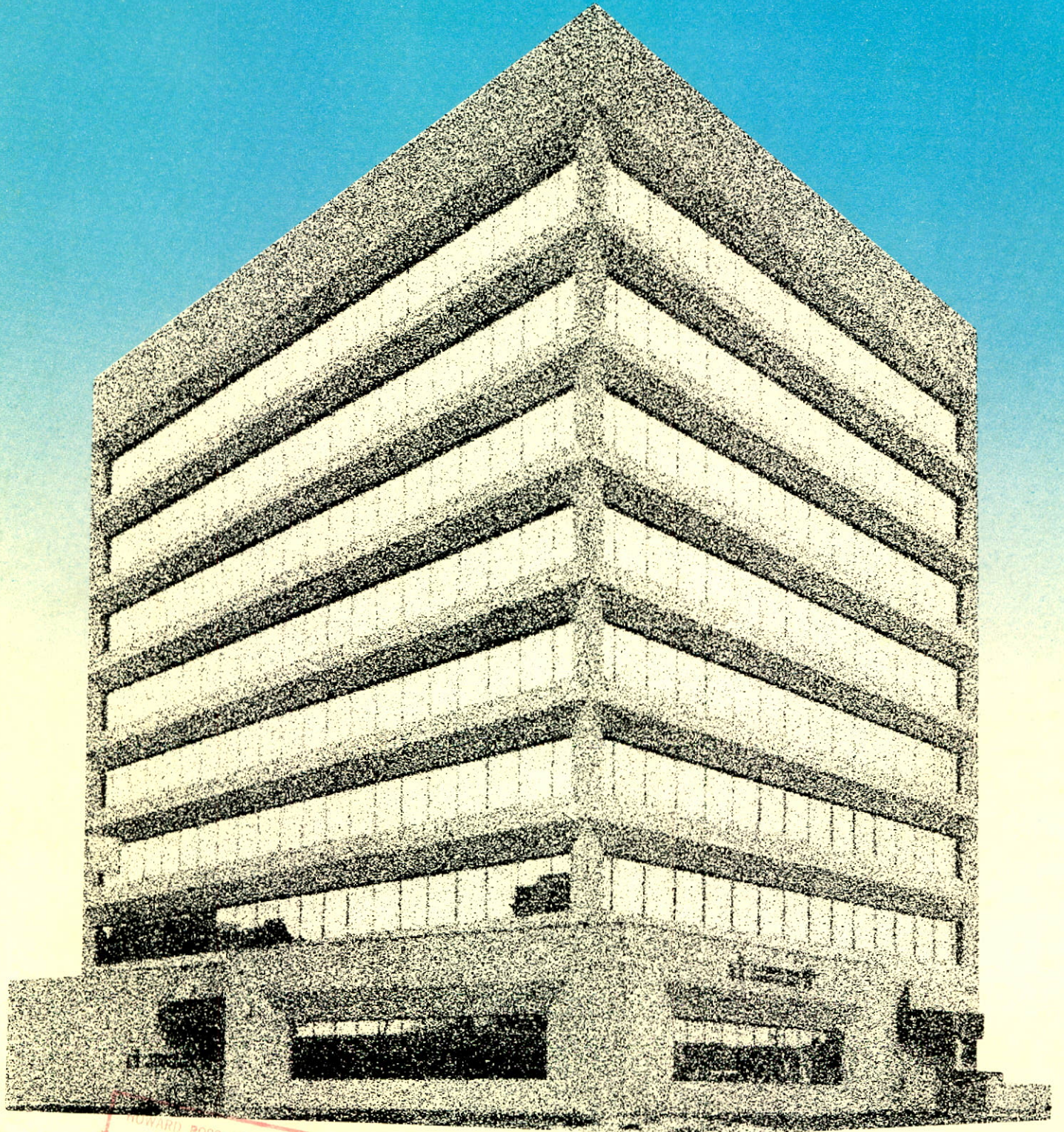


1981 ANNUAL REPORT



HOWARD ROSS LIBRARY
OF MANAGEMENT
MAR 10 1983
MCGILL UNIVERSITY

 CO-OPERATIVE TRUST
COMPANY OF CANADA



PRINCIPLES — MISSION — OBJECTIVES

CO-OPERATIVE TRUST COMPANY OF CANADA

PRINCIPLES

We Believe:

That people should work together without hindrance to create and own their own institutions that will improve their social and economic environment.

That co-operative enterprise provides the best way for individuals to influence their social and economic environment.

That Canadians are served best by an economy in which there is a place for co-operative, private, and government enterprise and that financial services in most of its forms are best provided through co-operative enterprise.

That we are a Canadian trust company which serves as an integral part of the co-operative and credit union system.

MISSION

Our Mission is to develop and maintain a co-operatively owned and controlled trust company to provide financial and trust services to credit unions, co-operatives, their members and others throughout Canada.

OBJECTIVES

1. To operate on a financially sound basis, build company retained earnings and reserves, and provide a reasonable return on shareholder investment.
2. To provide management, administration, marketing and trustee services on deferred income plans through and for the co-operative/credit union system to their members, and others.

3. To offer investment opportunities in guaranteed trust deposits for varying terms through the co-operative/credit union system to their members, and others.

4. To access funds outside the co-operative/credit union system by developing various investment vehicles for sale to the general public.

5. To provide personal and corporate trust services to the co-operative/credit union system and their members, and others.

