

**TRADERS**  
GROUP LIMITED

57TH ANNUAL REPORT 1977



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### **Annual Meeting**

The Annual Meeting of Shareholders will be held at 11:30 am, Thursday, April 20th, 1978, in Toronto, in the Ontario Room of the Royal York Hotel.

### **Statistical Supplement**

Shareholders and other interested persons wishing more detailed information may request the financial statistical supplement by writing to the Corporate Finance Department, Traders Group Limited, 625 Church Street, Toronto, Ontario M4Y 2G1.

### **Assemblée annuelle**

L'assemblée annuelle des actionnaires aura lieu à 11:30, jeudi, le 20 avril 1978 à Toronto. Endroit: salon Ontario, Hôtel Royal York.

### **Rapport annuel**

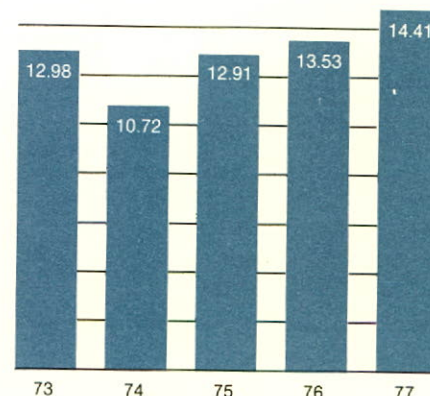
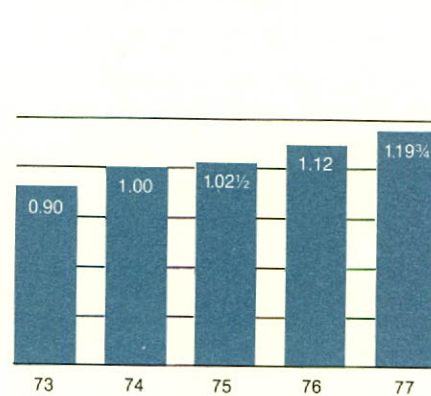
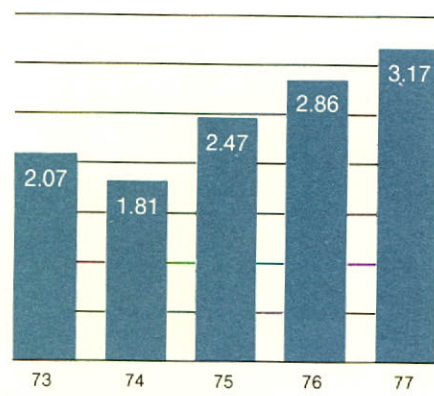
Si vous désirez recevoir en exemplaire en français du rapport annuel du Groupe Traders Limitée, veuillez vous adresser au service de la trésorerie, Le Groupe Traders Limitée, 625 Church Street, Toronto, Ontario M4Y 2G1.

## Highlights

	1977	1976
<b>INCOME</b> (\$000's)		
Net income by source		
Finance .....	\$ 7,856	\$ 9,327
Guaranty Trust .....	3,846	1,150
Canadian General Insurance Group .....	3,007	2,140
Land Development .....	2,785	2,063
	<u>17,494</u>	<u>14,680</u>
Dividends on preferred shares .....	2,716	2,759
Earnings available for common shares .....	14,778	11,921
Extraordinary items .....	—	759
Earnings after extraordinary items .....	<u>\$ 14,778</u>	<u>\$ 12,680</u>
Return on average annual common equity .....	14.41%	13.53%
Return on average annual assets .....	1.64%	1.44%

	1977	1976
<b>PER SHARE</b> (dollars)		
Net income by source		
Finance .....	\$ 1.68	\$ 2.24
Guaranty Trust .....	0.82	0.28
Canadian General Insurance Group .....	0.65	0.51
Land Development .....	0.60	0.50
Earnings per common share		
Before extraordinary items .....	3.17	2.86
After extraordinary items .....	3.17	3.05
Common dividends—Declared .....	1.19%	1.12
Book value .....	\$ 22.90	\$ 21.99
Average number of common shares (000's) .....	4,669	4,164

	1977	1976
<b>OPERATIONS</b> (\$000's)		
At Year-end		
Finance receivables outstanding .....	\$ 970,251	\$ 891,546
Total trust assets under administration .....	2,335,701	2,050,751
During the year		
Gross operating income .....	145,378	141,073
Insurance premiums earned .....	64,407	52,055
Trust revenues .....	131,495	114,742



Earnings per Share before Extraordinary Item (\$)

Dividends Declared per Share (\$)

% Return on Average Annual Common Equity

## Chairman's Report to Shareholders

Earnings available for common shares for the year ended December 31, 1977 were \$14,778,000 or \$3.17 per common share on average shares outstanding of 4,669,000. This compares with \$11,921,000 or \$2.86 per share on average shares of 4,164,000 a year earlier.

In 1976, additional earnings of \$759,000 resulted from extraordinary items. There was no extraordinary gain in 1977.

Profit from the finance group was \$7,856,000 compared with \$9,327,000 in 1976. Earnings from consumer lending operations showed improvement. Profit declines were registered by the domestic commercial and industrial financing operations and the company's international financing portfolio. These declines were partially offset by an investment gain after tax of \$4,585,000 resulting from the sale of Traders interest in Inter-City Gas Limited. The sale of this investment is consistent with the company's policy to concentrate its resources in the financial services and land development areas.

Profit from land development operations increased to \$2,785,000 from \$2,063,000 in 1976.

The Canadian General Insurance Group continued its improved performance contributing \$3,007,000 compared with \$2,140,000 the previous year.

Traders share of the earnings of Guaranty Trust Company of Canada similarly increased to \$3,846,000 compared with \$1,150,000 a year earlier.

The dividend payment for the fourth quarter of 1977 was raised to 31 ¼ cents per common share. This increase of 1 ¾ cents over the previous three-quarters is the maximum regular dividend increase permitted under the Anti-Inflation Board regulations.

The uncertain and cautious attitude on the part of Canadian consumers and businesses, continued in 1977, and was reflected in reduced levels of growth in personal consumption and financing. High unemployment combined with reduced housing starts and more conservative buying habits resulted in a substantial drop in the rate of growth of total consumer durables. Automobile sales were the only major exception to this trend.

Although business capital expenditures increased at a modest rate, corporate retained earnings rose more rapidly, resulting in a decline in the demand for outside cash by non-finance corporations.

Sustained high levels of unemployment and depressed business conditions in many areas necessitated even greater emphasis on the quality of receivables.

Traders management continued to consult with the federal government on such important areas of legislation as

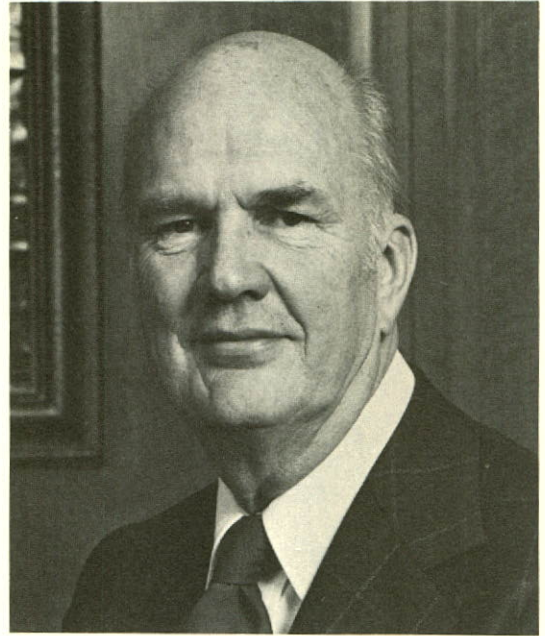
the White Paper on Canadian Banking and The Borrowers and Depositors Protection Act. By active participation in industry briefs and presentations the company is endeavouring to positively contribute to the final legislation which is expected to be introduced late in 1978.

Following passage of the Amendments to the Bank Act it is anticipated that revisions to The Trust Companies Act will be introduced. In view of Traders ownership of Guaranty Trust, the progress of such amendments will be followed closely in order to take advantage of new opportunities which are expected to follow these legislative revisions.

In view of its decreased automobile claims experience, the Canadian General Insurance Group filed a compliance plan with the AIB reducing automobile premium rates.

It is the opinion of management that the company and its subsidiaries have complied with the controls on profit margins, compensation and dividends.

Last February, Traders announced its intention to make a cash and share exchange offer to all shareholders of Guaranty Trust Company of Canada except those resident in the United States. As a result of the overwhelming acceptance of the offer by Guaranty Trust shareholders 1,920,175 shares were tendered, increasing Traders hold-



ing to 87.5 per cent from 58.7 per cent of the outstanding common shares. On December 29, 1977, the company concluded an agreement with the National Bank of Detroit to purchase their 666,660 common shares of Guaranty Trust representing an additional 10 per cent interest. These transactions plus some small purchases on the open market increased Traders holdings to 6,547,640 shares or 98.2 per cent ownership of the trust company. This effectively completes the program of investment and increased ownership by Traders which began with the purchase of 100,000 common shares in 1961.

During the past year, Traders and Guaranty Trust have launched several joint projects in the areas of marketing, personnel and systems. We expect these programs to accelerate and are confident they will become more closely coordinated and lead to an expanded market and greater profit opportunities.

For many years Traders has been extremely active in Quebec. Although the current political uncertainty and economic slowdown in the province dictates prudent lending practices, the company's attitude towards this market is one of "business as usual". Traders and its subsidiaries will continue to expand their services as opportunities occur. More than 95 per cent of the company's management in Quebec are francophone and all are bilingual. Over the years, the company's success in

Quebec has been partially due to its personnel's ability to market and provide service in both languages.

It is with regret that the company accepted the retirement of Mr. B. H. Rieger, a Director since 1966 and the resignation of Mr. D. A. McIntosh, o.c., a Director since 1973. Both men have been valuable members of the company's Executive Committee and made significant contributions to the effectiveness of the Board.

The dedication of the Board together with the competence of the management and staff throughout the organization is reflected in the company's achievements in a difficult business climate.

