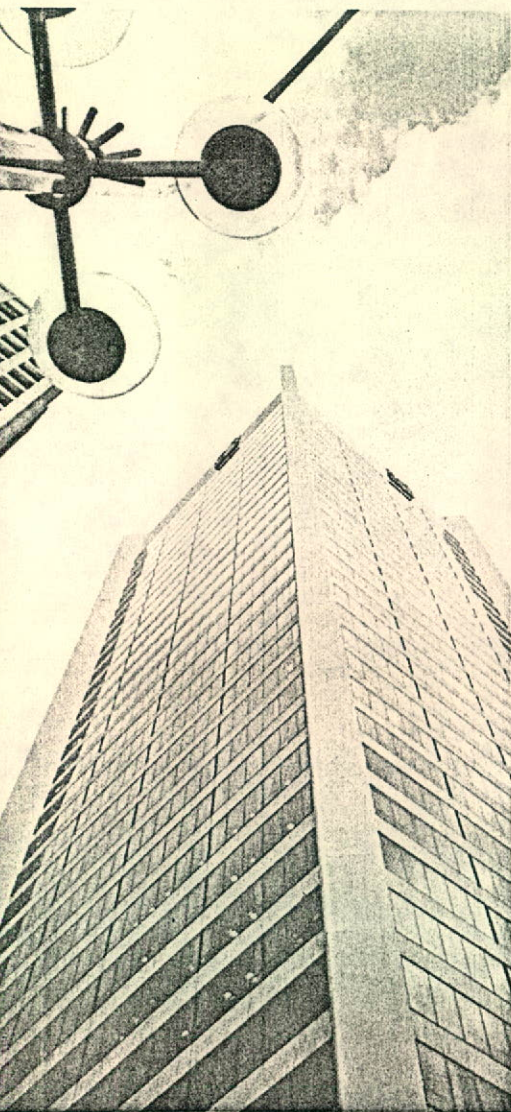
This record of achievement by all companies in the *First City* group is most gratifying, especially in view of the fact that the Canadian economy has continued to experience the effects of a fairly serious recession. The level of growth that was achieved in 1975 would not have been possible without the dedication and professionalism exhibited by all members of our management and staff. On behalf of the Directors we would like to take this opportunity to express our sincere appreciation for this effort.

While our objective is for continued growth for your Company, it is management's intention that assets will be allowed to grow only if we can achieve proportional increases in profits. The Canadian economy continues to feel the effects of a worldwide recession, however, we are confident the growth trends we have established during this past year will be maintained during the 1976 fiscal year.

The Federal Government's Anti-Inflation Board has not yet provided sufficient information for us to determine what the potential impact of its policy will have on a financial organization such as ours. The Honourable Mr. Donald McDonald, Minister of Finance, indicated in a recent press release that anti-inflation legislation aimed at trust companies will be similar to the regulations already announced for the chartered banks. While we do not wish to comment







Vancouver Head Office—First City Financial Corporation Ltd.

on the legislation until it is made public, we do wish to express our deep concern over this type of government intervention into the free enterprise system. All three levels of government are calling upon the private sector to adhere to the spirit of the guidelines whereas little proof is forthcoming to indicate excessive government spending, a leading contributor to current inflationary trends, is being curtailed. We at First City over the past two years have adopted very stringent policies of controlling costs while at the same time developing plans for increasing profitability through growth. Other companies adhere to this business philosophy and we feel that if all levels of government adopted a firmer policy towards cost curtailment a greater contribution could be made towards reducing the rate of inflation to more acceptable levels.

During the year the company disposed of its interest in Far West Financial Corporation. The shares were sold at a price of \$12.00 per share, which price was based on an independent valuation and was in excess of the carrying cost of the shares on the books of the Company. It was determined that the nature of this investment could possibly affect the future activities of the Company in Canada and therefore a disposition was deemed to be in our best interests.

The Annual Meeting of the Company will be held on April 30, 1976 at the Four Seasons Hotel in Calgary at 11:30 a.m. and all shareholders are encouraged to attend.

On behalf of the Board

*David A. Croll*  
David A. Croll, Chairman of the Board

*Samuel Belzberg*  
Samuel Belzberg, President  
and Chief Executive Officer

Vancouver, Canada March 11, 1976

## First City Financial

First City Financial Corporation is the first western-based financial institution of its kind offering what has come to be known as "full service" financial planning for customers throughout Canada. What this involves, in the first instance, is the capability of collecting funds from savers and lenders and allocating them efficiently among a variety of ultimate borrowers.

Within this general framework, the First City group offers a wide range of specific services including savings and chequing accounts, industrial and commercial leasing, factoring, term lending, interim construction, financing, joint ventures and mortgage lending.

In doing so, First City group provides an assured source of funds for worthwhile individual, industrial and commercial ventures while simultaneously providing a secure investment for savers and the Company's shareholders.

The stock in trade of the First City group is the specialized knowledge required to bridge the gap between the particular requirements of savers and borrowers. An immense variety of needs and demands exist within the financial market, with many different kinds of lenders, different kinds of borrowers and different kinds of purchasing power appropriate to a wide range of transactions.

These factors—the overlapping of financial functions and the need for breadth and flexibility in financial planning—led inevitably to the development of the full-service concept. First City Financial was incorporated in British Columbia in April, 1970, with the specific objective of translating that concept into reality to the benefit of individual and business consumers, and to the benefit of the Company's shareholders.

Our main corporate objective continues to be to offer individual customers an integrated, one-stop

financial house designed to meet their own specific requirements.