6. To invest company funds and guaranteed funds to the greatest extent possible with the co-operative/credit union system and their members.

7. To provide a mortgage brokerage service to the co-operative/credit union system as required.

8. To actively participate at the national and regional level with co-operative and credit union organizations in the developing, expanding, and delivery of services to credit unions, co-operatives and their members.

9. To support and participate in the expansion of the co-operative/credit union system in Canada and elsewhere.

10. To provide an environment for our human resources which will encourage personal development, involvement in and commitment to co-operative principles, and which will provide an opportunity for them to achieve their potential, a sense of accomplishment and, as far as practical, security of employment.

11. To conduct our affairs in a socially responsible manner, and to be a good corporate citizen.

CO-OPERATIVE TRUST COMPANY OF CANADA BOARD OF DIRECTORS

Ralph Miner
President/Chairman of the Board
Saskatchewan Region

John Vinek
Vice-President/Vice-Chairman
Saskatchewan Region

Lloyd Coombs
Executive Member
Atlantic Region

Brian Downey
Executive Member
Alberta Region

Rheal Teffaine
Executive Member
Manitoba Region

Vern Buck
Director
Saskatchewan Region

Bob Cowan
Director
Saskatchewan Region

Frank de Lint
Director
Ontario Region

John Feron
Director
Ontario Region

Barry Forbes
Director
British Columbia Region

Art Fuller
Director
Saskatchewan Region

Elliott Horner
Director
Manitoba Region

Vic Keep
Director
Saskatchewan Region

Kenny Kelly
Director
Atlantic Region

Allan Nessel
Director
Alberta Region

Peter Podovnikoff
Director
British Columbia Region

DIRECTORS' REPORT

1980 initiatives to consolidate operations and restructure the company continued in 1981. The control structure, company mission and objectives, Board/Management relations and the company's internal organization structure received primary attention.

Recovery from former financial burdens — real estate and property development operations — has been impeded by general economic conditions including high interest rates which have created difficulty for most financial institutions. However, 1981 still resulted in net income of \$446,000 compared to 1980's \$55,000. The improvement is significant in spite of these obstacles but still not sufficient to permit the declaration and payment of a dividend.

CONTROL STRUCTURE

At the Annual General Meeting in May 1981, shareholders approved a new control structure for Co-operative Trust which had been recommended by the Board after a good deal of study and deliberation.

Effective in 1982, the new structure will see credit unions and other first tier co-operatives represented by nine provincial central credit unions including a caisse centrale, and by four provincial and regional co-operatives. These second tier credit unions and co-operatives hold 7,500 voting shares and will elect or appoint 30 delegates.

The delegates will then vote on the basis of one vote per share at company meetings and will be responsible for electing Co-operative Trust's 15 Board members.

SHAREHOLDER COMMUNICATIONS STRUCTURE

The Shareholder Communications Structure approved by the Board at its December, 1981 meeting will result in a fundamental change in the company's approach to shareholder communications for 1982.

Under the new structure, communication to and from our shareholders will be channelled through the communication vehicles of our voting shareholders. This includes the use of the annual, district, and area meetings of these organizations as a platform for reporting to their members, many of whom are our shareholders. Where this approach is not practical, informational meetings will be held in conjunction with the annual meetings of these organizations. In addition, we will be using their publications to provide information about the trust company's operations.

Regional Advisory Committees, as constituted under the previous structure, were discontinued effective December 31, 1981. We thank the members who were active on these committees for the time and effort spent on behalf of Co-operative Trust.

PRINCIPLES, MISSION AND OBJECTIVES

In 1981 we undertook a review of the company's "mission and objectives". This culminated in a resolution passed by the Board in September which established a set of "principles, mission, and objectives" which are reproduced in full on the inside front cover of this report. These were based on the role established for the company by the Board in 1980, namely that the Trust Company will direct its efforts in future to offering what are known as traditional trust company services, i.e. personal and corporate trust services, the trusteeship and administration of registered plans, mortgage lending, and accepting deposits by way of guaranteed funds.

BOARD/MANAGEMENT RELATIONS

A study of Board/Management relations resulted in passage of a resolution at the September board meeting. The resulting formal policy more clearly defines specific areas of responsibility for the Board of Directors and management, with the aim of continuing good working relationships between both groups.

BOARD ACTIVITIES

The Board held four regular meetings in 1981. In addition, two special meetings early in the year dealt specifically with the new control structure. The Executive Committee met on six occasions, three of which were in conjunction with a full Board meeting.

In addition to approval of items previously mentioned, your Board closely monitored the company's financial progress throughout the year. They also approved the creation of, and terms of reference for an ongoing Investment Policy Committee which developed a broad investment policy for the company, and guidelines for its implementation.

During 1981, the Board's Training and Development Committee identified a number of key performance areas which are considered necessary for the effective functioning of our Board. As a result of this analysis the committee recommended the development of training programs to increase the awareness and skill levels of present

and future Board members. These programs will focus on the development of the entire Board, as well as individual training focused on the specific needs of individual Board members. These programs will be completed by June of 1982.

THE DIRECTORS

A number of changes took place on the Board of Directors in 1981. Art Allsen, Al Buchanan, Gabe Dufault, Al McIntosh, Ted Morgan, Paul Rivière, and Gordon Sinclair retired from the Board. They were replaced through elections at the region meetings by Kenny Kelly (Atlantic region), Frank de Lint (Ontario region), Elliott Horner (Manitoba region), Vern Buck, Arthur Fuller, Bob Cowan, and John Vinek (Saskatchewan region). Vic Keep, who was appointed to complete the term of Ray Luterbach who resigned in 1980, was re-elected for a further term at the Saskatchewan Region meeting.