The national economic outlook for 1978 offers few grounds for optimism. As AIB controls are eliminated and the introduction of government incentives take place, the risk of increased inflation grows. The rate of growth in consumer spending is expected to improve only nominally over 1977, while a very modest increase in the rate of growth of capital expenditures by general business is anticipated. High unemployment together with political and economic uncertainties are not expected to improve the level of consumer and business confidence necessary for a significant recovery.

Expectations of higher interest rates in the United States and the need for funds

by energy-related projects, are likely to be reflected in slightly higher Canadian interest rates in 1978. The company believes such increases will be minimal due to the modest demands for funds resulting from the forecast slow growth in capital expenditures.

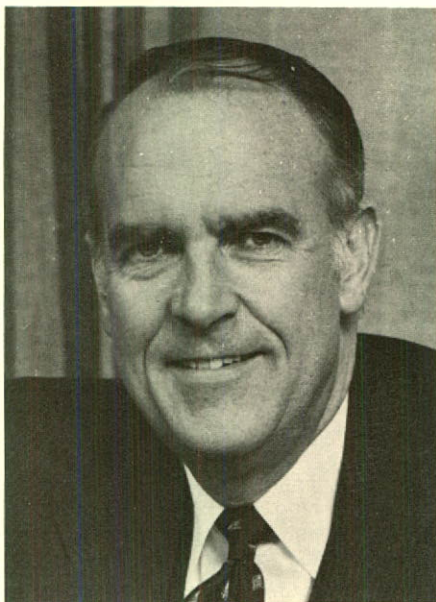
In view of economic conditions and intense competition, increased emphasis will be placed on the quality of earning assets in financing operations rather than on growth.

Although interest rates are expected to increase somewhat, margins should remain relatively stable, enabling Guaranty Trust to achieve a satisfactory profit improvement.

The Canadian General Insurance Group and land development operations are expected to continue their excellent performance.

Notwithstanding the sombre economic outlook, on a consolidated basis, the company expects a satisfactory year in 1978.

H. E. Dynes  
Chairman of the Board and  
Chief Executive Officer



The year 1977 was a challenging one for the Traders lending portfolios. After ten years of successive profit improvement a decline was experienced.

Earnings from the Finance Group operations and investments were \$7.8 million compared with \$9.3 million the previous year.

Both domestic marketing groups, Personal Financial Services which provides diversified lending services to the Canadian consumer and Business Financial Services which offers a broad range of services to business and industry, felt the effects of the economic slowdown, high unemployment and reduced public confidence.

### **Personal Financial Services**

The improved profits and increased receivables outstanding for the Personal Financial Services group were bolstered by the purchase of the receivables of the 123 branch offices of Pacific Finance in April 1977. As a result the consumer cash lending portfolio continued its 11-year trend of growth and increased market share. Direct consumer loans outstanding increased by \$96 million and residential mortgages by \$10 million. These are the group's largest and most profitable portfolios. This was contrary to the performance of the industry which experienced a general reduction in outstandings reflecting caution on the part of the Canadian consumer to make major consumer durable purchases or incur debt for other purposes. Interest margins were maintained despite intense competition for available business not only from within the industry but also from chartered banks and credit unions.

The Pacific Finance acquisition added many valued assets including \$137 million in consumer loan and mortgage receivables and more than 78,000 customers. Probably the greatest asset however was the 400 capable employees who joined Traders. The Pacific organization, which operated as a separate unit under the supervision of Traders senior management during 1977, made a profit contribution for the 8 months despite acquisition and initial changeover costs.

In January 1978, the management and staff of Pacific Finance were integrated with Traders Personal Financial Services personnel. A systematic conversion of branch records and systems has occurred and it is planned that all branches will be fully operational on T-COM (Traders on-line management information and accounting system) by April 1978.

High levels of unemployment contributed to higher levels of overall consumer contractual delinquency and credit losses. However, a reduction in cash loan delinquencies measured on the basis of recency of payment was achieved. Since no short-term solution to the unemployment problem is evident, credit loss reserves were increased to \$13.2 million or 2.26 per cent of receivables in 1977. This compared with \$10.9 million or 2.13 per cent of receivables a year earlier.

In view of the prevailing negative economic climate, the need for further attention to staff training and development was identified. A separate personnel and training group has been established to assist line management. In addition, a specialized sales force has been formed to further sales training and complement branch marketing activities. The group has successfully coordinated some marketing programs with branches of Guaranty Trust.

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During 1977, in order to increase productivity and customer service, further branches were integrated to provide a broader range of consumer financing services at a single branch location.

### **Business Financial Services**

Profit from this marketing group was reduced for the year as demand for its services declined. The year began with a note of cautious optimism which evaporated with each succeeding quarter. The resultant loss of business confidence and a substantial reduction in government spending on road construction led to decreased demand for equipment financing and general business loans.

The lending subsidiaries of many foreign banks aggressively entered the corporate financing field during the year, anticipating future changes in the Bank Act. This coupled with the expanded activity of the Canadian chartered banks, intensified competition for available business and led to reduced interest margins in these portfolios.

Pressure on the small and medium-size businesses which make up a large number of the group's equipment financing clients caused significantly higher credit losses than in previous years. In view of these conditions, greater emphasis was placed on collection activities with the result that delinquencies and repossessions were reduced below the 1976 levels.

On the other hand, corporate leasing outstandings, mostly with large corporations, rose significantly with no credit losses and low delinquency. One of the more notable leases was a \$17 million dragline for Calgary Power Ltd. During the year, a unique computer program

was developed to facilitate the computation and analysis of complex lease transactions. This program is being rented to other leasing companies. The leasing portfolio is facing, and will continue to face, fierce competition from some Canadian banks and their affiliates as well as many subsidiaries of foreign banks that now operate from a Canadian base.

Aetna Factors Corporation Ltd. which conducts factoring, accounts receivable and export-import financing, experienced a small loss for the year as a result of higher credit loss expense. The reason for this was that, historically, Aetna's business has been heavily related to the textile and apparel industries which suffered high bankruptcy rates and a reduction in sales during 1977. During the year, the company restructured its management organization and expanded its marketing programs to further diversify its business into other industries. This program of growth in diversified business will continue in 1978.

### **International Operations**

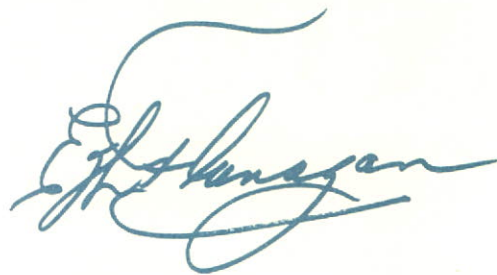
A loss of \$4.4 million was incurred in this portfolio as a result of the write-down of overseas tanker loans. Surplus tanker capacity and low freight rates led to a shortage of profitable charters. Accordingly, one tanker was scrapped, another written-down to scrap value. Additionally, a contingency reserve for possible future credit losses was established to equal 2 per cent of outstandings.

The company is taking action to further diversify the international operations into areas other than maritime financing. While marketing research is being conducted, receivables will be held at approximately the 1977 level.

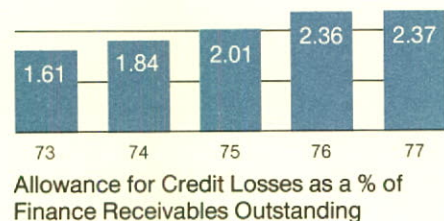
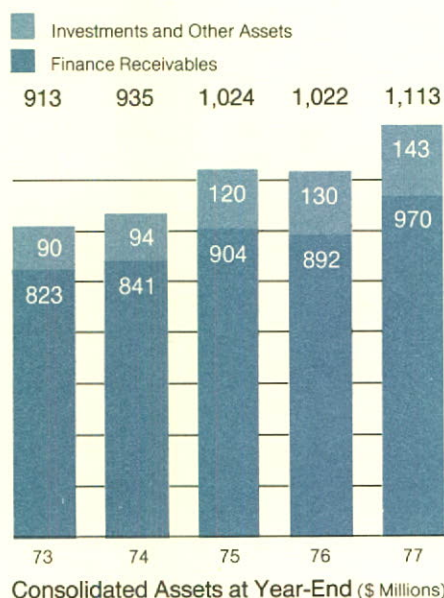
### **1978 Outlook**

The outlook for 1978 indicates extended restraint in consumer and business expenditures, coupled with high unemployment levels.

In its lending operations Traders will continue to stress staff training together with credit and expense control. Joint marketing programs with Guaranty Trust will be expanded and the finance group will continue to seek bulk acquisitions of quality receivables. While extensive growth is not considered prudent in the present market, some increase in selected profitable portfolios is achievable. It is the Company's intent to be fully prepared to take advantage of the economic upturn when it occurs.



E. W. Flanagan  
President and Chief  
Operating Officer



	1977	1976
<b>FINANCE RECEIVABLES OUTSTANDING</b> (\$000's)		
Direct cash loans		
Precomputed . . . . .	\$ 231,190	\$ 147,324
Interest bearing . . . . .	31,165	18,903
	<u>262,355</u>	<u>166,227</u>
Consumer retail notes and contracts		
Motor vehicles . . . . .	70,196	99,236
Mobile homes . . . . .	14,397	20,754
Residential mortgages and home improvements . . . . .	170,624	158,486
Miscellaneous . . . . .	42,745	32,603
	<u>297,962</u>	<u>311,079</u>
Commercial loans and contracts		
Industrial and commercial equipment . . . . .	91,116	115,599
Commercial loans . . . . .	39,442	31,392
Leasing . . . . .	157,485	134,695
Factoring and commercial financing . . . . .	61,216	50,220
	<u>349,259</u>	<u>331,906</u>
Wholesale		
Motor vehicles . . . . .	40,591	51,788
Other . . . . .	20,084	30,546
	<u>60,675</u>	<u>82,334</u>
	<u>\$ 970,251</u>	<u>\$ 891,546</u>
<b>FINANCE RECEIVABLES ACQUIRED</b> (\$000's)		
Direct cash loans . . . . .	\$ 310,074	\$ 150,670
Consumer retail notes and contracts . . . . .	212,396	192,175
Commercial loans and contracts . . . . .	544,164	575,790
Wholesale . . . . .	285,714	348,750
	<u>\$1,352,348</u>	<u>\$1,267,385</u>
<b>FINANCE INCOME</b> (\$000's)		
Gross finance operating income . . . . .	\$ 138,472	\$ 128,301
Expenses: Borrowing costs . . . . .	61,585	63,378
Provision for credit losses . . . . .	17,892	10,684
General and administrative . . . . .	43,530	36,345
	<u>123,007</u>	<u>110,407</u>
Income . . . . .	15,465	17,894
Net contribution to Traders . . . . .	<u>\$ 7,856</u>	<u>\$ 9,327</u>





## Highlights

November 30	1977	1976
Land inventory (acres) . . . . .	<b>2,307</b>	2,042
Land inventory at development cost (\$000's) . . . . .	<b>19,325</b>	18,455
Net contribution to Traders (\$000's) . . . . .	<b>2,785</b>	2,063
Total assets (\$000's). . . . .	<b>29,225</b>	29,121

The land development division acquires selected land in suburban growth areas close to metropolitan communities, develops and services the land and sells lots to qualified builders of homes, apartment buildings and shopping centres.

