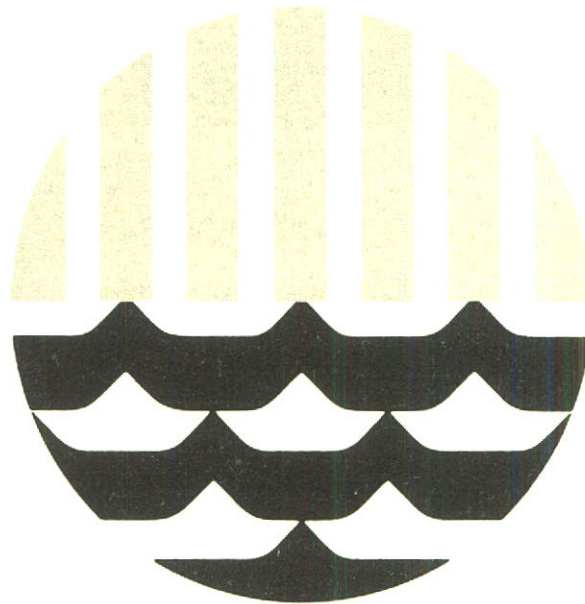




WEBB & KNAPP (CANADA) LIMITED

HOWARD ROSS LIBRARY
OF MANAGEMENT
MAY 21 1985
MCGILL UNIVERSITY

A N N U A L R E P O R T 1 9 8 4



WEBB & KNAPP
(CANADA) LIMITED

HEAD OFFICE

317 Columbia Street,
New Westminster, B.C.
V3L 3V6
(604) 526-3711

STOCK EXCHANGE LISTINGS

Vancouver and Montreal
Symbol: WBK

**PRESIDENT'S
REPORT
TO THE
SHAREHOLDERS**

The financial statements for 1984 show a substantial improvement over the results recorded for 1983. This is a direct result of the continued efforts of every employee to enhance revenues and control expenses, coupled with some improvement in the British Columbia economy.

Our resource dominated economy has not responded with its usual vigour given the current stimulus evident in the United States' economy at year end. Any weakness in the economies of our foreign trading partners could result in a continued period of economic stagnation in British Columbia. Nevertheless, the capital investment in Expo '86 and its attendant transportation facilities should provide a strong local stimulus through 1986.

The Revenue Property Division recorded a small loss in the current year as a result of the sale of some peripheral properties. Leasing activity picked up toward year end and vacant space continued at less than 5% of our rental portfolio. We are now providing an expanded property management service to our clients on a fee basis.

The Development Division provided a strong revenue contribution as a result of the sale of a warehouse building and an improved market for residential building lots. At year end the company had only forty-two serviced building lots in inventory. We have budgeted to develop seventy-two lots in 1985 with an additional one hundred lots available for development in 1986. A major portion of the land for these lots would be provided from our land bank.

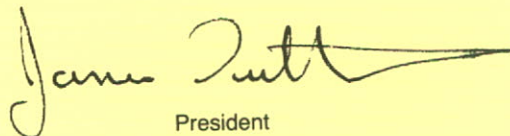
Wolstencroft Realty Corporation revenues decreased by \$2,930,000 from 1983. This resulted in substantial losses before expenses could be curtailed. This reduction in commission revenue was common to the industry and we continued to maintain our number two position in total sales volume for the Fraser Valley Real Estate Board. Two offices were amalgamated during 1984 and the company now operates from six offices with 150 licencees.

Northern Thunderbird Air Ltd. was again profitable for the year with revenues up slightly over 1983. Based in Prince George, British Columbia, the company provides scheduled Twin Otter service as a feeder to Pacific Western Airlines together with an extensive northern charter operation from bases in Fort St. James and McKenzie, British Columbia.

Hotel Division losses were reduced over the previous period but our continued inability to produce a profit in this department has resulted in our decision to discontinue these operations. We expect that all hotel properties either owned or managed will be sold in 1985.