We thank all Directors who retired from the Board in 1981 for their contribution to Co-operative Trust. We would especially like to recognize our immediate past President and Chairman of the Board, Paul Rivière, who gave so much of his time and effort to the company and who gave strong support to its mission and objectives.

Members of the new Executive Committee, as elected at the Board re-organization meeting are Ralph Miner, President/Chairman of the Board, John Vinek, Vice-President/Vice-Chairman of the Board, Lloyd Coombs, Brian Downey, and Rheel Teffaine.

FINANCIAL

Total net income for the year of \$446,000 represents a substantial increase from the \$55,000 recorded in 1980. This improvement resulted from the sale of the real estate sales division and the property development division. The losses in these two divisions were \$845,000 and \$1.3 million respectively in 1980. The comparable loss in 1981 was \$113,000.

Income from the Trust operations before income tax was reduced to \$116,000 as compared with income of \$3.4 million in the previous year. Guaranteed trust account volumes decreased by \$13 million. The high cost of borrowing led to reduced margins and the resultant decrease in trust operating income.

TRUST OPERATIONS

Gross income totalled \$73.8 million compared with \$73.3 million in 1980. High interest rates maintained this level of income despite a volume reduction of \$15.6 million in total assets. The fee

for service income which is not directly interest rate sensitive increased to \$6.6 million from \$5.4 million. This is a 20% increase. Increased volumes and an upward adjustment in some fees contributed to this achievement.

Total expenses were \$73.7 million compared to \$69.9 million last year. The effect of high interest rates is readily apparent when this year's interest expense of \$62.9 million is compared with the \$58.3 million in 1980 to maintain a slightly reduced volume. All other areas of expenses were in total reduced in real dollars by approximately 8%. This is in spite of an inflationary increase of 12%. Salaries and employment costs reduced from \$6.1 million to \$5.9 million. The total number of full time employees as at the 31st of December, 1981 was 272 compared to 278 a year ago.

REAL ESTATE OPERATIONS

Real Estate operations were sold in October of 1980. The loss in this closed out division of \$113,000 relates to ongoing expenses in connection with lease of premises where the lease has not yet expired. Some of the premises were vacant for a period and these have been sub-let on a subsidized basis. The net loss in this division in 1980 prior to the sale was \$845,000.

SHARE CAPITAL

Share capital increased by \$1.6 million during the year and total shareholders equity increased by \$2.0 million from \$32.4 to \$34.4 million.

While earnings were increased substantially they were not sufficient to provide for the payment of a dividend.

MANAGEMENT AGREEMENT

The management agreement initiated in 1980 with the Saskatchewan Credit Union Central continues in effect. Senior management of Co-operative Trust Company continue to provide full reports and have ongoing communication with the Chief Executive Officer of the Saskatchewan Central.

MANAGEMENT STRUCTURE

The new management structure chart on page 12 indicates several significant changes that occurred in 1981. A new position, Vice-President, Corporate Services, was filled by John Wall, formerly Vice-President, Operations. The Vice-President, Human Resources position was eliminated. The Assistant Vice-President, Human Resources now reports to the Vice-President, Corporate Services. Garth Courtney, formerly Saskatoon Branch Manager, was promoted to Vice-President, Branch Operations. A new position, Executive

Assistant, was filled by the promotion of Joan Small, formerly Executive Secretary.

A number of changes which have occurred at the Branch Manager level are shown on the Management Structure chart. The third level of management at head office, formerly identified as internal "directors", have been re-titled "Assistant Vice-Presidents".

OUR STAFF

The company has completed a major job evaluation program. The results of this program will ensure a more systematic and equitable approach to salary administration. It will also provide the basis for improvements in career planning, manpower planning and organizational analysis and development.

Human Resources Development will continue to be a key factor in organization effectiveness and efficiency during the 1980s. We have begun evaluating our training requirements and through this process will ensure that our organization maintains a competent and effective work force. Also underway is a "skills inventory" program for all employees. This inventory will provide the foundation for our future training and development plans.

The Board expresses its thanks and appreciation to our employees for their contribution to the company in 1981. Had it not been for their fine effort in controlling expenses and increasing productivity, the improvement in operating results would not have been possible.

CO-OPERATIVE RELATIONS

The Board and management are committed to maintaining and increasing, where possible, an ongoing dialogue and association with other credit unions and co-operatives. To this end we plan to continue our involvement in the following areas: Presidents' and Chief Executive Officers' Conferences; active participation of our Vice-President of Finance/Treasurer in meetings with his financial counterparts; membership of our Vice-President, Corporate Services on the National Marketing and Communications Committee, and the involvement of our Assistant Vice-President, Marketing and Communications, on the Creative Sub-committee of the Marketing Committee.

Our Corporate Secretary will continue to participate in the annual Corporate Secretaries Conference, and is a member of the Saskatchewan Co-operative Activities Council.

Our Chief Executive Officer is personally com-

mitted to maintaining open and frank communication with Chief Executive Officers of the provincial credit union centrals, CCCS and other national and regional co-operatives.

Various Directors have represented Co-operative Trust at meetings of credit union and co-operative organizations throughout the year. A Regional Director also acted as chairman at each Annual Regional meeting.