Profit from land development operations was \$2.8 million, 35 per cent higher than in 1976.

During the year, land inventory was expanded to 2,307 acres from 2,042 acres. The value of this inventory is distributed in Alberta (48 per cent), Ontario (49 per cent), and Quebec (3 per cent).

Housing starts in Canada are forecast to decline in 1978. However, the company has selected its holdings with care and has an experienced team of land and housing specialists who should ensure a continuation of the division's excellent performance.

### Summary of Assets and Liabilities (\$000's)

November 30	1977	1976
<b>ASSETS</b>		
Cash . . . . .	<b>\$ (255)</b>	\$ 564
Mortgages receivable . . . . .	<b>9,471</b>	9,664
Land inventory at development cost . . . . .	<b>19,325</b>	18,455
Investments in associated companies, at equity value . . . . .	<b>636</b>	350
Fixed assets (net of depreciation) . . . . .	<b>48</b>	88
	<b><u>\$29,225</u></b>	<u>\$29,121</u>
<b>LIABILITIES</b>		
Payables . . . . .	<b>\$ 1,139</b>	\$ 3,431
Bank loans . . . . .	<b>9,850</b>	4,318
Mortgage payable . . . . .	<b>4,709</b>	4,197
Income taxes (current and deferred) . . . . .	<b>4,714</b>	3,367
Advances from parent and associated companies . . . . .	<b>884</b>	7,417
Traders investment, at equity value . . . . .	<b>7,929</b>	6,391
	<b><u>\$29,225</u></b>	<u>\$29,121</u>

### Summary Statement of Income (\$000's)

Year Ended November 30	1977	1976
<b>Income</b>		
Land sales . . . . .	<b>\$11,755</b>	\$12,564
Other . . . . .	<b>1,284</b>	1,048
	<b><u>13,039</u></b>	<u>13,612</u>
<b>Expenses</b>		
Cost of sales . . . . .	<b>6,311</b>	8,134
General and administrative . . . . .	<b>1,418</b>	1,578
	<b><u>7,729</u></b>	<u>9,712</u>
Income before income taxes . . . . .	<b>5,310</b>	3,900
Income taxes . . . . .	<b>2,525</b>	1,837
Net contribution to Traders . . . . .	<b><u>\$ 2,785</u></b>	<u>\$ 2,063</u>



**Dividends**

Effective January 1, 1978, Traders paid its 119th consecutive quarterly dividend at which time the annual dividend rate increased 6 per cent to \$1.25 per share from \$1.18 per share. This was the maximum regular dividend increase allowable under the Anti-Inflation program. This rate of \$1.25 represents 39 per cent of the earnings available to common shareholders.

**Shareholders and Capital**

The number of Traders common shares effectively outstanding at December 31 increased 15.1 per cent to 4,883,235 from 4,243,256 a year ago. The increase resulted from the share exchange offer in February 1977 which provided for the exchange of one Class A common share of Traders plus \$9 cash for each three shares of Guaranty Trust. The exchange resulted in the issuance of 639,479 shares of Traders increasing shareholders equity by \$9,592,185 and the number of shareholders to 17,467.

The shares acquired under the offer, when coupled with the December 29, 1977 acquisition of 666,660 shares of

Guaranty Trust from the National Bank of Detroit increased Traders ownership to 98.2 per cent from 58.7 per cent a year ago.

**Capital Structure**

Traders strengthened the capital structure in 1977. Capital funds, consisting of unsecured debentures plus shareholders' equity, increased \$25.4 million to \$251.2 million. The ratio of senior debt to capital funds declined from 2.6 to 1 to 2.5 to 1.

At the end of 1977, debt due within one year was 39.6 per cent of total debt compared to 47.6 per cent a year earlier. This action substantially improves the liquidity position of the company and reflects management's policy of reducing exposure to short term interest rates as well as achieving a better matching of assets and liabilities.

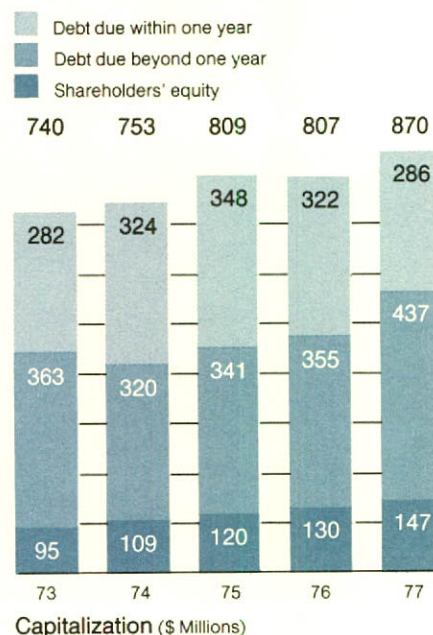
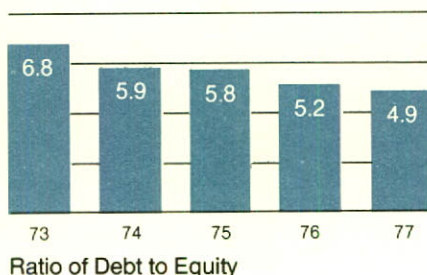
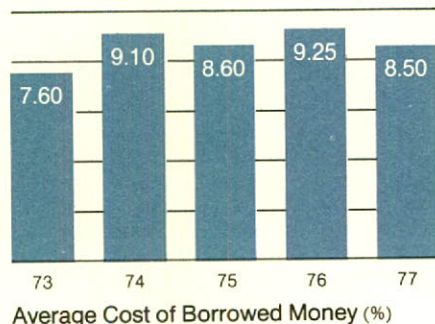
**Borrowings**

In April 1977 the company completed a \$10 million issue of 9¼ per cent debentures due April 15, 1992 with a retractable option on April 15, 1984. This was followed by a \$30 million issue of 9½ per cent senior secured notes due June 15, 1984. These issues were well received in the marketplace. Early in

1978, the company offered \$30 million of 9¼ per cent senior secured notes due August 15, 1983. Both senior secured note issues were rated "A" by the Canadian Bond Rating Service and the Dominion Bond Rating Service.

In addition, during 1977, Traders through its Selling Group members placed \$64 million in Medium Term notes with an average maturity of 24 months; \$24.5 million of these notes mature during 1978, \$29 million in 1979, and the balance of \$10.5 million mature during 1982. The average interest rate was 1 per cent below that of the preceding year and the lowest since 1973.

These issues and notes totalling \$134 million represent the second largest amount raised in the medium and long term market during any twelve month period. The response to these



offerings was substantially greater in 1977 as evidenced by the increased number of new institutional investors in Canada, the United States and Europe.

### Money Market

A significant accomplishment was the raising of \$110 million in addition to normal company needs in April 1977. These funds were employed to purchase the Pacific Finance receivables from Transamerica Financial Corpo-

ration of Canada Ltd. An outstanding job was done by the Selling Group members.

During the fourth quarter Traders received an A-1 commercial paper rating from Standard and Poor's Corporation of New York. This is the highest rating available and has been beneficial in attracting additional investors.

The placement rate for short term borrowings showed a marked improvement in 1977. The average rate was 1.81 per

cent lower than 1976 and also the lowest level since 1973.

Traders did not require bank borrowings during the year. All its requirements were raised by the sale of short term notes. These notes, which averaged \$225 million outstanding are backed-up by bank lines of credit. At the year end the company maintained \$308.5 million of bank lines of credit on a consolidated basis with nine Canadian banks, 23 U.S. banks and one European bank.

## TRADERS GROUP LIMITED

### OFFER

To holders of Common Shares  
of  
**GUARANTY TRUST COMPANY  
OF CANADA**  
by  
**TRADERS GROUP LIMITED**

This Offer is to exchange

—One Class A common share without nominal or par value of Traders Group Limited plus \$9.00 cash for each three common shares of the par value of \$2 each of Guaranty Trust Company of Canada

This Offer is open for acceptance up to and including April 15, 1977, and is being made for all common shares of the par value of \$2 each of Guaranty Trust Company of Canada except those common shares presently owned by Traders Group Limited.

New Issue

**\$10,000,000**

## TRADERS GROUP LIMITED

**9¾% Debentures** To be dated: April 28, 1977 To mature: April 15, 1992

Right of Prepayment at Holder's Option

The holder of any 9¾% Debenture will have the right to elect that the Company shall prepay the principal amount of such Debenture on April 15, 1984. Such election may be made only after October 15, 1983 and prior to the close of business on March 15, 1984. The Company shall have the right to increase the interest rate on the 9¾% Debentures after April 15, 1984, such increase, if any, to be made at any time up to the close of business on February 15, 1984.