Total revenue in 1984 was \$19,010,000 resulting in a net loss of \$66,000 or \$0.02 per share as compared with a loss of \$1,676,000 or \$0.58 per share in 1983. We are hopeful that our downsizing of the company, a continued reduction of total debt, and a slightly improved economic performance in the province will lead to a profitable 1985.

Respectfully submitted,



Jane Tuttle

President



**WEBB & KNAPP
(CANADA) LIMITED**

CONSOLIDATED STATEMENT OF LOSS

For the year ended
December 31, 1984

	Note	1984	1983
(In Thousands of Dollars)			
Revenue	10	\$ 19,010	\$ 26,882
Direct cost and expenses		17,062	28,923
Net revenue (loss)	10	1,948	(2,041)
Other income			
Gain on sale of revenue properties		469	1,331
Gain on sale of fixed assets		134	-
		2,551	(710)
Operating expenses			
Administrative and general		649	906
Amortization and depreciation		71	99
Interest - unallocated		990	818
		1,710	1,823
Provision to reduce development properties to net realizable value	3	816	1,215
Income (loss) before income taxes and minority interest		25	(3,748)
Deferred income taxes (recovery)	11	76	(2,066)
Loss before minority interest		51	1,682
Minority interest		15	(6)
Net loss for the year		\$ 66	\$ 1,676
Loss per share		\$.02	\$.58

CONSOLIDATED STATEMENT OF DEFICIT

For the year ended
December 31, 1984

	1984	1983
(in Thousands of Dollars)		
Deficit at beginning of year	\$ 3,146	\$ 1,470
Net loss for the year	66	1,676
Deficit at end of year	\$ 3,212	\$ 3,146



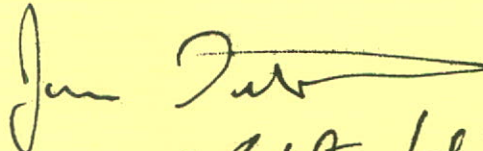
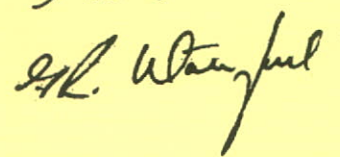
WEBB & KNAPP
(CANADA) LIMITED

**CONSOLIDATED
BALANCE
SHEET**

December 31, 1984

	Note	1984	1983
(In Thousands of Dollars)			
ASSETS			
Revenue producing properties	2	\$ 17,479	\$ 20,764
Development properties	3	9,372	13,756
Fixed assets	4	1,823	2,079
Other assets	5	2,811	3,542
Deferred income taxes		1,481	1,557
Goodwill		3,124	3,211
		<u>\$ 36,090</u>	<u>\$ 44,909</u>
LIABILITIES			
Mortgages payable	6	\$ 13,504	\$ 19,991
Bank indebtedness	7	20,351	21,735
Accounts payable		1,227	1,719
Other liabilities	8	596	986
		<u>35,678</u>	<u>44,431</u>
SHAREHOLDERS' EQUITY			
Capital stock	9	3,624	3,624
Deficit		(3,212)	(3,146)
Shareholders' equity		<u>412</u>	<u>478</u>
		<u>\$ 36,090</u>	<u>\$ 44,909</u>

On behalf of the Board

 Director
 Director


See accompanying notes to consolidated financial statements.

The Shareholders,
Webb & Knapp (Canada) Limited.

We have examined the consolidated balance sheet of Webb & Knapp (Canada) Limited as at December 31, 1984 and the consolidated statements of loss, deficit 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, 1984 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 on a basis consistent with that of the preceding year.

New Westminster, B.C.
March 31, 1985.