To organize and manage its varied service offerings effectively, First City operates as a holding company with three main subsidiaries—City Savings & Trust Company, First City Capital Ltd. and First City Investments Ltd. Each of these subsidiaries specializes in different aspects of the full-service financial plan. But acting as a group, they bring a complete combination of resources and talents to bear on a customer's varied requirements.

In the short time since the First City Financial group was formed there has been remarkable growth in the over-all corporation. First City's net assets have grown from \$53 million in 1970 to \$302 million at the end of 1975. Consolidated revenues were up to \$35 million by year-end 1975 and net earnings to \$2 million.

In addition to its investments in the various subsidiary companies, First City holds a small portfolio of mortgages and secured loans.

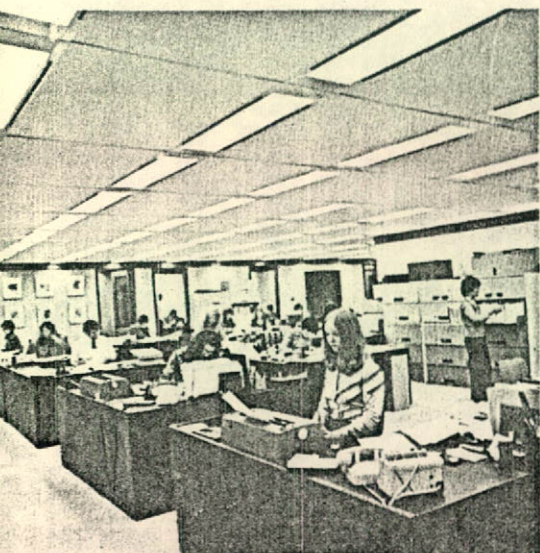
Much of the Company's early expansion was accomplished by investing in new companies to manage complementary aspects of our financial business. In 1974, steps were taken to reorganize the operating subsidiaries as they were structured at that time.

In this same period, additional senior personnel were acquired to complement the management team already with the First City group. Since then, the respective companies within the First City group have been expanded and developed as separate operations while the inter relationships between them have been further strengthened as an essential part of our continuing commitment to further development of the full-service concept.





# City Savings and Trust



(top picture) First City Group employees work in modern office surroundings.

Recently completed real estate property in Toronto, financed by City Trust.

A trust company, by definition, is a company organized to manage and direct the financial affairs of individuals and corporations to their benefit and to provide near full service banking facilities.

Incorporated in Alberta in 1962 with its head office in Edmonton, City Trust was originally established as a traditional trust company, but has since been developed to participate in other financial fields. Today, City Trust is the largest operating subsidiary of First City Financial Corporation and is our most important source of earnings.

At City Savings and Trust, these functions have been translated into specific specialized financial products and services tailored to benefit the individual customer. In developing our services, City Trust has concentrated on providing security, value and diversity. Our customers are able to take advantage of these benefits during more flexible business hours, and with faster and more personal staff service, than can be afforded by most financial institutions. These essential elements are present in each service we make available to our customers, through 11 City Trust offices and a large network of qualified agents across Canada.

## Tax Savings Plans

City Trust has drawn on its experience and resources to design major tax savings plans for income-earning Canadians.

Many people have obtained significant benefits from participation in our *City Trust Registered Retirement Savings Plan*. This plan provides a three-fold benefit in that it earns

guaranteed premium rates of interest and permits substantial tax savings while establishing a secure depository for retirement savings. Taxable income can be reduced by as much as \$4,000 per year or 20% of earned income. The RRSP is available in the form of a special demand deposit or in a term deposit ranging up to a five year term.

For the individual who may receive a substantial one-time income payment — perhaps in the form of a capital gain, recaptured depreciation or pension refund — significant tax savings may be achieved through *City Trust Income Averaging Certificates*. These certificates are also of benefit to writers, artists, entertainers, athletes and other people whose income may vary considerably from year to year.

For the small businessman, and for executive groups, City Trust has designed the *City Trust Deferred Profit Sharing Plan*. When combined with a Registered Retirement Savings Plan, deferred profit sharing may result in as much as \$6,500 in tax deductible contributions per employee per year. In 1975, we added the *City Trust Registered Home Ownership Savings Plan* to our list of services. Aside from providing funds for the purchase of a home, or to furnish a home, the RHOSP provides both interest income and exceptional tax benefits. A person contributing the maximum \$1,000 a year for 10 years at an average marginal tax rate of 30%, can double his or her investment (with tax savings and earned interest based on a 9% interest rate) for the purchase of a home or furnishings. Funds invested in the plan may be withdrawn at any time without penalty.

## Savings and Chequing Accounts

City Trust provides both Savings and Chequing Account services for customers who require either an interest-earning depository for their savings or the convenience provided by a chequing account. Interest on

Savings Accounts is calculated on the minimum monthly balance and credited to the account twice a year.

## Guaranteed Investment Certificates

In addition to the Savings and Chequing Accounts where the customer's funds are available "on demand," City Trust offers a high-interest, term deposit plan. A Guaranteed Investment Certificate is issued with a minimum deposit of \$500 for any period up to five years; with no limit on the maximum amount of deposits. Both principal and interest income are guaranteed by the Canadian Deposit Insurance Corporation up to \$20,000. Interest payments may be made monthly, semi-annually, annually or at maturity depending on the amount and term of the deposit — and may be deposited directly to a Savings Accounts.