**Price: 99.50 and accrued interest**

McLeod, Young, Weir & Company Limited		
Richardson Securities of Canada	Merrill Lynch, Royal Securities Limited	Wood Gundy Limited
Midland Doherty Limited	Pitfield, Mackay, Ross & Company Limited	Burns Fry Limited
Greenshields Incorporated	Dominion Securities Limited	Walwyn Stodgell Cochran Murray Limited
Crang & Ostiguy Inc.	Bell, Gouinlock & Company Limited	Pemberton Securities Limited
Geoffrion Robert & Gélinas Ltée	F. H. Deacon Hodgson Inc.	Tasse & Associates, Ltée
Houston, Willoughby Limited	Odium Brown & T. B. Read Ltd.	Mead & Co. Limited
	N. L. Sandler & Co. Limited	Molson Rousseau & Co. Limited

New Issue

**\$30,000,000**

## TRADERS GROUP LIMITED

**9½% Senior Secured Notes, Series AT**

To be dated: June 15, 1977  
To mature: June 15, 1984

**Price: 100.00 and accrued interest**

McLeod, Young, Weir & Company Limited		
Richardson Securities of Canada	Merrill Lynch, Royal Securities Limited	Wood Gundy Limited
Midland Doherty Limited	Pitfield, Mackay, Ross & Company Limited	Burns Fry Limited
Greenshields Incorporated	Dominion Securities Limited	Walwyn Stodgell Cochran Murray Limited
Crang & Ostiguy Inc.	Bell, Gouinlock & Company Limited	Pemberton Securities Limited
Geoffrion Robert & Gélinas Ltée	F. H. Deacon, Hodgson Inc.	Tasse & Associates, Ltée
Houston, Willoughby Limited	Odium Brown & T. B. Read Ltd.	Mead & Co. Limited
	N. L. Sandler & Co. Limited	Molson Rousseau & Co. Limited

New Issue

**\$30,000,000**

## TRADERS GROUP LIMITED

**9¼% Senior Secured Notes, Series AU**

To be dated: February 15, 1978  
To mature: August 15, 1983

**Price: 99.50 and accrued interest**

McLeod Young Weir Limited		Wood Gundy Limited
Richardson Securities of Canada	Merrill Lynch, Royal Securities Limited	Midland Doherty Limited
Pitfield Mackay Ross Limited	Burns Fry Limited	Greenshields Incorporated
Dominion Securities Limited	Walwyn Stodgell Cochran Murray Limited	Bell, Gouinlock & Company Limited
Pemberton Securities Limited	Geoffrion Robert & Gélinas Ltée	F. H. Deacon, Hodgson Inc.
Tasse & Associates, Ltée	Houston, Willoughby Limited	Odium Brown & T. B. Read Ltd.
Mead & Co. Limited		Molson Rousseau & Co. Limited

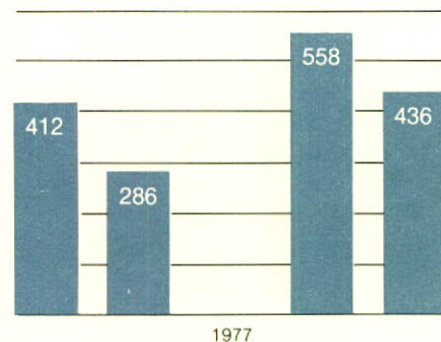
## Consolidated Summary of Maturities (\$000's)

	Assets		Liabilities		Difference
	Receivables	Other	Debt	Other	
Maturity Dates Within:					
1978.....	\$412,318	\$ 10,941	\$275,089	\$ 67,787	\$ 80,383
1979.....	195,055	—	59,565	—	135,490
1980.....	123,089	—	49,416	—	73,673
1981.....	85,011	—	25,483	—	59,528
1982.....	65,145	—	75,918	—	(10,773)
	<u>880,618</u>	<u>10,941</u>	<u>485,471</u>	<u>67,787</u>	<u>338,301</u>
Beyond 1982.....	89,633	—	221,997	—	(132,364)
Finance.....	970,251	10,941	707,468	67,787	205,937
Unearned income . . .	(136,672)	—	—	—	(136,672)
Loans to associated companies.....	17,060	—	—	—	17,060
Allowance for credit losses . . . . .	(22,998)	—	—	—	(22,998)
Land development and others.....	20,526	117,265	14,559	39,290	83,942
	<u>\$848,167</u>	<u>\$128,206</u>	<u>\$722,027</u>	<u>\$107,077</u>	<u>\$147,269</u>

## Traders Group Limited Funding Activities (\$000's)

December 31	1977	1976	Increase (Decrease)	
			Amount	Percent
Secured debt				
Short term notes				
—Bank.....	—	—	—	—
—Open market.....	<b>\$214,780</b>	\$200,903	\$ 13,877	6.9%
Medium term notes.....	<b>72,647</b>	82,778	(10,131)	(12.2)
Long term notes.....	<b>253,052</b>	238,718	14,334	6.0
Unsecured debt.....	<b>103,924</b>	96,225	7,699	8.0
Capital and surplus.....	<b>147,269</b>	129,553	17,716	13.7
Bank credit lines.....	<b>245,875</b>	320,834	(74,959)	(23.4)

Due Within One Year		Due Beyond One Year	
Finance Receivables	Debt	Finance Receivables	Debt



Maturities of Debt vs. Maturities of Finance Receivables (\$ millions)

## The Key is Innovation

Finance companies have made a valuable contribution to the well-being of Canadians. They have done so by providing services not available at the time from conventional financial institutions. In order to prosper, financial companies have had to display extraordinary innovative ability. They have had to respond in a creative way to the needs of consumers and businesses, the vagaries of history and the pressures of social legislation.

### Traders Group Limited

Traders Group Limited which is one of the largest finance companies in Canada started in Winnipeg in 1920. Traders was among the first sales finance companies to start in Canada; and indeed, was the first all-Canadian company.

In 1908, the first Model-T Ford was sold; by 1914, the Ford Motor Company had begun manufacturing "Tin Lizzies" at the rate of 750,000 a year. It occurred to Traders founder, W. W. Evans that a huge market potential existed if a way could be found for people from all walks of life to buy farm machinery and automobiles on some form of credit plan.

The unique feature of the service which was later promoted—and one which would make the sales finance company distinct from all other financial institutions—was that the only security in the credit transaction would be the goods purchased.

The central concept was that most people, regardless of their economic circumstances, are honest and will honour financial obligations.

The founder soon realized that he had a sound idea and thus it was that the Traders organization began to play a key role in pioneering the phenomenon of mass credit use in Canada. Looking over the history of Traders it can now be seen that its business activities provide a model and a mirror image of the Canadian finance industry as a whole.

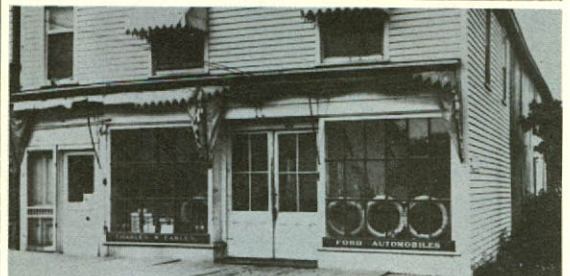
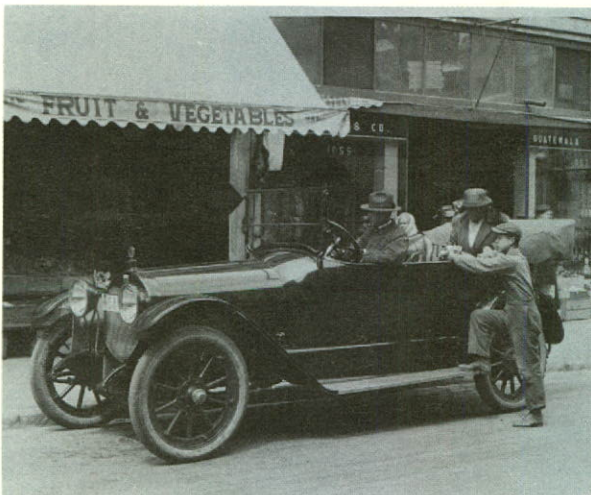
The timing for the start of the company—it was known as Traders Finance Corporation Limited in those days—could not have been better; the company came into being at the start of the 1920s, a buoyant period when the automobile was becoming adopted as a sort of freedom symbol which allowed people to go anywhere, do anything.

Before lending money a finance company must first borrow it.

It soon became clear to the company's early managers that a credit-granting institution must display good judgment in granting credit if it wants to be able to persuade chartered banks and other investors of the outstanding investment potential of automobile instalment financing. As time passed, Traders began borrowing money from a wide range of investors, including banks, insurance companies together with other institutions and private sources.

Finance companies had done three important things: 1) democratized the use of personal lending; 2) paved the way to mass marketing by combining mass credit with mass production; 3) created the commercial paper market in Canada, a market that has grown to large proportions by international standards because it offers a valuable investment alternative.

By 1926, Traders had offices in British Columbia and Ontario; the company had grown from nothing to having assets of \$2.5 million. Because of the new credit idea, thousands of people were now able to obtain a car of their own. As time passed, people borrowed money, not only for automobiles, but for a wide variety of other durable goods, thus further expanding the mass production principle.



### The Depression

Traders was not spared by the economic effects of the late 20s and early 30s. There was a shortage of capital and people were no longer in a position to take on debt. Result: Traders grew more slowly. Traders assets of \$14 million in 1929 dropped to around \$10.3 million one year later and stayed that way until 1935. One of the things the company learned from the Depression was the soundness of the concept upon which the company was founded; namely, that people are responsible and will meet their obligations. It was Traders experience that, during this difficult time, people were still prepared to honour their debts—even if they took longer to do so. For its part, the company deferred payments and rewrote accounts to suit the client's circumstances. The result was that Traders earned a profit each year of the Depression as it has every year since the company was formed.

### Insurance Group Added

It was natural that a company so deeply involved with the automobile industry would see the potential business opportunity in automobile insurance.

Accordingly, in 1938, Traders acquired control of two insurance companies: Canadian General Insurance Company and Toronto General Insurance Company providing a broad range of automobile property and casualty insurance; in 1951, a third, Traders General Insurance Company was also added.

### World War II

The Canadian period of economic recovery, which lasted from 1935 to 1939, was short-lived. In 1939, World War II broke out and had the effect of eliminating Traders principal source of income—car financing. Now the war was on, passenger car manufacturing was replaced by war production of all kinds. This situation presented Traders with a formidable challenge, one that was successfully met by innovation.