TOUCHE ROSS & CO.
Chartered Accountants



WEBB & KNAPP
(CANADA) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended
December 31, 1984

SUMMARY INFORMATION TO STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended
December 31, 1984

	1984	1983
	(In Thousands of Dollars)	
Operating bank indebtedness and cash were decreased (increased) by		
Cash flow to operations	(\$ 51)	(\$ 4,335)
Cash flow from (to) operating assets	(1,771)	1,193
	<u>(1,822)</u>	<u>(3,142)</u>
Cash flow from investment and financing activities	2,162	34
Decrease (increase) in operating bank indebtedness and cash for the year	340	(3,108)
Operating bank indebtedness and cash at beginning of year	(16,216)	(13,108)
Operating bank indebtedness and cash at end of year	<u><u>(\$ 15,876)</u></u>	<u><u>(\$ 16,216)</u></u>

OPERATIONS

Cash flow from (to) operations		
Loss for the year	(\$ 66)	(\$ 1,676)
Deferred income taxes (recovery)	76	(2,066)
Amortization, depreciation and provision for aircraft engine overhaul	533	642
Gain on sale of revenue properties	(469)	(1,331)
Gain on sale of fixed assets	(134)	-
Other	9	96
Cash flow to operations	<u><u>(\$ 51)</u></u>	<u><u>(\$ 4,335)</u></u>
Per share	<u><u>(\$.02)</u></u>	<u><u>(\$ 1.49)</u></u>

OPERATING ASSETS

Cash flow from (to) operating assets		
Development properties	\$ 3,784	\$ 11,249
Mortgages relating to development property	(4,179)	2,716
Bank loans relating to development property	(818)	(12,722)
Accounts and agreements receivable	(461)	(303)
Accounts payable	(434)	199
Other	337	54
Cash flow from (to) operating assets	<u><u>(\$ 1,771)</u></u>	<u><u>\$ 1,193</u></u>

INVESTMENT AND FINANCING ACTIVITIES

Investment activities		
Proceeds from sale of revenue properties	\$ 4,585	\$ 2,079
Proceeds from sale of fixed assets	197	-
Expenditures for revenue properties	(309)	(3,199)
Cash flow from (to) investment activities	<u><u>4,473</u></u>	<u><u>(1,120)</u></u>
Financing activities		
Discharge of mortgages on revenue properties	(2,033)	(623)
(Decrease) increase in mortgages payable	(275)	843
Bank loans on revenue properties	(3)	934
Cash flow from (to) financing activities	<u><u>(2,311)</u></u>	<u><u>1,154</u></u>
Cash flow from investment and financing activities	<u><u>\$ 2,162</u></u>	<u><u>\$ 34</u></u>



WEBB & KNAPP
(CANADA) LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984

1. Summary of significant accounting policies

a) The Company is a member of the Canadian Institute of Public Real Estate Companies. The Company's accounting policies and its standards of financial disclosure are substantially in accordance with the recommendations of that Institute.

b) Basis of consolidation

The consolidated financial statements include:

- i) The accounts of the Company and controlled subsidiary companies.
- ii) The proportionate share of the assets and liabilities, revenues and expenses of those unincorporated entities in which the Company holds at least 50% interest.
- iii) The proportionate share of the net income or loss of incorporated and unincorporated entities in which the Company has a substantial interest. The value of these investments has been adjusted to reflect the Company's equity in the book values of the net assets of these entities.

c) Revenue recognition

i) Properties

Sales of development and revenue producing properties are recorded as revenue when the purchaser has made a reasonable down payment and has a registerable interest in the property.

ii) Rental

The Company records the net rental from revenue properties as revenue when that income exceeds costs and debt service payments. Prior to that time, subject to a reasonable maximum lease-up period, the cash flow deficiency is added to the cost of the properties.

iii) Commission income

Real estate commissions are reflected in the financial statements on the settlement date of the transaction. If a transaction is financed by the Company, revenue is deferred until the funds are received.

d) Capitalization of costs

Development properties include all direct costs and certain indirect costs including specific interest, property taxes and interest on the portion of total costs financed from general corporate borrowings.

e) Valuation

Development properties intended for retention as revenue producing properties are carried at cost. Development properties intended for sale are carried at the lower of cost and estimated net realizable value, determined on a unit by unit basis.

f) Depreciation and amortization

The Company charges the cost of buildings to operations over forty years in amounts increasing at a rate of 5% compounded annually.

A provision is made for aircraft depreciation and overhaul.