## Personal and Business Loans

As part of its commitment to provide complete financial services to its customers, City Trust can arrange personal loans for a wide range of needs. Applications will be considered right at the local City Trust branch and processed without delay.

## Real Estate Services

City Trust has more than 125 licenced real estate agents in Western Canada who provide professional agency and brokerage services for both the sale and purchase of commercial and residential properties.

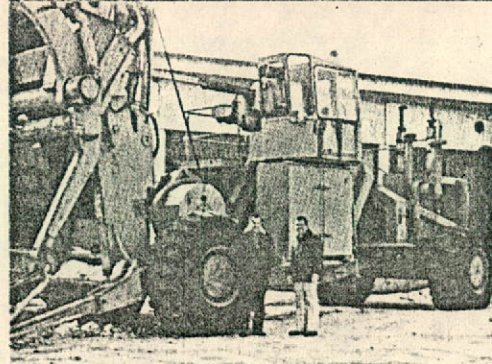
The Real Estate Division offers a guaranteed sales plan whereby we guarantee the sale of a customer's present home if he is purchasing a



new home through City Trust. We can provide that guarantee because of the efficiency of a national referral and listing service operated in conjunction with other major Canadian real estate companies and our management knowing the markets.

## Mortgage Services

City Trust is an approved mortgage lender under the National Housing Act and the Mortgage Insurance Company of Canada. In this capacity we provide conventional loans for family housing including both single and multiple dwellings. Most residential loans can be approved by the local City Trust mortgage manager. The Mortgage Division can also provide interim financing for construction projects. We also assemble and sell blocks of mortgages to other institutions such as pension funds and insurance companies. Mortgage servicing facilities, including the collection of interest and principal payments, are available to commercial, industrial and residential customers.



Fraser Grant (left—top picture), President of First City Capital and Mr. Bob Cattermole (right), President of Cattermole Timber, on site inspecting equipment financed by First City Capital.

In the 1950's, term lending began to assume increasing importance as a means of meeting the business community's growing requirements for plant expansion, acquisitions and working capital. This type of financing became particularly useful to the small businesses who do not have sufficient financial strength to allow them to obtain financing in the equity or bond markets.

More recently, Canadian corporations have turned increasingly to the concept of leasing arrangements. With this type of financial service, physical property acquired by a company such as ours is leased to commercial and industrial customers at terms of anywhere from three to 15 years, depending on the nature of the asset.

In addition, financial institutions have become increasingly involved in the business of factoring, which involves the financing of a company's operations, or the financing of wholesale and retail sales, through the purchase of the company's accounts receivable. This type of financing provides operating capital to companies who are expanding more quickly than their present lines of credit will allow.

First City Capital, originally incorporated in British Columbia in 1960, was initially engaged primarily in the business of industrial and commercial leasing. Since then, however the company has grown from a small leasing operation to a multi-service, corporate financing company which has added both term financing and factoring to its service offerings.

The location of the company's head office is resource-oriented Western Canada with offices in Vancouver, Edmonton, Calgary and Toronto. Its size, and its expertise in the forest, extractive and processing industries have enabled it to provide prompt decisions and excellent client follow-up in its principal markets. These factors have proven to be decided advantages in the company's ability to compete effectively with the larger finance companies.

In the field of corporate term financing, First City Capital's loans are generally made for plant expansion, acquisition, partner buy-outs or working capital. These loans are for periods of two to 20 years and security is based on fixed assets such as land, buildings and equipment. Each proposal is structured to fit the client's needs and repayment ability, and financing can be provided at competitive interest rates, in amounts ranging from \$20,000 to millions of dollars.

In the leasing field, machinery, mobile equipment and other chattels are leased under non-cancellable contracts for fixed, basic periods. The customer, or lessee, is usually given the option of purchasing the leased asset one or two years before expiry of the basic lease term. Sale is at a price estimated in advance by First City Capital to be the fair market value of the item at the date the purchase option may be exercised.

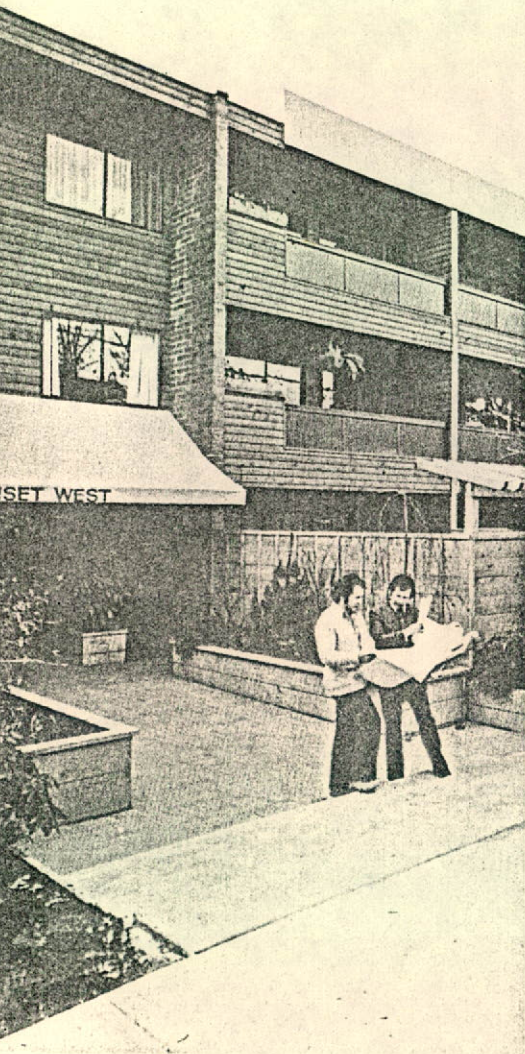
The newest area of First City Capital's operation is factoring. The company provides operating capital to meet the client's current cash needs with advances normally secured by an assignment of accounts receivable, a pledge of inventories, a mortgage on equipment or other chattels or combinations thereof. In some cases, First City Capital also arranges Letters of Credit for the importation of goods for resale.