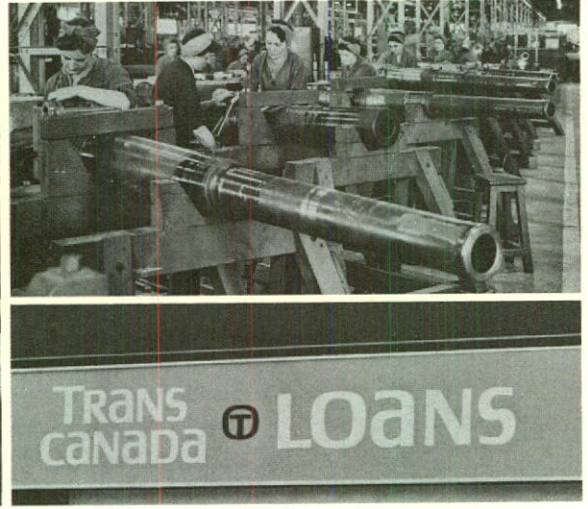
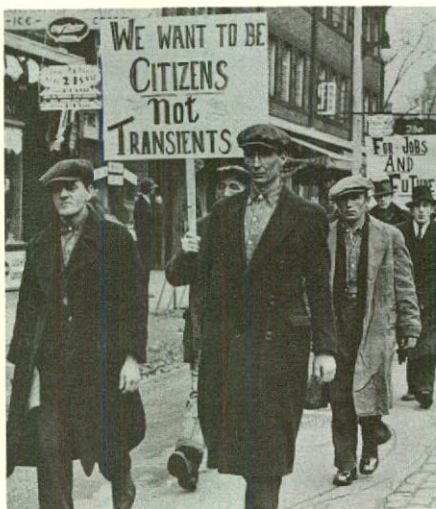
Traders had come to realize over the years that consumers not only needed purchase plans to buy a car or other major durables but also credit for a wide variety of other purposes. This had not gone unnoticed by the government of the day which had come to realize that an ethical consumer cash lending agency in the country would benefit all. The result of this was the creation of the Small Loans Act which became law in 1939.

It was at about this time that Traders new Division, Trans Canada Credit Corporation Limited, was formed to provide small cash loans directly to the public. This proved to be a shrewd, well-timed move; later expanded to include more than 250 branches in ten provinces.

### The Credit Explosion

With the ending of World War II in 1945, history was to repeat itself. Just as Canadian veterans of World War I returned home determined to have the good life that carried them on into the late 1920s, so did returning servicemen in 1945. These men, together with their wives and children, wanted new clothes, new cars, new ranges and new refrigerators and radios. These people also wanted to enjoy the things they had gone without during fifteen years of Depression and war. And they were not prepared to wait until they had saved enough money to pay cash; they did not have to. Thus the credit explosion of the 50s and 60s was born.

In the hectic post-war years, the sales finance industry was the only segment of the national credit system with the experience and capacity to marshal and administer the funds necessary to meet the high demand for goods and services that had developed.



## Diversification

By now, Traders had embarked upon a program of diversification that was ultimately to lead it to become one of the largest companies of its kind in the country.

In 1953, it formed Traders Realty Limited for the purpose of assisting automobile dealers with capital loans for new premises or expansion; in 1960, Traders established an Equipment Financing Division to handle the specialized credit needs of companies who needed to purchase revenue-producing machinery and equipment used in construction, logging, hospitals, schools, hotels, printing firms, etc. Finance companies at this time in the country's history, by making capital available to a wide variety of companies, encouraged the rapid growth of businesses in Canada. Many viable companies just didn't have the necessary collateral, net worth or track record to obtain a bank loan or other conventional sources of credit or investment.

This diversification stood the company in good stead and opened up new markets and sources of income. Following the 1954 revisions to the Bank Act,

which eliminated rate restrictions, the Canadian chartered banks aggressively entered the field of direct consumer lending. This development, together with the formation of financing subsidiaries in Canada by the remaining two of the big three automobile manufacturers, did, in the early 1960s, lead to increased competition and reduced profits for others who operated in the field of automobile financing.

In 1961, Traders bought an 18 per cent interest in Guaranty Trust Company of Canada; this investment was one which later proved to be of immense significance for the company.

In 1962, the company purchased a home improvement financing operation now called Traders Homeplan Limited. This was later expanded to include residential and recreational property financing. Again by meeting a need not adequately serviced by the conventional lenders of the day, finance companies can take credit for institutionalizing the second mortgage market, and thereby expanding the role of legitimate financing institutions in Canada.

In 1962, Traders also entered the factoring field by the purchase of an interest in Aetna Factors Corporation Ltd. of

Montreal. Aetna is Canada's largest company specializing in the factoring and financing of accounts receivable of businesses both domestic and foreign. Unquestionably, the 1960s were a vital growth period for the company.

## The Money Crisis

Between 1960 and the early 1970s inflation was beginning to reach serious proportions and the result was a shortage of capital and a high cost of money. Nevertheless, by 1965, Traders was a more than half a billion dollar enterprise, maintained some 250 offices across Canada and employed over 2,500 people.

In 1966, the company changed its name from Traders Finance Corporation Limited to Traders Group Limited, to more properly reflect the diversified nature of its operations.

In 1971, the company structured its financing operations into two distinct groups: Business Financial Services (BFS) and Personal Financial Services (PFS); this two-prong marketing approach enabled Traders to provide a full range of financing services to busi-



ness and the consumer, yet retain the specific product expertise built up over the years. In the same year the company also formed both a domestic and overseas leasing division.

### Financial Innovation

At this point it becomes clear that finance companies in order to survive and prosper have had to use all their ingenuity and innovative skills to create for themselves new business opportunities. That is why over their 60-year history they can claim, in summary, to have introduced inventory financing; democratized the use of credit through unsecured lending; created the commercial paper market in Canada; introduced the advantages of conditional sales financing; institutionalized the second mortgage market; and introduced equipment financing and

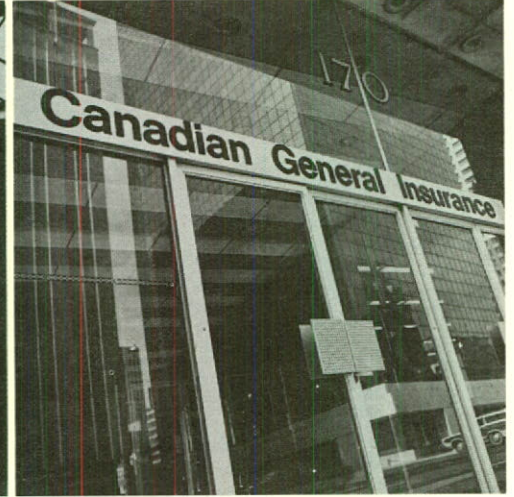
leasing to Canadian enterprises. To this day, finance companies continue to develop and prove new financial services.

### The Future

It now seems unlikely that the rate of change in the Canadian financial services field is likely to slow down. Bank Act legislation is expected to be introduced in 1978 which will further expand the powers of Canadian banks and encourage the formal entry of foreign banks into the Canadian banking system. Following the Bank Act it is expected that revisions to the Trust Companies Act will be introduced that would grant broader scope to trust companies. The development of an Electronic Funds Transfer System during the next decade will undoubtedly bring about dramatic changes in the type of financial services that will be available to Canadians as well as the way they make bank deposits and pay bills.

In 1977 Traders increased to more than 98 per cent its ownership in Guaranty Trust Company of Canada, thus completing a program of increased investment and ownership that began in 1961. The two organizations are proving to be complementary and compatible.

Traders is now in a unique position to meet the anticipated competition and legislative challenges that lie ahead. Innovation has been the company's greatest strength for the past 57 years and so it continues to be. Now, because of the company's increased scope it looks forward to the future with, it believes, justifiable confidence.







## Balance Sheet (\$000's)

Traders Group Limited  
and Consolidated Subsidiaries

December 31	1977	1976
<b>ASSETS</b>		
CASH (Note 2) . . . . .	\$ 10,941	\$ 28,268
RECEIVABLES (Note 3)		
Finance, including \$412,318 due within one year (1976—\$401,286)		
Consumer . . . . .	560,317	477,306
Commercial . . . . .	349,259	331,906
Wholesale . . . . .	60,675	82,334
	<u>970,251</u>	<u>891,546</u>
Loans to associated companies . . . . .	17,060	16,872
	<u>987,311</u>	<u>908,418</u>
Less: Allowance for credit losses . . . . .	22,998	21,063
	<u>964,313</u>	<u>887,355</u>
<b>INVESTMENTS</b>		
Land inventories of subsidiaries, at cost . . . . .	19,325	18,455
Investments in associated companies, at equity value and other investments, at cost . . . . .	2,456	6,240
Investment in subsidiaries not consolidated—		
—Guaranty Trust Company of Canada (Note 4) . . . . .	61,468	36,784
—Canadian General Insurance Group . . . . .	25,228	22,183
	<u>108,477</u>	<u>83,662</u>
<b>OTHER ASSETS</b>		
Receivables of Land Development subsidiaries and other receivables . . . . .	20,526	14,428
Income taxes recoverable . . . . .	129	—
Fixed assets, at cost less accumulated depreciation of \$4,388 (1976—\$4,102) . . . . .	3,883	3,441
Unamortized cost of borrowed money . . . . .	4,776	4,932
	<u>29,314</u>	<u>22,801</u>
Approved by the Board:		
H. E. Dynes, Director		
R. L. Sheard, Director		
	<u>\$1,113,045</u>	<u>\$1,022,086</u>