Other tangible assets are depreciated over their estimated useful lives using the declining balance method.

g) Goodwill

Goodwill is amortized equally over forty years.



WEBB & KNAPP
(CANADA) LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984

	1984	1983
	(In Thousands of Dollars)	
2. Revenue producing properties		
Buildings	\$ 13,710	\$ 15,880
Leasehold improvements	273	272
Furniture, fixtures and equipment	797	756
Other	448	323
	<u>15,228</u>	<u>17,231</u>
Accumulated depreciation and amortization	1,551	1,256
	<u>13,677</u>	<u>15,975</u>
Land	3,802	4,789
	<u>\$ 17,479</u>	<u>\$ 20,764</u>
3. Development properties		
Acquisition costs	\$ 4,780	\$ 5,472
Carrying costs	4,679	4,453
Development and servicing costs	2,409	6,009
	<u>11,868</u>	<u>15,934</u>
Less reduction to net realizable value		
Provision at beginning of year	2,178	2,628
Provision for the year	816	1,215
Realized through cost of sales	(498)	(1,665)
Provision at end of year	2,496	2,178
	<u>\$ 9,372</u>	<u>\$ 13,756</u>

During the year interest totalling \$1,298,000 (1983 - \$2,628,000) was added to the cost of development properties.

	1984	1983
	(In Thousands of Dollars)	
4. Fixed assets		
Buildings	\$ 890	\$ 890
Aircraft and equipment	1,391	1,657
Other	621	656
	<u>2,902</u>	<u>3,203</u>
Accumulated depreciation	1,246	1,291
	<u>1,656</u>	<u>1,912</u>
Land	167	167
	<u>\$ 1,823</u>	<u>\$ 2,079</u>
5. Other assets		
Cash	\$ 93	\$ 316
Accounts receivable	559	1,097
Agreements receivable	1,106	644
Due from associates	482	258
Inventories	187	201
Trust assets	286	492
Other	98	534
	<u>\$ 2,811</u>	<u>\$ 3,542</u>

6. Mortgages payable					
Due Date	Weighted average interest rate	Revenue producing properties	Development properties	Other	Total
(In Thousands of Dollars)					
1985	12.02%	\$ 6,127	\$ 656	\$ 7	\$ 6,790
1986	11.51%	2,619	-	420	3,039
1987	10.35%	988	-	-	988
1988	9.99%	207	-	-	207
1989	9.91%	230	-	-	230
Subsequent to 1989	10.38%	2,250	-	-	2,250
		<u>\$ 12,421</u>	<u>\$ 656</u>	<u>\$ 427</u>	<u>\$ 13,504</u>

7. Bank indebtedness			1984	1983
			(In Thousands of Dollars)	
a)	Demand loans for the financing of			
	i)	Development properties	\$ 2,688	\$ 3,506
	ii)	Revenue producing properties	1,694	1,697
			<u>15,969</u>	<u>16,532</u>
b)	Demand operating loans		<u>\$ 20,351</u>	<u>\$ 21,735</u>



WEBB & KNAPP
(CANADA) LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984

Bank indebtedness (cont'd)

Interest rates on the bank indebtedness fluctuate in accordance with changes in the bank prime lending rate.

The demand loans are secured by debentures registered on specific properties, and include a restriction on the payment of dividends.

Operating loans are secured by fixed and floating debentures on the assets of the Company and assignment of receivables.