We feel this type of communication is important if the credit union/co-operative system is to achieve the goal of true co-operation among co-operatives, which of course is the "means to an end" — better service to the credit union/co-operative member.

OTHER ACTIVITIES

As indicated in the company's objective #11 (see Principles — Mission — Objectives), Board and management are aware that the company also has a social responsibility to fulfill. This can be done only if we first conduct our affairs in a financially responsible manner, in accordance with the company's objective #1. Although the company must operate under certain financial limitations we have attempted to meet our social commitment in several ways:

— our Personal Trust Departments conduct estate planning meetings for credit union members and various social groups stressing the importance of having a will whether or not the company is named as executor.

— we do not restrict, as other trust companies do, the size of the estate we will handle. We believe this service should be available to all.

— we fully support and are heavily involved in Co-operative Housing. Our employees work with members of the Co-operative Housing Foundation of Canada. One half of the finders fee that we collect as lead lender is paid as a grant to the Co-operative Housing Foundation of Canada to enable it to promote co-operative housing and assist co-operative housing groups.

— As noted previously in this report, we encourage co-operative involvement by our people. Some employees are directors and committee members of other co-operatives and credit unions. We believe that no co-operative organization can, or should operate in isolation. Continuous dialogue, though not necessarily agreement on all issues, will benefit those people we are here to serve — the co-operative and credit union member.

— our grants and donations budget was, of necessity, modest in 1981, therefore we restricted

our grants (totalling \$51,000) to co-operative causes. We supported the United Way financially, and thank our employees for their tremendous response to our encouragement that they, too, participate in campaigns across the country.

— included in grants was \$7,500 to the Co-operative Youth Program in Saskatchewan. In addition, we provided some staff to operate the various workshops held during the summer.

— We believe it is not enough to provide employees, our most important resource, with good working conditions. We must also provide other support where possible.

Social clubs were established some years ago in each branch. They are supported financially by both the company and the employees. We encourage active social clubs because we feel employees should be involved in social activities as part of their work life. The company also provides financial support for various recreational and sporting activities such as hockey, baseball, etc.

The Board and management also feel it is important to have an information system to keep employees informed about happenings in the company. Employees receive the "President's Letter" which is sent to all shareholders after each Board meeting. An improvement recommended by an employees' task force is the "Management Newsletter". Through this bi-monthly publication senior management provides information to all employees about the company's operations. Employees themselves contribute articles to

"Today", a staff newsletter which reports on activities in the branches and home office.

— the company supports the Co-operative Future Directions Project financially and with human resources.

THE FUTURE

Predicting and planning for the future becomes extremely difficult in the present economic environment. The needs and wants of people, to which we must respond, are changing rapidly, and there are a great many influences over which we have little or no control. Wide fluctuations in interest rates and the continuing decline in the purchasing power of the Canadian dollar have affected, and will continue to affect the operations of Co-operative Trust.

We believe that there will be significant changes in services required by members of credit unions and co-operatives. Our future will depend on our ability, and that of the co-operative/credit union system, to develop methods for the delivery of those services on a system basis.

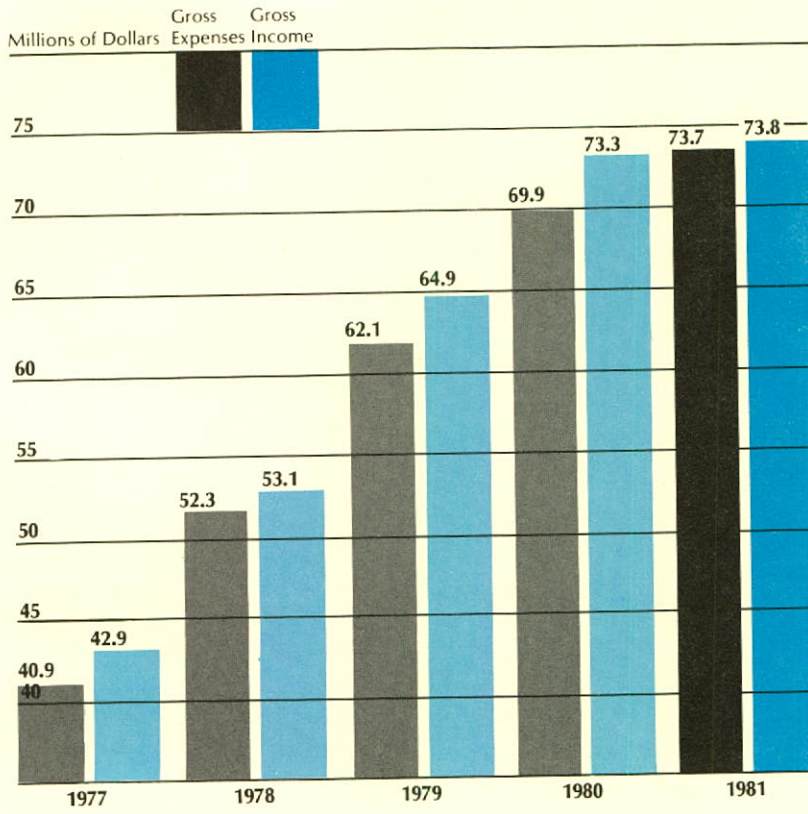
Your Board of Directors and management are dedicated to meeting the needs of the future through the co-operative/credit union system. We believe this can be achieved by working closely with other segments of the system. We further believe that in this way we will be fulfilling our responsibility to see that the interests of all stakeholders of Co-operative Trust Company of Canada are protected to the greatest extent possible.