December 31	1977	1976
<b>LIABILITIES</b>		
<b>PAYABLES</b>		
Accounts payable and accrued expenses . . . . .	\$ 28,645	\$ 21,467
Wholesale due to manufacturers . . . . .	5,077	8,139
Dividends payable . . . . .	2,382	2,111
Dealers' balances and factoring liabilities . . . . .	32,334	31,549
Income taxes payable . . . . .	—	446
	<u>68,438</u>	<u>63,712</u>
<b>DEFERRED CREDITS</b>		
Unearned finance charges . . . . .	136,672	120,664
Deferred income taxes . . . . .	37,993	30,422
	<u>174,665</u>	<u>151,086</u>
<b>SECURED DEBT OF THE COMPANY (Note 5)</b>		
Due within one year:		
Short term . . . . .	214,780	200,903
Medium and long term . . . . .	39,445	93,193
Due beyond one year . . . . .	308,388	253,129
	<u>562,613</u>	<u>547,225</u>
<b>DEBT OF SUBSIDIARIES (Note 5)</b>		
Due within one year . . . . .	28,559	25,509
Due beyond one year . . . . .	26,931	7,831
	<u>55,490</u>	<u>33,340</u>
<b>UNSECURED DEBT OF THE COMPANY (Note 5)</b>		
Due within one year . . . . .	2,903	2,603
Due beyond one year . . . . .	101,021	93,622
	<u>103,924</u>	<u>96,225</u>
<b>MINORITY INTEREST in consolidated subsidiaries . . . . .</b>		
	646	945
<b>CAPITAL AND SURPLUS (Note 5)</b>		
Preferred shares . . . . .	35,463	36,260
Common shares . . . . .	61,345	51,747
	<u>96,808</u>	<u>88,007</u>
Surplus . . . . .	78,510	69,595
	<u>175,318</u>	<u>157,602</u>
Elimination of inter-company holdings (Note 5) . . . . .	(28,049)	(28,049)
	<u>147,269</u>	<u>129,553</u>
The accompanying notes form an integral part of the consolidated financial statements.	<u><u>\$1,113,045</u></u>	<u><u>\$1,022,086</u></u>

## Statement of Surplus (\$000's)

Traders Group Limited  
and Consolidated Subsidiaries

Year ended December 31	1977	1976
BALANCE AT BEGINNING OF YEAR . . . . .	<b>\$69,595</b>	\$61,419
Adjustments arising during the year—		
Change in holdings in subsidiaries . . . . .	14	67
Amortization of cost of issuing preferred shares, net of gain on redemption . . . . .	49	115
Cost of issuing shares (net of income taxes) . . . . .	<b>(270)</b>	—
	<b>69,388</b>	61,601
NET INCOME AFTER EXTRAORDINARY ITEMS . . . . .	<b>17,494</b>	15,439
Less: Dividends on preferred shares—		
4½% . . . . .	136	135
5% . . . . .	58	58
5%, Series A . . . . .	94	107
\$2.16, Series B . . . . .	445	459
10¼% . . . . .	768	768
7.5% . . . . .	<b>1,215</b>	1,232
	<b>2,716</b>	2,759
EARNINGS AVAILABLE FOR COMMON SHARES (Note 5) . . . . .	<b>14,778</b>	12,680
Less: Dividends on common shares—net of intercompany holdings (1977—\$1.19¼ per share; 1976—\$1.12 per share) . . . . .	<b>5,656</b>	4,686
EARNINGS RETAINED FOR THE YEAR . . . . .	<b>9,122</b>	7,994
BALANCE AT END OF YEAR of which \$3.3 million is designated as capital surplus under the Canada Corporations Act . . . . .	<b>\$78,510</b>	\$69,595

### Earnings Per Common Share

EARNINGS PER COMMON SHARE		
Before extraordinary items . . . . .	<b>\$ 3.17</b>	\$ 2.86
After extraordinary items . . . . .	<b>\$ 3.17</b>	\$ 3.05
Weighted average number of shares outstanding after inter-company elimination (000's) . . . . .	<b>4,669</b>	4,164

## Statement of Net Income (S000's)

Traders Group Limited  
and Consolidated Subsidiaries

Year ended December 31	1977	1976
<b>GROSS OPERATING INCOME</b>		
Finance .....	<b>\$132,339</b>	\$127,521
Land development .....	<b>13,039</b>	13,552
	<b>145,378</b>	141,073
<b>INVESTMENT INCOME</b>		
Guaranty Trust Company of Canada .....	<b>3,846</b>	1,150
Canadian General Insurance Group .....	<b>3,007</b>	2,140
Gain on sale of investment .....	<b>5,703</b>	—
Other .....	<b>430</b>	840
Total income .....	<b>158,364</b>	145,203
<b>DIRECT OPERATING CHARGES</b>		
Interest expense		
Secured debt of the Company—short term .....	<b>17,242</b>	22,763
—medium and long term .....	<b>29,402</b>	27,476
Debt of subsidiaries .....	<b>2,774</b>	2,422
Unsecured debt of the Company .....	<b>9,791</b>	9,032
Other borrowing costs .....	<b>2,659</b>	1,894
	<b>61,868</b>	63,587
Provision for credit losses .....	<b>17,892</b>	10,684
Cost of sales—land development .....	<b>6,311</b>	8,134
Commissions and other direct charges .....	<b>3,045</b>	2,064
	<b>89,116</b>	84,469
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Personnel Costs .....	<b>24,573</b>	20,194
Other .....	<b>17,026</b>	15,191
Total expenses .....	<b>130,715</b>	119,854
<b>INCOME</b> before income taxes and minority interest .....	<b>27,649</b>	25,349
Income taxes—current .....	<b>2,554</b>	2,506
—deferred .....	<b>7,638</b>	7,902
	<b>10,192</b>	10,408
<b>NET INCOME</b> .....	<b>17,457</b>	14,941
Minority interest in net income of consolidated subsidiaries ..	<b>(37)</b>	261
<b>NET INCOME</b> before extraordinary items .....	<b>17,494</b>	14,680
<b>EXTRAORDINARY ITEMS</b>		
Income Taxes realized on carry forward of past losses of subsidiaries .....	—	296
Capital gain on sale of shares of subsidiary .....	—	463
<b>NET INCOME</b> after extraordinary items .....	<b>\$ 17,494</b>	<b>\$ 15,439</b>

## Statement of Changes in Financial Position (\$000's)

Traders Group Limited  
and Consolidated Subsidiaries

Increase (Decrease) year ended December 31	1977	1976
<b>CHANGES IN CONSOLIDATED ASSETS</b>		
CASH .....	\$ (17,327)	\$ 4,605
RECEIVABLES (net of unearned finance charges and allowance for credit losses) .....	60,950	(13,491)
INVESTMENTS		
Land inventories of subsidiaries .....	870	6,108
Associated companies and other investments .....	(3,784)	573
Canadian General Insurance Group .....	3,045	2,541
Guaranty Trust Company of Canada .....	24,684	3,862
	24,815	13,084
OTHER ASSETS .....	6,513	(4,050)
NET INCREASE in consolidated assets .....	\$ 74,951	\$ 148
 <b>SOURCES OF FUNDS TO FINANCE THE INCREASE IN CONSOLIDATED ASSETS</b>		
DEBT		
Secured .....	\$ 15,388	\$ (16,681)
Debt of subsidiaries .....	22,150	2,292
Unsecured debt of the Company .....	7,699	2,179
	45,237	(12,210)
EQUITY		
Share capital .....	8,801	1,613
Increase in surplus .....	8,915	8,176
	17,716	9,789
OTHER LIABILITIES AND DEFERRED CREDITS		
Payables .....	4,726	(5,589)
Deferred gross margin on land sales .....	—	(91)
Deferred income taxes .....	7,571	7,902
Minority interest in consolidated subsidiaries .....	(299)	347
	11,998	2,569
	\$ 74,951	\$ 148

The above statement shows the changes in consolidated assets from the prior year end, and the three major sources of funds (debt, equity and other liabilities and deferred credits).

A conventional statement of changes in financial position is not appropriate to finance companies since "working capital" for such companies includes long term receivables and long term debt as well as current items. The above statement has been designed to show comparable information appropriate to the operations of the Company's business.

# Notes to the Financial Statements

December 31, 1977

Traders Group Limited  
and Consolidated Subsidiaries

## 1. Accounting practices:

The major accounting practices followed by the Company and its consolidated subsidiaries are outlined on page 22. Summary financial statements of subsidiaries not consolidated appear on pages 30 to 35.

## 2. Cash:

Cash includes \$2.6 million (1976 \$16.7 million) in balances in U.S. banks maintained in accordance with agreements for lines of credit with these banks, and \$10.1 million (1976 \$6.5 million) in money market instruments.

## 3. Finance receivables:

Consumer:

On April 29, 1977, Traders purchased all of the finance receivables of Pacific Finance Acceptance Company Limited, Trans-america Realty Limited and Pacific Finance Credit Limited for approximately \$112 million in cash.

Commercial:

The following lease receivables are included in the commercial finance receivables:

	1977	1976
(\$000's)		
Aggregate rentals receivable	<b>\$152,794</b>	\$129,222
Residuals on expiry of leases:		
Contractual	<b>2,870</b>	3,653
Non-contractual	<b>1,816</b>	1,820
	<b>\$157,480</b>	\$134,695

## 4. Acquisition of Guaranty Trust Company of Canada shares:

During 1977, the Company acquired 2,635,042 shares of Guaranty Trust Company of Canada for cash or pursuant to an offer on the basis of one Class A common share of the Company plus \$9 in cash for each three common shares of the offeree.

The acquisition has been accounted for as a purchase and earnings of Guaranty Trust Company of Canada on these shares have been accounted for on an equity basis from the respective dates of acquisition.

The consideration given by the Company was as follows:

	\$000's
639,479 Class A common shares of the Company issued at \$15 per share	\$ 9,592
Cash	12,030
	<b>\$ 21,622</b>

Tangible net assets acquired at Guaranty Trust Company of Canada book value were:

Total Assets	\$515,099
Less: Total Liabilities	491,853
	23,246
Adjustment to reflect fair value of certain tangible assets	1,624
	<b>\$ 21,622</b>

The adjustment to reflect fair value of certain tangible assets, which results in a higher yield on such assets, is being amortized to income over 48 months.

This practice conforms to the recent recommendations of the Canadian Institute of Chartered Accountants. In prior years, differences between cost and book value were transferred to surplus account.

## 5. Capitalization:

Details of the secured and unsecured debt, capital position and potential dilution are included in the Capitalization Schedule on pages 23 to 26.

## 6. Contingent liabilities:

The Company and its subsidiaries in the normal course of business, have guaranteed letters of credit and bank loans on behalf of customers, and bank loans of associated companies, in the aggregate amount of \$6.0 million at December 31, 1977.

An insurance subsidiary is being sued for damages of \$6.5 million for breach of contract. Legal counsel advises that this action has no merit.

A factoring subsidiary is being sued for damages of \$25.0 million for alleged misconduct by certain of its employees. Legal counsel advises that this action has no merit.