The Company's portfolio is diversified both as to nature of loan and accompanying collateral as well as to industry and geography. Management is experienced in each field of the operation, an essential requirement in meeting the company's objective of greater profitability in future years.





# First City Investments



Developer, Andre Molnar (left) and First City Investments President, Michael Cytrynbaum, reviewing joint venture—57 unit condominium project in Vancouver.

The business of First City Investments is essentially an extension of the First City Financial group's broad real estate financing capacity.

Investment's role as a mortgage lender complements the types of lending that City Trust makes under the terms of The Trust Companies Act. In addition, the Company's activities encompass interim financing for residential, industrial and commercial real estate purposes and covers such areas as land banking, land servicing and subdivision, project construction and joint venture financing.

This close co-operation between the activities of Investments and City Trust is a reflection of the fact that until 1973, Investments was owned jointly by First City Financial and by City Trust. Since then, however, the company has been renamed (it was originally incorporated in Alberta in 1961 as CST Mortgage Corporation Ltd.) and is now wholly-owned by First City Financial.

There are no set formulas for interim financing since each project is unique in its concept and structure and requires a financing package tailor-made to its specific needs. However, at First City Investments, each customer is afforded competitive interest rates, usually at terms of one to three years, and a number of additional services. These include standby commitments, pre-arranged interim financing for lot buyers, equity financing and bridge financing arrangements for long-term mortgaging upon project completion. The success of this tailored approach to the needs of developers is amply demonstrated through the large

number of repeat customers listed in our portfolio.

Since most long-term mortgages are based on the cash flow of the project, it is to the developer's advantage to borrow interim development or construction money. With the establishment of proven cash flow and return on the project, the long-term mortgage can frequently cover all development and construction costs. In addition, positive cash flow and return on the project will guarantee a higher amount on the long-term mortgage at a preferred rate.

There are a number of important factors to consider in the securing of interim funds, with the prime consideration being that they money required be made available at the right time. The decision to lend must be made quickly, and funds must be advanced promptly. At First City Investments, the objective is to provide a decision on funding within 72 hours.

While the Company has no plans to bring long-term loans within its portfolio its lending activities will be expanded both in terms of services offered, and in terms of communities serviced. The company presently operates in British Columbia, Alberta, Manitoba, Ontario and Quebec.

It is the company's intention in the future to carry on more of its basic types of business through joint venture agreements providing equity financing and sharing in profits generated by the projects.







**Consolidated Statement of Income**

for the year ended December 31, 1975 (with prior year figures for comparison)

	1975	1974
<b>REVENUE:</b>		
Investments.....	\$27,241,432	\$19,973,998
Fees, commissions, and other.....	3,835,873	3,402,447
Finance receivables.....	1,917,741	1,084,057
Real estate sales commissions.....	1,716,934	1,729,355
Total revenue.....	<u>34,711,980</u>	<u>26,189,857</u>
<b>EXPENSES:</b>		
Interest:		
Customer deposits.....	20,013,498	14,475,262
Notes and income debenture.....	990,073	655,938
Bank and other.....	1,403,027	1,070,347
Long-term debt.....	584,117	683,638
Operating and administrative.....	3,659,245	3,376,815
Real estate commissions.....	958,327	1,030,517
Salaries and employee benefits.....	2,512,518	2,671,364
Depreciation and amortization.....	176,368	194,901
Total expenses.....	<u>30,297,173</u>	<u>24,158,782</u>
INCOME BEFORE INCOME TAXES.....	<u>4,414,807</u>	<u>2,031,075</u>
PROVISION FOR INCOME TAXES (Note 12):		
Current.....	1,518,017	403,540
Deferred.....	787,309	617,298
Total provision for income taxes.....	<u>2,305,326</u>	<u>1,020,838</u>
INCOME BEFORE MINORITY INTEREST.....	2,109,481	1,010,237
MINORITY INTEREST.....	185,145	141,747
NET INCOME FOR THE YEAR.....	<u>\$ 1,924,336</u>	<u>\$ 868,490</u>
EARNINGS PER SHARE (Note 14).....	<u>\$ 1.34</u>	<u>\$ 0.59</u>

The accompanying notes are an integral part of the consolidated financial statements.