Respectfully submitted on behalf of the Board of
Directors

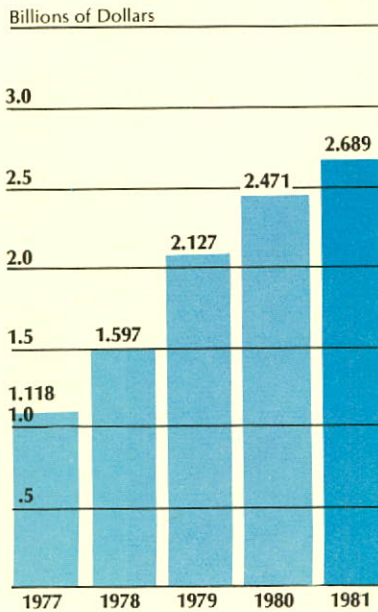
R. W. Miner

President/Chairman of the Board.

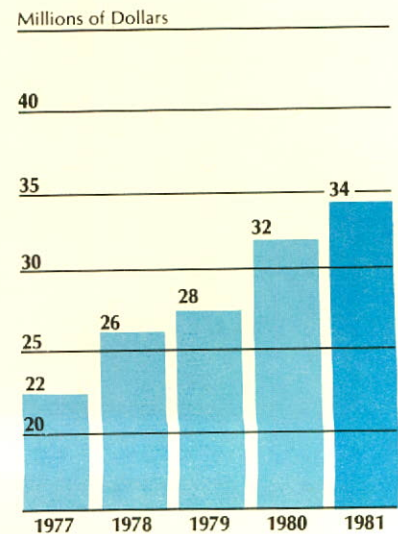
5 Year Gross Income and Gross Expenses



Assets under Administration

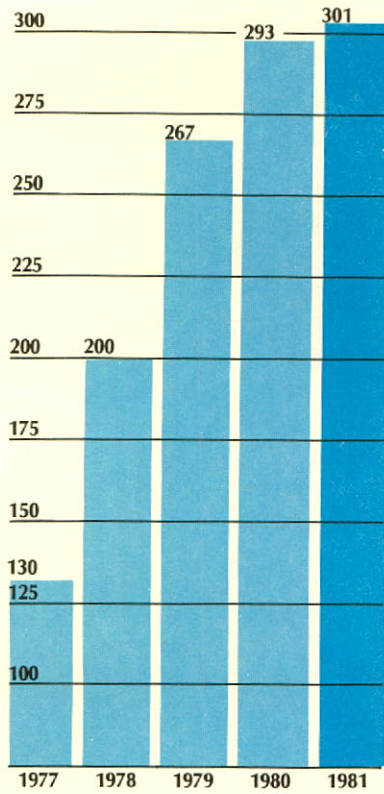


Shareholders' Equity



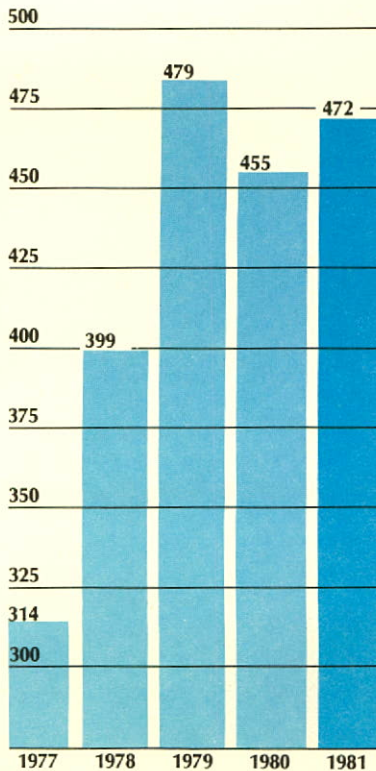
RRSP's Total

Thousands of Accounts



Mortgage Balances Total

Millions of Dollars

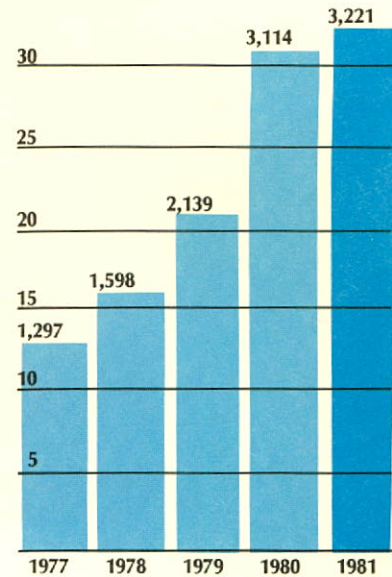


RRSPs By Regions

Total Accounts	1977	1978	1979	1980	1981
British Columbia	17,370	17,370	20,314	21,925	20,902
Alberta	20,054	32,213	42,885	50,966	53,291
Saskatchewan	34,520	42,469	49,408	54,501	56,501
Manitoba	22,102	29,634	36,003	40,464	40,122
Ontario	35,089	72,097	109,312	116,043	120,528
Atlantic	1,248	5,783	8,799	9,392	10,071
Total	130,383	199,566	266,721	293,291	301,415