	1984	1983					
	(In Thousands of Dollars)						
8. Other liabilities							
Minority interest	\$ 99	\$ 84					
Aircraft maintenance provision	160	253					
Deferred revenues	51	157					
Trust liabilities	286	492					
	<u>\$ 596</u>	<u>\$ 986</u>					
9. Capital stock							
Authorized							
2,000,000 cumulative, redeemable, voting, 5% series A preferred shares with a par value of \$5 each							
10,000,000 common shares without par value							
Issued and fully paid							
2,904,947 common shares	\$ 2,905	\$ 2,905					
Premium on common shares	719	719					
	<u>\$ 3,624</u>	<u>\$ 3,624</u>					
10. Segmented information							
	Revenue producing properties	Develop- ment	Broker- age	Airline	Hotel	Other	Total
	(In Thousands of Dollars)						
a) Revenue	\$ 2,525	\$ 8,724	\$ 3,776	\$ 2,222	\$ 1,290	\$ 473	\$ 19,010
b) Net revenue (loss)	(\$ 55)	\$ 2,623	(\$ 380)	\$ 44	(\$ 284)	\$ -	\$ 1,948
							469
							134
							(1,710)
							(816)
							(76)
							(15)
							<u>\$ 66</u>
c) Identifiable assets							
Operating assets	\$ 14,551	\$ 9,372	\$ 1,174	\$ 774	\$ 2,928	\$ 873	\$ 29,672
Other assets, unallocated							6,418
Total assets							<u>\$ 36,090</u>
Capital additions	\$ 127	\$ -	\$ -	\$ -	\$ 182	\$ -	\$ 309
Depreciation and amortization	\$ 210	\$ -	\$ 54	\$ 58	\$ 140	\$ 71	\$ 533



WEBB & KNAPP
(CANADA) LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984

10. Segmented information (continued)

- d) Administration and interest expenses that are directly attributable to specific industry segments have been allocated to those segments.

Included in operating assets are development properties located in the United States with a carrying value of \$366,500. All other assets are situated in Canada. All revenues are derived from Canadian sources.

11. Deferred income taxes

Deferred income taxes (recovery) are \$76,000 in 1984 (1983 - \$2,066,000). These amounts differ from the expected income taxes (recovery) using statutory rates due to the following:

	1984	1983
	(In Thousands of Dollars)	
Income taxes (recovery) using statutory rates	\$ 13	(\$ 1,949)
Portion of capital gains not taxed	(404)	(433)
Subsidiary's business loss excluded	187	168
Acquisition costs of assets in excess of tax cost	238	-
Other	42	148
	<u>\$ 76</u>	<u>(\$ 2,066)</u>

12. Joint ventures and partnerships

The Company's proportionate share in the assets, liabilities, revenues and expenses of the joint ventures and partnerships is as follows:

	Develop- ment properties	Revenue producing properties	1984	Total	1983
	(In Thousands of Dollars)				
Assets	\$ 861	\$ 6,148	\$ 7,009		\$ 7,114
Liabilities	\$ 272	\$ 4,368	\$ 4,640		\$ 4,926
Revenues	\$ 498	\$ 1,854	\$ 2,352		\$ 2,070
Expenses	\$ 429	\$ 2,063	\$ 2,492		\$ 2,234

13. Contingent liabilities and commitments

The Company is contingently liable for the obligations of certain co-owners of its joint ventures and partnerships in the amount of \$1,100,000. Of this amount, \$175,000 relates to a venture in which certain directors of the Company have an interest.

14. Remuneration of directors and senior officers

The total remuneration of directors and senior officers for the year, as defined in the British Columbia Securities Act, was \$340,500 (1983 - \$356,500).



WEBB & KNAPP
(CANADA) LIMITED

DIRECTORY

DIRECTORS

William L. Cooke
George B. Cross
John A. Kaye
Donald H. Reed
James Tutton
G. Richard Waterfall

OFFICERS

James Tutton, *President*
G. Richard Waterfall, *Secretary*
John C. Brigham, *Vice-President — Operations*
Richard S. Russell, *Vice-President — Hospitality Group*
Donald J.H. Williamson, *Vice-President —
Finance and Administration*

AUDITORS

Touche, Ross & Company, Chartered Accountants,
New Westminster, B.C.

BANKER

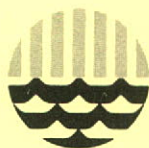
The Royal Bank of Canada
613 Columbia Street,
New Westminster, B.C.

SOLICITORS

Ray, Connell, Lightbody, Reynolds & Heller
Vancouver, B.C.

TRANSFER AGENT & REGISTRAR

National Victoria and Grey Trust Company, Vancouver, Toronto and Montreal



WEBB & KNAPP
(CANADA) LIMITED