**Consolidated Balance Sheet**

as at December 31, 1975 (with prior year figures for comparison)

**Assets**

	<u>1975</u>	<u>1974</u>
CASH AND CERTIFICATES OF DEPOSIT (Note 2).....	\$ 9,105,423	\$ 17,449,610
SECURITIES (Note 3).....	47,622,337	25,857,907
MORTGAGES AND AGREEMENTS FOR SALE.....	220,021,163	188,129,512
SECURED AND PERSONAL LOANS.....	830,172	2,797,397
FINANCE RECEIVABLES (Note 4).....	15,132,472	11,198,849
REAL ESTATE (Note 5).....	4,777,079	5,238,989
INVESTMENT IN FAR WEST FINANCIAL CORPORATION.....	—	5,273,827
ACCOUNTS RECEIVABLE.....	992,817	3,180,560
LEASEHOLD IMPROVEMENTS, OFFICE EQUIPMENT, AND FURNISHINGS (Note 6).....	1,012,923	1,187,426
OTHER ASSETS.....	1,271,971	1,156,202
EXCESS OF COST OF INVESTMENT IN SUBSIDIARIES OVER ACQUIRED EQUITY IN NET ASSETS (Note 7).....	1,688,866	1,687,475
TOTAL.....	<u>\$302,455,223</u>	<u>\$263,157,754</u>

APPROVED BY THE BOARD:

Director

*David A. Boyer*

Director

*Samuel Betzberg*



**Liabilities**

	<u>1975</u>	<u>1974</u>
DEMAND AND SHORT-TERM DEPOSITS .....	\$ 47,208,719	\$ 57,343,935
GUARANTEED INVESTMENT CERTIFICATES .....	208,171,922	151,589,401
BANK INDEBTEDNESS (Note 8) .....	3,496,500	11,618,948
ACCOUNTS PAYABLE AND ACCRUED CHARGES .....	2,386,288	6,712,600
INCOME TAXES PAYABLE .....	1,334,268	39,684
DEFERRED MORTGAGE FEES .....	388,445	713,328
NOTES PAYABLE—shareholder (Note 9) .....	5,000,000	5,000,000
6½% INCOME DEBENTURE—shareholder (Note 10) .....	9,000,000	9,000,000
TERM DEBT (Note 11) .....	9,321,422	7,265,698
DEFERRED INCOME TAXES (Note 12) .....	3,117,194	2,368,367
MINORITY INTEREST .....	1,329,127	1,429,191
	<u>290,753,885</u>	<u>253,081,152</u>
<b>Shareholders' Equity</b>		
SHARE CAPITAL (Note 13)		
Preferred shares .....	1,000,000	1,000,000
Common shares .....	5,572,126	5,572,126
RETAINED EARNINGS .....	5,129,212	3,504,476
	<u>11,701,338</u>	<u>10,076,602</u>
TOTAL .....	<u>\$302,455,223</u>	<u>\$263,157,754</u>

The accompanying notes are an integral part of the consolidated financial statements.



**Consolidated Statement of Source and Application of Cash**

for the year ended December 31, 1975 (with prior year figures for comparison)

	<u>1975</u>	<u>1974</u>
<b>CASH PROVIDED:</b>		
From operations.....	\$ 2,737,901	\$ 1,822,437
Secured and personal loans.....	1,967,225	418,146
From disposal of investment in Far West Financial Corporation.....	5,542,800	—
Customer deposits.....	46,447,305	65,062,757
Increase in term debt.....	3,500,000	670,000
Change in real estate.....	618,755	(4,722,975)
Change in accounts receivable.....	2,187,743	(1,560,002)
Change in income taxes payable.....	1,294,584	—
Notes payable—shareholder.....	—	3,734,900
6½% income debenture—shareholder.....	—	9,000,000
Issue of common shares.....	—	3,080
	<u>64,296,313</u>	<u>74,428,343</u>
<b>CASH APPLIED:</b>		
Net investment in:		
Securities.....	21,899,576	6,157,773
Mortgages and agreements for sale.....	31,891,651	65,380,498
Finance receivables.....	3,933,623	1,112,440
Investment in Far West Financial Corporation.....	8,432	5,273,827
Retirement of term debt.....	1,429,641	547,352
Dividends.....	299,600	266,284
Dividends paid to minority interest.....	47,841	50,749
Change in bank indebtedness.....	8,122,448	(816,051)
Change in accounts payable.....	4,326,312	(4,815,170)
Change in other assets and liabilities—net.....	681,376	1,581,554
	<u>72,640,500</u>	<u>74,739,256</u>
DECREASE IN CASH FOR THE YEAR.....	8,344,187	310,913
CASH AND CERTIFICATES OF DEPOSIT AT BEGINNING OF THE YEAR.....	17,449,610	17,760,523
CASH AND CERTIFICATES OF DEPOSIT AT END OF THE YEAR.....	<u>\$ 9,105,423</u>	<u>\$17,449,610</u>

The accompanying notes are an integral part of the consolidated financial statements.





FIRST CITY FINANCIAL CORPORATION LTD. AND SUBSIDIARIES  
**Consolidated Statement of Retained Earnings**  
 for the year ended December 31, 1975 (with prior year figures for comparison)

	1975	1974
RETAINED EARNINGS AT BEGINNING OF THE YEAR.....	\$3,504,476	\$2,902,270
NET INCOME FOR THE YEAR.....	1,924,336	868,490
	<u>5,428,812</u>	<u>3,770,760</u>
DIVIDENDS ON COMMON SHARES.....	251,600	223,617
DIVIDENDS ON PREFERRED SHARES.....	48,000	42,667
TOTAL DIVIDENDS.....	<u>299,600</u>	<u>266,284</u>
RETAINED EARNINGS AT END OF THE YEAR.....	<u>\$5,129,212</u>	<u>\$3,504,476</u>

The accompanying notes are an integral part of the consolidated financial statements.

## Auditor's Report

To the Shareholders of First City Financial Corporation Ltd.:

We have examined the consolidated balance sheet of First City Financial Corporation Ltd. and subsidiaries as at December 31, 1975 and the consolidated statements of income, retained earnings, and changes in cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

As required by the Companies Act, British Columbia, we also report that, in our opinion, due provision has been made in these consolidated financial statements for minority interests in subsidiaries.