Estates and Trusts Total

Total Number



Estates and Trusts By Regions

Total Number	1977	1978	1979	1980	1981
British Columbia	378	515	702	993	945
Alberta	187	291	509	798	770
Saskatchewan	684	692	691	843	865
Manitoba	46	67	153	317	454
Ontario	2	33	84	163	187
Total	1,297	1,598	2,139	3,114	3,221

Mortgage Balances By Regions

Thousands of Dollars	1977	1978	1979	1980	1981
British Columbia	66,481	76,388	87,682	66,325	67,033
Alberta	92,517	110,303	126,711	114,980	112,637
Saskatchewan	116,574	155,959	182,749	182,018	176,125
Manitoba	22,673	26,317	34,491	29,269	30,882
Ontario	16,196	27,131	33,886	43,978	62,051
Atlantic	33	3,320	13,449	18,446	23,202
Total	314,474	399,418	478,968	455,016	471,930

BALANCE SHEET
AS AT DECEMBER 31, 1981

	1981	1980
	(Thousands of Dollars)	
ASSETS		
Cash and deposit receipts	\$ 5,446	\$ 36,928
Securities (Note 2)	91,077	89,866
Mortgage loans	477,174	461,697
Accounts receivable	3,620	3,415
Premises and equipment	7,922	7,078
Advances to Cotrusco Realty Limited (Note 6)	19,054	21,076
Other assets	<u>3,327</u>	<u>2,956</u>
	<u>\$607,620</u>	<u>\$623,016</u>
LIABILITIES		
Guaranteed account		
Guaranteed savings accounts	\$ 1,585	\$ 2,256
Guaranteed investment certificates and deposits	<u>546,614</u>	<u>575,880</u>
	<u>548,199</u>	<u>578,136</u>
Other liabilities		
Loans and notes payable	17,375	4,710
Accounts payable	<u>2,983</u>	<u>2,673</u>
	20,358	7,383
Deferred income taxes	1,509	1,953
Subordinated shareholders' loans (Note 3)	<u>3,179</u>	<u>3,184</u>
	573,245	590,656
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	32,206	30,637
Retained earnings	2,169	1,723
(See contingent liability Note 7)		
	<u>\$607,620</u>	<u>\$623,016</u>

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	(Thousands of Dollars)	
Income		
Interest from loans and advances	\$ 57,627	\$ 57,450
Interest and dividends from securities	9,581	10,447
Fees, commissions and other	<u>6,578</u>	<u>5,443</u>
	<u>73,786</u>	<u>73,340</u>
Expenses		
Interest	62,963	58,311
Salaries and employment costs	5,870	6,104
Commissions, taxes, licences and insurance	465	730
Occupancy and equipment costs	2,075	2,079
Communications and member relations	477	767
Other	<u>1,820</u>	<u>1,913</u>
	<u>73,670</u>	<u>69,904</u>
Income from continuing operations before income taxes	116	3,436
Reduction of (provision for) income taxes — deferred [Note 1(d)]	<u>443</u>	<u>(1,192)</u>
	559	2,244
Loss on discontinued operations net of deferred income tax		
Real estate development		(1,344)
Real estate brokerage	<u>(113)</u>	<u>(845)</u>
Net income for the year	<u>\$ 446</u>	<u>\$ 55</u>

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981 (Thousands of Dollars)	1980 (Thousands of Dollars)
Retained earnings, at beginning of year		
As previously reported		\$ 384
Reclassification of reserves		
Mortgage and investment reserve		1,084
General reserve		200
	<u>1,723</u>	<u>1,668</u>
As reclassified		
Net income for the year	446	55
Retained earnings, at end of year	<u>\$ 2,169</u>	<u>\$ 1,723</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981 (Thousands of Dollars)	1980 (Thousands of Dollars)
Funds provided by		
Operations		
Net income	\$ 446	\$ 55
Adjust for depreciation, deferred income taxes and other non-cash items	<u>(47)</u>	<u>(1,603)</u>
	399	(1,548)
Decrease (increase) in cash and deposit receipts	31,482	(27,027)
Increase (decrease) in other liabilities	12,975	(10,381)
Increase in share capital	1,569	4,673
Decrease in advances to Cotrusco Realty Limited	2,022	2,688
Proceeds on sale of mortgages		50,000
Proceeds on sale of discontinued operations		1,725
	<u>\$ 48,447</u>	<u>\$ 20,130</u>
Funds applied to		
Increase (decrease) in securities	\$ 1,211	\$(4,762)
Decrease (increase) in guaranteed liabilities	29,937	(7,093)
Decrease (increase) in subordinated shareholder loans	5	(2,684)
Mortgage loans	15,477	28,275
Increase in premises and equipment, accounts receivable and other assets	<u>1,817</u>	<u>6,394</u>
	<u>\$ 48,447</u>	<u>\$ 20,130</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1981

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Securities and Loans

Bonds and debentures are stated at amortized cost and shares are stated at cost, all together with accrued interest and dividends receivable. Mortgages and other loans are stated at amortized cost plus accrued interest.

(b) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation of \$554,000 (1980 - \$172,000).

The premises are depreciated on the straight-line method over the estimated useful life at a rate of 2½% and on the declining balance method for equipment and leaseholds at a rate of 20%.

(c) Recognition of Revenue and Expenses

Revenue and expenses are recorded on an accrual basis except for fees subject to awards by courts or negotiation and mortgage fees which are recorded on a cash received basis.

Gains and losses on securities, based on average cost, are recorded only upon sale of such securities. Gains and losses on loans are realized upon sale of property acquired under foreclosure.