## 7. Foreign exchange:

Debt of the Company due beyond one year in foreign currencies is carried at the Canadian funds received at date of issue. The total Canadian dollar liability on such notes at current rates of exchange at December 31, 1977 is greater than the Canadian funds received at date of issue, indicating a contingent future foreign exchange loss of approximately \$4.7 million. Foreign exchange conditions in the future could alter this position materially.

## 8. Remuneration of directors and officers:

The aggregate direct remuneration paid to the directors and senior officers of the Company during the year ended December 31, 1977 was:

	As directors		As officers	
	Number	Amount (\$000's)	Number	Amount (\$000's)
Paid by the Company	16	51	22	1,103
Paid by subsidiaries	8	27	4	211

Four officers and one former officer were also directors of the Company.

## 9. Anti-Inflation Act:

The Company and its Canadian subsidiaries are subject to, and believe they have complied with, controls on profit margins, compensation and dividends under the Anti-Inflation program.

## Accounting Practices

Traders Group Limited  
and Consolidated Subsidiaries

### Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries, except Guaranty Trust Company of Canada and the Canadian General Insurance Group because their assets and investments are regulated and are not interchangeable with those of the Company. The investment in and earnings of these subsidiaries are accounted for on an equity basis. Reference is made to "Principal Subsidiary Companies".

All subsidiaries are consolidated as of their fiscal year-ends of December 31, except for the Land Development companies whose fiscal year-ends are November 30. The earlier year-ends are employed to ensure the availability of the financial statements of these companies in time for consolidation with the accounts of Traders.

### Associated Companies

The Company and certain subsidiaries hold up to 50% of the equity shares in a number of associated companies. The investments in associated companies are carried at cost plus excess of earnings over dividends received from date of acquisition. Income pertaining to these investments is accounted for on an equity basis.

### Foreign Exchange

Foreign currency receivables and debt of the Company due within one year are translated to Canadian dollars at either the exchange rate at balance sheet date or at forward contract rates where such contracts have been

made. Foreign currency receivables and debt of the Company due beyond one year are included in the consolidated financial statements at the Canadian dollar amount received at date of issue.

Foreign cash balances of the Company are translated to Canadian dollars at the exchange rate at balance sheet date.

The financial statements of foreign subsidiaries have been translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Realized gains or losses arising from market exchange fluctuations are reflected in current operations, while those arising from revaluation of currencies are recorded as extraordinary items.

### Unearned and Deferred Income

Unearned income on lease contracts and certain long term instalment contracts is computed on an actuarial yield basis. Unearned income on other instalment contracts is computed by the sum of the digits method.

Land Development subsidiaries defer gross margins on land sales until at least 15% of the sale price has been received in cash.

### Land Inventories of Subsidiaries

Land development and carrying costs are accumulated in the carrying value of land and charged against income proportionate to the sales to date of each development. Land is carried at development cost to date, but not in excess of estimated market value.

## Principal Subsidiary Companies (December 31, 1977)

Traders Group Limited	Effective % held by Traders	Investment at cost and advances from Traders (\$000's)
<b>Consolidated Subsidiaries</b>		
<b>FINANCE GROUP</b>		
Trans Canada Credit Corporation Limited . . . . .	100.0%	\$ 19,593
Traders Homeplan Limited and subsidiary . . . . .	99.9	157,278
Traders Realty Limited . . . . .	100.0	4,491
Traders Finance Corporation (1966) Limited . . . . .	100.0	1,288
Aetna Factors Corporation Ltd. and subsidiaries . . . . .	60.0	8,115
Traders Finance S.A. and subsidiaries . . . . .	100.0	8,915
Traders Finance Corporation (1976) Limited . . . . .	100.0	6,642*
<b>LAND DEVELOPMENT</b>		
Forest Glenn (Dixie) Limited and subsidiaries . . . . .	100.0	**
Traders Developments Limited and subsidiaries . . . . .	100.0	**
Les Développements Val-Forêts Ltée . . . . .	100.0	1
<b>Subsidiaries not consolidated</b>		
Canadian General Insurance Group . . . . .	97.8	2,730
Guaranty Trust Company of Canada . . . . .	98.2	58,019

\*After elimination of \$28,049 inter-company holdings.

\*\*Cost of investment less than one thousand dollars.



# Capitalization

December 31, 1977

Traders Group Limited  
and Consolidated Subsidiaries

## Secured Debt (\$000's)

The senior secured notes of the Company are secured by a first specific charge on finance receivables and eligible securities, a first floating charge on the undertaking and certain other property and assets of the Company and protected by operating restrictions provided in borrowing agreements.

	Due within one year	Due beyond one year	Total
<b>Traders Group Limited</b>			
<b>SENIOR SECURED DEBT</b>			
Short term notes:			
—in Canadian funds . . . . .	\$175,478		\$175,478
—in U.S. funds at current or forward exchange rates . . . . .	39,302		39,302
	<u>214,780</u>		<u>214,780</u>
Medium term maturing 1978 to 1982 . . . . .	30,353	\$ 42,294	72,647
Long term . . . . .	7,809	245,243	253,052
	<u>38,162</u>	<u>287,537</u>	<u>325,699</u>
OTHER SECURED DEBT . . . . .	1,283	20,851	22,134
<b>TOTAL SECURED DEBT . . . . .</b>	<b><u>\$254,225</u></b>	<b><u>\$308,388</u></b>	<b><u>\$562,613</u></b>

## MEDIUM TERM NOTES MATURE IN

1978 . . . . .	\$ 30,353
1979 . . . . .	29,757
1980 . . . . .	2,025
1981 . . . . .	12
1982 . . . . .	10,500
	<u>\$ 72,647</u>

## LONG TERM SENIOR SECURED NOTES

Series	Maturity dates	Maximum annual purchase fund	Issued	Outstanding
5¼% X	April 1, 1979	\$ —	\$ 7,500	\$ 7,500
6¾% AF	June 15, 1981	250	10,000	7,005
5¾% Y	September 15, 1981	375	15,000	9,959
9¾% AS	March 15, 1982	875	25,000	23,063
5¾% Z	April 15, 1983	250	10,000	7,847
5¼% AA	May 15, 1983	274	10,000 u.s.	9,677
5¾% AB	May 1, 1984	250	10,000	7,446
9½% AT	June 15, 1984	600	30,000	30,000
5¾% AC	September 15, 1984	375	15,000	10,128
5¾% AD	April 15, 1985	375	15,000	10,833
6¼% AE	April 1, 1986	—	12,500 u.s.	13,457
7¾% AH	December 1, 1986	79	3,150	2,305
7¼% AI	July 1, 1987	—	17,700 u.s.	19,034
7¾% AJ	September 15, 1987	125	5,000	3,774
8% AK	December 1, 1988	819	15,450 u.s.	14,212

## Capitalization (continued)

Series	Maturity dates	Maximum annual purchase fund	Issued	Outstanding
8¾% AL	December 15, 1988	\$ 8	\$ 306	\$ 283
9¾% AM	December 15, 1989	29	1,165	1,131
9½% AN	May 15, 1990	5	215	213
10½% AO	October 15, 1990	1,000	14,600 U.S.	13,430
9% AP	February 15, 1991	625	25,000	21,916
10¾% AR	March 15, 1991	1,095	20,000 U.S.	19,839
11¼% AQ	January 6, 1995 <sup>(i)</sup>	400	20,000	20,000
		<u>\$7,809</u>		<u>\$253,052</u>

(i) The holders of Series AQ Notes maturing January 6, 1995 have the right to elect pre-payment on January 6, 1982. Such election may be made only after July 1, 1981 and prior to December 4, 1981.

### OTHER SECURED DEBT

The Company has obligations of \$22.1 million secured on real and other property, bearing current interest rates from 7.25% to 10.25% and payable from 1978 through 1990.

## Unsecured Debt (\$000's)

### DEBENTURES

Series	Maturity dates	Annual sinking fund or maximum annual purchase fund	Issued	Outstanding
9¾%	November 2, 1980	\$ 72	\$ 2,416	\$ 2,311
6%	October 15, 1982	225	7,500	4,723
6%	November 1, 1984	180	6,000	4,156
6%	June 1, 1985	120	4,000	2,842
11¼%	June 15, 1990 <sup>(i)</sup>	250	12,500	12,500
11½%	November 1, 1990 <sup>(i)</sup>	600	20,000	20,000
10¾%	April 15, 1991 <sup>(i)</sup>	300	10,000	10,000
9½%	June 15, 1991	106	3,527	3,394
9¾%	April 15, 1992 <sup>(i)</sup>	300	10,000	10,000
8¾%	October 15, 1992 <sup>(i)</sup>	—	12,500	12,500
8¾%	May 1, 1993	375	12,500	10,746
9%	October 15, 1993	375	12,500	10,752
		<u>\$2,903</u>		<u>\$103,924</u>

(i) The holders of the following series have the right to elect that the Company shall pay such debentures at the early maturity date indicated below:

Series	After	Prior to	Early maturity date
11¼% June 15, 1990	December 15, 1979	May 15, 1980	June 15, 1980
11½% November 1, 1990	May 15, 1980	October 15, 1980	November 15, 1980
8¾% October 15, 1992	October 15, 1981	April 15, 1982	October 15, 1982
10¾% April 15, 1991	October 15, 1982	March 15, 1983	April 15, 1983
9¾% April 15, 1992	October 15, 1983	March 15, 1984	April 15, 1984

A purchase fund will apply to the 8¾% debentures outstanding after October 15, 1982.