## Notes to the Consolidated Financial Statements

DECEMBER 31, 1975

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:****(a) Basis of Consolidation:**

The consolidated financial statements include the accounts of the company and the following subsidiaries:

	Percentage Ownership
City Savings & Trust Company .....	89%
Citrust Developments Limited .....	89%
First City Capital Ltd. ....	100%
PLC Investments Limited .....	100%
First City Investments Ltd. ....	100%
First City Investments (Ontario) Limited .....	100%
Citfin Funding Corporation Limited .....	100%
Westcan Structures Leasing Ltd. ....	100%
Inactive Subsidiaries:	
C.S.T. Realty Ltd. ....	89%
First City Equities Limited .....	100%
First City Insurance Agencies Ltd. ....	100%
Second City Financial Corporation Ltd. ....	100%
Third City Financial Corporation Ltd. ....	100%
City Investments and Properties Limited .....	100%

These financial statements do not include the accounts of a wholly-owned subsidiary, F.C. Financial Associates Ltd. as it is management's intention to effect an orderly liquidation of this subsidiary. The assets and liabilities of the subsidiary are not significant.

Acquisitions have been accounted for by the purchase method. The excess of the cost of shares in the subsidiaries over the equity in their net assets at acquisition dates is carried at cost as management believes that this excess has continuing value.

The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation, and the appropriate provision for minority interest has been made.

**(b) Securities Valuation:**

Bonds are carried at amortized cost plus accrued income and stocks at cost less provision for permanent decline in value.

**(c) Mortgages, Agreements for Sale, and Secured and Personal Loans:**

Mortgages, agreements for sale, and secured and personal loans are recorded at cost plus accrued interest less payments thereon.

**(d) Finance Receivables:**

The accounting principles employed in respect of finance receivables are in accordance with practices followed in the industry. Income from leases and secured finance contracts is recognized on the sum of the digits method. Income from term loans and factoring loans is recognized on the simple interest basis.

**(e) Leasehold Improvements, Office Equipment, and Furnishings:**

It is the company's practice to provide for depreciation of office equipment and furnishings at rates of 10% to 30%, amortization of leasehold improvements over the remaining terms of the leases and depreciation of rental properties at the rate of 2 1/2%, all on the straight line method.

**(f) Deferred Costs:**

Deferred costs included in other assets consist of incorporation and organization expenses, issue expenses on debentures, and costs incurred in opening branch offices. Issue expenses are being amortized over the period the debentures are outstanding and the costs incurred to open branches are being written off over five years.

**2. CASH AND CERTIFICATES OF DEPOSIT:**

	1975	1974
Cash and deposit receipts of chartered banks .	\$ 5,545,907	\$16,409,788
Short-term notes and collateral loans .....	3,559,516	1,039,822
<b>TOTAL</b> .....	<b>\$ 9,105,423</b>	<b>\$17,449,610</b>

**3. SECURITIES:**

	1975	1974
Carrying values:		
Government bonds .....	\$33,359,797	\$14,210,299
Corporate bonds .....	6,289,105	6,256,922
Stocks .....	7,973,435	5,390,686
<b>TOTAL</b> .....	<b>\$47,622,337</b>	<b>\$25,857,907</b>
Market values:		
Government bonds .....	\$29,807,966	\$12,583,510
Corporate bonds .....	5,407,325	5,177,237
Stocks .....	6,872,962	3,805,948
<b>TOTAL</b> .....	<b>\$42,088,253</b>	<b>\$21,566,695</b>



**4. FINANCE RECEIVABLES:**

	1975	1974
Lease and secured finance contracts receivable . . . . .	\$ 9,458,385	\$ 8,587,634
Term loans . . . . .	3,753,997	1,697,435
Factoring loans . . . . .	1,920,090	913,780
<b>TOTAL</b> . . . . .	<b>\$15,132,472</b>	<b>\$11,198,849</b>

**5. REAL ESTATE:**

	1975	1974
Real estate held for resale—at the lower of cost or net realizable value . . . . .	\$2,932,375	\$3,088,657
Land held for development and resale—at the lower of cost or net realizable value . . . . .	848,700	1,592,257
Rental properties—at cost less accumulated depreciation of \$69,834 (1974—\$107,155) . . . . .	996,004	558,075
<b>TOTAL</b> . . . . .	<b>\$4,777,079</b>	<b>\$5,238,989</b>

During the year a subsidiary company changed its depreciation rate in respect of the rental properties from a twenty-year to a forty-year straight line basis. The adjustment to depreciation expense was calculated retroactively to the original date of purchase of each of the rental properties. The effect of this adjustment (\$10,400 of which relates to 1975) has resulted in an increase in net income of approximately \$29,000. Depreciation for the year credited to earnings in 1975 amounted to \$36,234 (charged to operations in 1974—\$21,663).

**6. LEASEHOLD IMPROVEMENTS, OFFICE EQUIPMENT, AND FURNISHINGS:**

These assets are recorded at cost less accumulated depreciation and amortization of \$369,581 (1974—\$585,921). Depreciation and amortization charged to earnings in 1975 amounted to \$165,898 (1974—\$183,222).