(d) Income Taxes

As a result of a portion of the company's income being tax-exempt, the deferred tax reduction is greater than the amount obtained by applying the statutory tax rate to income from operations.

(e) Assets under Administration

Assets held under administration and assets held for Guaranteed Trust accounts are kept separate from the company's own assets and are so earmarked on the books of the company as to show the accounts to which they belong.

Assets under administration are not reflected on the balance sheet.

2. SECURITIES

Carrying and market values are as follows:

	1981		1980	
	Carrying Value	Market Value	Carrying Value	Market Value
	(Thousands)		(Thousands)	
Gov't. and municipal bonds	\$59,148	\$44,885	\$59,403	\$46,338
Corporate bonds	11,625	8,390	12,702	9,954
Shares	<u>18,322</u>	<u>15,340</u>	<u>15,807</u>	<u>14,341</u>
	89,095	68,615	87,912	70,633
Accrued interest	<u>1,982</u>	<u>1,982</u>	<u>1,954</u>	<u>1,954</u>
	<u>\$91,077</u>	<u>\$70,597</u>	<u>\$89,866</u>	<u>\$72,587</u>

Bonds and shares in the amount of \$7,872,000 are pledged as collateral for a line of credit with the Saskatchewan Co-operative Credit Society. In addition, Government of Canada Bonds in the amount of \$1,000,000 were hypothecated to the Bank of Canada as collateral for consignment shipments of Canada Savings Bonds.

3. SUBORDINATED SHAREHOLDERS' LOANS

These loans are convertible, at the option of the holder, into common shares at any time subject to the approval of the Board of Directors. The conversion is on the basis of one share for each \$10 of principal converted. The loans are repayable over 25 years. The interest rate on the loans is adjusted every five years to equal the rate paid by the company on five year guaranteed investment certificates.

4. SHARE CAPITAL

The authorized and issued share capital of the company is as follows:

	1981	1980
Authorized		
\$50,000,000 divided into shares of \$10 each		
Issued		
2,496,900 common shares	\$24,969,000	\$25,000,000
363,700 preferred shares	3,637,000	3,637,000
360,000 Class A preferred shares	<u>3,600,000</u>	<u>2,000,000</u>
	<u>\$32,206,000</u>	<u>\$30,637,000</u>

During the year, 1,900 common shares and 160,000 Class A shares were issued for cash and 5,000 common shares were redeemed for cash.

The dividend on preferred shares is fixed at 4%. This dividend is cumulative and has not been paid in 1980 and 1981.

5. ASSETS HELD FOR GUARANTEED TRUST ACCOUNTS

Included in the balance sheet are assets of the Guaranteed Trust Accounts of the company as follows:

	1981	1980
Cash and deposit receipts	\$ 945	\$ 30,793
Securities	74,122	75,126
Mortgage loans	470,847	454,176
Advances to Cotrusco Realty Limited	19,054	21,076
Other	<u>1,863</u>	<u>1,779</u>
	<u>\$566,831</u>	<u>\$582,950</u>

6. RELATED PARTY TRANSACTIONS

The Saskatchewan Co-operative Credit Society is a significant shareholder of the company and holds \$6,073,700 of the company's share capital and subordinated shareholders' loans. In addition, the Credit Society has a management agreement with the company whereby they agreed to provide full management services.

In addition to the normal business activities between the two organizations, the following transactions have taken place:

- ★ The company purchased from Cotrusco Realty Limited, a subsidiary of the Credit Society, real estate property for its net book value of \$382,300.
- ★ The company has advances, including accrued interest, to Cotrusco Realty Limited which at December 31, 1981 amounted to \$19,054,000. Interest income of \$2,229,000 has been accrued on these advances at the rate of 12% through the year. As Cotrusco Realty Limited is in a deficit position, the collectibility of these advances is subject to the future financial position of Cotrusco and the intentions and prerogatives of the Credit Society as explained in Note 7(a).

7. CONTINGENT LIABILITIES AND COMMITMENTS

- (a) The company has provided an indemnity to the Saskatchewan Co-operative Credit Society in respect of certain losses they may incur as a result of the purchase in 1980 of Cotrusco Realty Limited. As at December 31, 1981 the potential maximum liability under this indemnity was \$4,125,000, however, the company feels the actual contingent liability could be less because of unrealized gains on property presently held by Cotrusco.

The Credit Society has acknowledged its intent to ensure that Co-operative Trust can continue to provide trust services and has agreed to take into consideration the effect of any demand under this indemnity on the borrowing ratio and operations of the Trust Company. As at December 31, 1981 no demands have been made by the Credit Society because of the adverse effect such demands would have on the financial position of the Trust Company. It is the intention of the company to meet these demands, if made, from future operations.

- (b) Mortgage Commitments
Outstanding commitments for mortgages were \$22,846,000 at December 31, 1981 (1980 — \$60,635,000).

(c) Long-term Leases

The company has lease commitments covering premises, equipment and leasehold improvements for annual rentals of \$814,000 (1980 — \$910,000). These agreements cover periods up to 1986 and certain of these agreements are subject to escalation clauses.

(d) Other

The company is involved in legal actions concerning the alleged wrongful dismissal of former employees and certain real estate transactions. No amounts have been accrued in these financial statements, as the amount of the liability, if any, is indeterminable at this time.

10,000 voting shares at a par value of \$10
3,360,000 non-voting common shares at a par value of \$10
1,630,000 non-voting preferred shares at a par value of \$10. The preferred shares may be issued in two classes: Class A, which are entitled to a minimum 4% cumulative dividend and Class B, which are subordinate to all other shares as to claims upon assets, and are entitled to a minimum 1% cumulative dividend.

Subsequent to the year end, 7,500 voting shares were subscribed for by 13 co-operative organizations. All outstanding share capital as at December 31, 1981 was exchanged for non-voting common and preferred shares under a formula approved by the Board of Directors.

8. SUBSEQUENT EVENT

Effective January 1, 1982 the authorized share capital of the company was changed in accordance with the bylaws which were passed at the company's annual meeting. The new authorized share capital is as follows:

9. COMPARATIVE FIGURES

Certain of the 1980 figures provided for the purposes of comparison have been reclassified to conform to the classification used in the current year.

AUDITORS' REPORT

The Shareholders
Co-operative Trust Company of Canada

We have examined the balance sheet of Co-operative Trust Company of Canada as at December 31, 1981 and the 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 financial statements present fairly the financial position of the company as at December 31, 1981 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.

Saskatoon, Saskatchewan
February 5, 1982

Touche Ross & Co
Chartered Accountants

CERTIFICATION

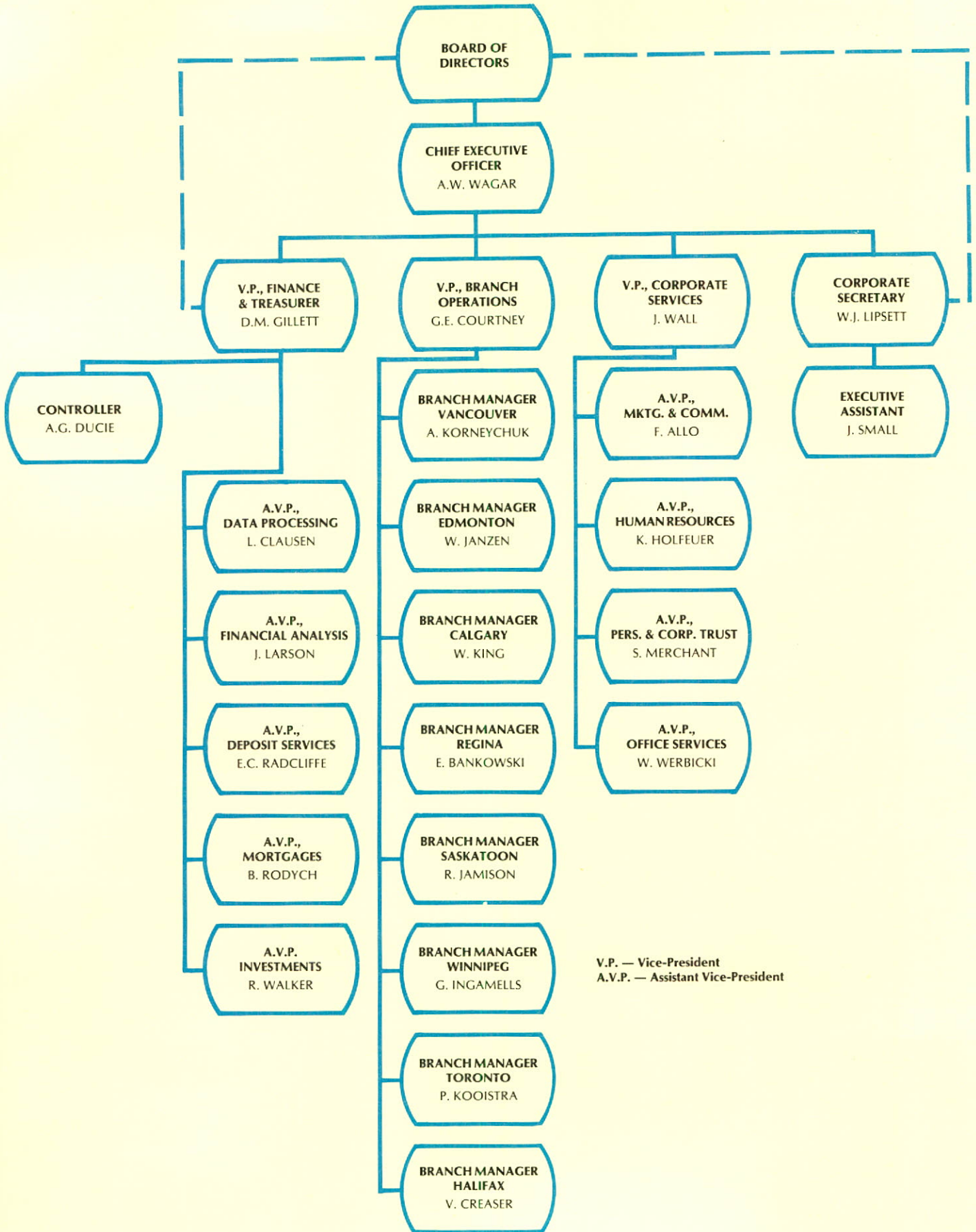
We hereby certify that to the best of our knowledge and belief the balance sheet and accompanying statements of income, retained earnings, and changes in financial position are correct and show truly and clearly the financial condition of the company's affairs.

R. N. Mimer
Director

R. L. Vitch
Director

Arun Wajar
Chief Executive Officer

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