**7. EXCESS OF COST OF INVESTMENT IN SUBSIDIARIES OVER ACQUIRED EQUITY IN NET ASSETS:**

Balance as at December 31, 1974 . . . . .	\$1,687,475
Excess of cost on acquisition of additional shares of City Savings & Trust Company over equity in net assets acquired . . . . .	1,391
<b>Balance as at December 31, 1975</b> . . . . .	<b>\$1,688,866</b>

**8. BANK INDEBTEDNESS:**

Bank indebtedness is secured by the following:

Secured debentures of a subsidiary company in the amount of \$10,300,000 (Note 11) securing bank indebtedness in the amount of \$1,946,500.

Specific mortgages aggregating approximately \$1,369,000 securing demand loans in the amount of \$800,000 and land held for development securing an amount of \$650,000.

**9. NOTES PAYABLE—SHAREHOLDER:**

The unsecured notes payable aggregating \$5,000,000 matured January 31, 1976. These notes were renewed and are repayable on May 31, 1976. The interest rate (11.03% at December 31, 1975) is based on the prevailing rates for 90 day short-term promissory notes in Canadian money markets.

**10. 6 1/2% INCOME DEBENTURE—SHAREHOLDER:**

The 6 1/2% subordinated income debenture, Series A, in the amount of \$9,000,000 is one of a series of subordinated income debentures authorized to be issued to a limit of \$15,000,000 at interest rates to be determined at time of issue. Of the total interest payable for the current year, \$91,000 has been waived (1974—\$122,000).

The income debenture matured February 12, 1976 and on the same date the company borrowed \$5,000,000 from the shareholder by way of an unsecured demand promissory note. The note bears interest at an annual rate of 1 1/2% per annum above the prime rate charged from time to time by a Canadian chartered bank.

**11. TERM DEBT:**

(a) 9% Sinking Fund Debentures, Series A, unsecured, due July 15, 1992:

These debentures require sinking fund deposits of \$150,000 annually from 1976 to 1991 with a final payment of \$600,000 on July 15, 1992. They are redeemable at the company's option with a reducing premium upon redemption.

1975—\$2,929,000      1974—\$3,000,000

(b) Secured Debentures:

7% Series A, with annual principal and interest and payments of \$51,127 and a final payment of \$79,950 on November 30, 1981.

7 1/4% Series B with annual sinking fund deposits of \$35,000 and a final payment of \$411,500 on May 15, 1980.



These debentures and those issued to secure demand bank loans (Note 8) are secured through a Deed of Trust and Mortgage which provides for a first fixed charge on certain finance receivables.

Series A—1975—\$297,623	1974—\$326,150
Series B—1975—\$526,500	1974—\$555,000

**(c) Unsecured Sinking Fund Debentures:**

7% Series B with annual sinking fund deposits of \$10,000 and a final payment of \$45,000 on October 1, 1977.

6 3/4% Series C convertible at the rate of 45 Class A common shares of a subsidiary for each \$1,000 debenture up to August 14, 1976. Annual sinking fund deposits are \$25,000 with a final payment of \$193,000 on August 15, 1981.

These debentures are redeemable at the subsidiary's option with a reducing premium upon redemption. Of the \$373,071 of Series B and C debentures outstanding, \$297,000 Series C debentures are held by the parent company.

1975—\$76,071	1974—\$126,742
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**(d) Term Bank Loan:**

The loan bears interest at prime rate (9 3/4% at December 31, 1975) plus 1 1/4% and is secured under a demand debenture, by a specific mortgage and charge on all equipment leased under specific lease contracts of a subsidiary and an assignment of the proceeds from the related lease contracts. Payments are made monthly out of the proceeds of the lease contracts. The balance, if any, is due December 31, 1979.

1975—\$1,992,228	1974—\$2,587,806
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**(e) Subordinated Notes, Series A:**

The notes are repayable \$250,000 in 1976 and 1977, \$500,000 from 1978 through 1981 and \$2,500,000 on June 20, 1982. They bear interest at 1 1/2% over bank prime rate (9 3/4% as at December 31, 1975). The parent company holds \$1,500,000 of the subsidiary's \$5,000,000 of outstanding notes.

1975—\$3,500,000	1974—\$ Nil
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**(f) Note Payable—maturing on or before August 14, 1976:**

1975—\$ Nil	1974—\$670,000
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Approximate principal repayments on the aggregate term debt over the next five years are:

1976—\$ 929,000	1977—\$1,039,000	1978—\$998,000
1979—\$1,002,000	1980—\$ 884,000	

**Borrowing Restrictions:**

The Trust Deeds covering the debentures contain covenants restricting further borrowings by the companies, subject to the conditions set out in the Trust Deeds.

**Dividend Restrictions:**

The Trust Deeds covering the debentures, and the loan agreement, contain covenants restricting the declaration of dividends either by the company or, in the case of the term bank loan agreement, by a subsidiary.

**Share Purchase Warrants:**

The holders of 9% Sinking Fund Debentures Series A are entitled to purchase 100 common shares of the company, for each \$1,000 debenture held, at \$6.50 per share to July 15, 1977 and \$8.00 per share thereafter until July 15, 1982, the expiry date of the warrants.

**12. INCOME TAXES:**

The total income tax provision differs from the amount determined by applying the current rate of tax to the income before tax, as interest paid on the 6 1/2% income debenture is not deductible in determining taxable income and dividends from taxable Canadian corporations and one-half of capital gains or capital losses on sale of security investments are not included in the determination of taxable income.

**13. SHARE CAPITAL:**

**Preferred Shares:**

The company is authorized to issue 1,600,000, 5% redeemable (for the amount paid thereon) exchangeable preferred shares of no par value. The shares rank equally as to dividends with the common shares except that the rate of dividend on each preferred share is one-third of that on each common share. The preferred shareholders may, at their option at any time up to September 27, 1986, exchange the preferred for common on a three-for-one basis.

As at December 31, 1975, the company had issued 800,000 preferred shares, unchanged from the previous year.

**Common Shares:**

The company is authorized to issue 8,400,000 common shares of no par value.





As at December 31, 1975, the company had issued 1,397,776 shares (unchanged from the previous year). Common shares are reserved for issue in respect of:

(a) A share purchase warrant for an officer permitting the purchase of shares for \$6.50 up to July 15, 1977 and \$8.00 thereafter to July 15, 1982 at which time the warrant expires. The number of shares that may be purchased in any year is limited. The warrant is exercisable after July 15, 1976 or such earlier date as the company may designate .....	40,000
(b) Purchase warrants issued in conjunction with the 9% Sinking Fund Debentures, Series A (Note 11) .....	300,000
(c) Conversion rights on preferred shares .....	266,666
<u>Total shares reserved .....</u>	<u>606,666</u>

**14. EARNINGS PER SHARE:**

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

Fully diluted earnings per share have been calculated on the assumption that conversion rights and share purchase warrants were exercised on the date of issue.

Earnings in the amount of \$99,400 net of income taxes were imputed on the assumed funds derived from share purchase warrants at an assumed rate of 9% before tax.

	1975	1974
<u>Fully diluted earnings per share .....</u>	<u>\$1.01</u>	<u>\$0.48</u>

**15. COMMITMENTS:**

The company's head office, the trust company's head office and branch premises are held under long-term leases to a maximum term of nine years. The aggregate amount of rentals in respect of long-term leases paid in 1975 was approximately \$374,000 (1974 - \$541,000). The aggregate rentals payable during the next five years under all leases currently in force approximate \$1,469,000.

**16. CONTINGENT LIABILITIES:**

There are two claims arising out of the normal conduct of the business. In the first case the action is proceeding in the ordinary course and warranty

proceedings have been commenced against others in respect of this claim. In addition, the claim will be contested.

In the second case, management is of the opinion the claim is without merit.

In any event it is the opinion of the management that the ultimate liability, if any, will not materially affect the financial position or results of operations of the company.

**17. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:**

The aggregate direct remuneration paid or payable by the company and its subsidiaries during the year ended December 31, 1975 to directors and senior officers of the company was \$115,992 (1974 - \$197,457).

**18. GOVERNMENT OF CANADA ANTI-INFLATION LEGISLATION:**

The company and its subsidiaries are required to comply with the dividend provisions of the Anti-Inflation Act which became effective on October 14, 1975. The Act and its guidelines provide for the restraint of the payment of dividends to October 13, 1976.

During the twelve month period ending October 13, 1976, the company may not pay dividends in excess of \$0.18 per share of which \$0.09 per share was paid prior to December 31, 1975.

**19. COMPARATIVE FIGURES:**

Certain of the 1974 figures provided for comparison have been reclassified to conform to the classifications used in the current year.



# First City Financial Corporation Ltd.

Head Office: Suite 1200, 1055 West Georgia Street, Vancouver, British Columbia V6E 3S6 689-9144

## Directors

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

Samuel Belzberg, B.Comm.  
Vancouver, British Columbia, *President*

R. C. Baxter, B.Comm.  
Vancouver, British Columbia

Hyman Belzberg  
Calgary, Alberta

William Belzberg  
Calgary, Alberta

Senator Allister Grosart, B.A.  
Toronto, Ontario

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

Morley Koffman  
Vancouver, British Columbia

Joseph H. Shocter, Q.C.  
Edmonton, Alberta

Andrew Sarlos, CA  
Toronto, Ontario

## Officers

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

Samuel Belzberg, B.Comm., *President*

William Belzberg, *Vice President*

Michael Cytrynbaum, *Vice President*

Frank L. Harper, *Controller*

Morley Koffman, *Secretary*

## Major Subsidiaries

CITY SAVINGS & TRUST COMPANY  
Savings Branches:

Edmonton, 10136 - 100 Street, 429-4811  
34 Londonderry Mall, 476-7661

Toronto, 95 Yonge Street, 864-1090  
1207 St. Clair Avenue West, 654-8407  
2289 Yonge Street, 482-7333

Winnipeg, 369 Portage Avenue, 947-1543  
Regina, 1861 Hamilton Street, 522-2691  
Saskatoon, 140 - 2nd Avenue South, 242-4236  
Calgary, 336 - 7th Avenue, S.W., 266-8851  
Vancouver, 777 Hornby Street, 688-9421  
Victoria, 1306 Douglas Street, 383-4141

FIRST CITY CAPITAL LTD.

Suite 1200, 1055 West Georgia Street  
Vancouver, British Columbia, 689-9144  
Suite 400, 10136 - 100 Street, Edmonton, Alberta, 429-4811  
336 - 7th Avenue, S.W., Calgary, Alberta, 264-9764  
95 Yonge Street, Toronto, Ontario, 869-0222

FIRST CITY INVESTMENTS LTD.

Suite 1200 - 1055 West Georgia Street,  
Vancouver, British Columbia, 689-9144

## Bankers

Bank of British Columbia  
Bank of Montreal  
The Mercantile Bank of Canada  
The Toronto-Dominion Bank

## Stock Exchange Listings

Toronto Stock Exchange  
Vancouver Stock Exchange

## Auditors

Deloitte, Haskins & Sells  
Chartered Accountants