**DEBT OF SUBSIDIARIES** (\$000's)

	Due within one year	Due beyond one year	Total
Bearing current interest rates from 6.00% to 10.00% and maturing from 1978 to 1987			
Finance subsidiaries			
Canada . . . . .	\$15,771	\$ 4,081	\$19,852
International . . . . .	2,190	18,889	21,079
	<u>17,961</u>	<u>22,970</u>	<u>40,931</u>
Other subsidiaries . . . . .	10,598	3,961	14,559
	<u>\$28,559</u>	<u>\$26,931</u>	<u>\$55,490</u>

**Share Capital****CUMULATIVE REDEEMABLE  
PREFERRED SHARES**

	Authorized		Issued and outstanding	
	Shares	Amount (\$000's)	Shares	Amount (\$000's)
4½%, par value \$100 . . . . .	35,000	\$ 3,500	35,000	\$ 3,500
Less: held by subsidiaries . . . . .			5,135	513
			<u>29,865</u>	<u>2,987</u>
5%, par value \$40 . . . . .	29,149	1,166	<u>29,149</u>	<u>1,166</u>
Shares issuable in series, par value \$30 . . . . .	351,917	10,558		
Series A, 5% . . . . .			67,026	2,011
Less: cancelled by purchase during 1977 . . . . .			8,498	255
			<u>58,528</u>	<u>1,756</u>
Series B, \$2.16 . . . . .			<u>208,939</u>	<u>6,268</u>
Less: cancelled by purchase during 1977 . . . . .			5,847	176
			<u>203,092</u>	<u>6,092</u>
Shares issuable in series, par value \$10 . . . . .	5,000,000	50,000		
10¼% preferred shares . . . . .			749,500	7,495
7.5%, par value \$50 . . . . .	331,100	16,555	<u>326,658</u>	<u>16,333</u>
Less: cancelled by purchase during 1977 . . . . .			7,316	366
			<u>319,342</u>	<u>15,967</u>
				<u>\$35,463</u>

The terms of issue of Series A, Series B, 10¼% and 7.5% preferred shares include provisions by which the Company is to provide (subject to certain conditions) the following purchase fund for the purchase and cancellation of these preferred shares:

	Maximum purchase price per share	Annual purchase fund (\$000's)
Series A . . . . .	\$28	\$ 210
Series B . . . . .	30	150
10¼% shares . . . . .	10	750
7.5% shares . . . . .	50	332
		<u>\$1,442</u>

## Capitalization (concluded)

### COMMON SHARES WITHOUT NOMINAL OR PAR VALUE

	Authorized	Issued and Outstanding	
		Shares	Amount (\$000's)
Class A . . . . .	10,000,000	5,666,225	\$51,267
Add: issued during 1977—			
For Guaranty Trust share exchange offer . . . .		639,479	9,592
On exercise of share purchase warrants . . . .		500	6
		<u>6,306,204</u>	<u>60,865</u>
Class B . . . . .	720,000	720,000	480
		<u>7,026,204</u>	<u>\$61,345</u>
Less—elimination of shares held directly and indirectly through a subsidiary (i) . . . . .		2,142,969	
Common shares effectively outstanding . . . .		<u>4,883,235</u>	

249,020 Class A common shares were reserved for issue at December 31, 1977 on exercise of share purchase warrants issued in 1969 to Series B preferred shareholders. These warrants have an exercise price of \$13 and expire on October 31, 1979. If imputed earnings on the proceeds from exercise of these warrants were calculated at the average rate of return for the period on actual outstanding equity, the dilution from actual earnings per share would have been insignificant.

(i) The common shares of Traders Group Limited held directly and indirectly by a subsidiary and the portion eliminated on consolidation are as follows:

	Common Shares		Total
	Class A	Class B	
Indirect holding . . . . .	<u>275,080</u>	<u>582,794</u>	<u>857,874</u>
Applicable to subsidiary . . . . .	182,426	386,494	568,920
Direct holding . . . . .	1,484,659	89,390	1,574,049
Total shares eliminated on consolidation . . . . .	<u>1,667,085</u>	<u>475,884</u>	<u>2,142,969</u>
Cost of shares eliminated on consolidation . . . . .			<u>\$28,049,000</u>

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To the Shareholders of Traders Group Limited:

We have examined the balance sheet of Traders Group Limited and consolidated subsidiaries as at December 31, 1977 and the statements of net income, surplus and changes in financial position for the year then ended. Our examination of Traders Group Limited and the subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of Aetna Factors Corporation Ltd. and subsidiaries. The assets of these companies, as included in the consolidated balance sheet amounted to 5.3% of the total consolidated assets.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1977 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles. Except for the change in accounting, with which we concur, for the difference between cost and underlying book value on the acquisition of shares of a subsidiary referred to in Note 4 to the financial statements, these accounting principles have been applied on a basis consistent with that of the preceding year.

Toronto, February 15, 1978

PRICE WATERHOUSE & CO.  
Chartered Accountants

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## Policies and Practices

### Accounting Practices

Accounting practices with respect to the principles of consolidation, associated companies, foreign exchange, unearned and deferred income and the land inventories of subsidiaries are presented as an integral part of the consolidated financial statements.

### Lending Policy

Loan applications are subject to prudent credit policies. Specific credit granting authority is assigned to management according to the portfolio, position, experience and proven capabilities. The larger the transaction, the more senior the level of management authorized to grant approval.

All loans over \$1 million are approved by the executive committee of the board of directors of Traders Group Limited, or in the case of Aetna Factors Corporation Ltd. and Traders Finance S.A., by the boards of directors of those companies.

The company has a policy not to provide financing to any concerns in which its officers, directors, major stockholders, or their families have a material beneficial interest.

### Renewals

A renewal is the processing of a new account to pay out an existing account for the same customer. It is an accommodation for customer requirements of reduced instalments, extended terms and/or additional funds. New documentation is completed with the customer and the appropriate guarantors. Credit authorization is the same as for new customer accounts except for the Equipment Financing Division which requires approval by the Zone level or above for renewals.

### Extensions

An extension is the deferment of an instalment to a later date as a temporary accommodation for the customer. Extensions are carefully monitored by management to ensure they comply with the policies established for each portfolio.

### **Delinquencies**

For statistical reporting a delinquent account is one on which an entire instalment is past due and the unpaid amount has been outstanding for one month or more.

### **Write-offs of Finance Receivables**

Credit losses are written-off monthly, as soon as identified, after all reasonable effort has been made to effect recovery from the obligant, collateral or guarantor. In addition direct cash loans are written-off if at least 10% of a contractual payment has not been received in the last six calendar months, residential mortgages are written-off if a full instalment has not been received in the last twelve calendar months.

### **Allowance for Credit Losses**

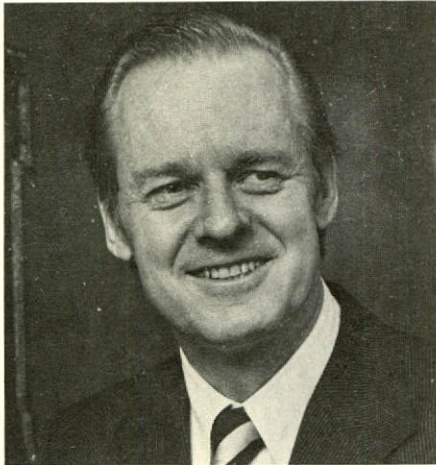
The allowance for credit losses is established as the result of regular detailed analyses of individual delinquent accounts. In addition to specific reserves, a general reserve is established based on a percentage of outstandings determined by the characteristics of the par-

ticular class of receivables, past write-off experience, and other related considerations. The Company's auditors review these analyses.

### **Traders Pension Plan**

Traders has operated an employee pension plan for 35 years. The plan is contributory, providing for normal retirement at age 65, and voluntary retirement without penalty at age 62. Pension benefits are based upon an employee's final five year average earnings. The employee's contributions were supplemented by Company contributions of \$661,000 in 1977 and \$580,000 in 1976 to keep the plan fully funded, based on current actuarial valuations.

The Traders Pension Fund, not reflected in the consolidated financial statements, is administered by Trustees on behalf of members of the plan.



A. R. MARCHMENT  
President

Net profit of Guaranty Trust was \$4.4 million, more than double that of 1976.

Traders share of earnings amounted to \$3.8 million compared with \$1.1 million the previous year. This increased contribution resulted from a substantial profit improvement together with Traders increased ownership of the trust company as described in the chairman's report to shareholders (page 2).

Total assets reached a new high of \$1.4 billion, with an additional \$921 million assets under administration.

**Operating Highlights**

Gross revenue increased 15 per cent to \$131 million. Of this amount, income from investments and loans was \$118 million, an increase of 16 per cent, whereas interest costs went up by 10 per cent resulting in a significantly improved investment spread. This spread should continue to improve as the adverse impact of the lower yielding (5%—6¾%) long term mortgages acquired by the Company prior to 1967 continues to be reduced through principal repayment and is offset by the increased mortgage and loan portfolios at higher lending rates.

While total expenses increased 14 per cent this included costs associated with the introduction of an advanced on-line stock transfer system in Montreal, Toronto, Calgary and Vancouver as well as the conversion of trust and portfolio accounting to an on-line computer system in the 10 major trust locations across the country.

During 1977 two more branches were added to the previous 13 conducting on-line banking operations. It is planned

**Highlights**

December 31	1977	1976
Assets Under Administration (\$000's) . . . . .	2,335,701	2,050,751
Total Revenue (\$000's) . . . . .	131,495	114,742
Net contribution to Traders (\$000's) . . . . .	3,846	1,150
% ownership by Traders. . . . .	98.2%	58.7%

that an additional 24 locations will be converted in 1978 and the remaining 8 branches in 1979.

A comprehensive mortgage computer system is under development and Guaranty Trust is participating with four other trust companies in the design of a new computerized banking program to expand further the number of on-line customer services. These two major systems for banking and mortgages, when added to the existing trust accounting and stock transfer operation will provide the company with one of the most up-to-date computer systems in the industry and facilitate improved customer service at competitive costs.

**Mortgages, Consumer Loans, Corporate Loans**

Mortgage advances, matched against GIC's of similar terms exceeded \$200 million for the year, 50 per cent higher than 1976. This growth reflects the significant expansion of the regional mortgage organization which was first introduced in 1976. Mortgages outstanding rose to \$923 million.

During 1977 the consumer loan portfolio increased 12 per cent and, although it was a difficult year from the point of view of the economy, the consumer loan portfolio ended the year with acceptable delinquency ratios, below the national industry average. The corporate loan portfolio grew 16 per cent and quality remained excellent with no delinquent accounts at year end.

**Money Market Operations**

The Company became significantly more liquid during 1977, with cash and short term securities, primarily bank deposit receipts, increasing to \$200 million. Of this amount, \$66 million was matched against \$66 million of time deposits. This matched "money market" operation produced an increased spread during 1977 and the portfolio will continue to grow as long as it can provide a positive return and the Company has excess borrowing capacity.

**Deposits**

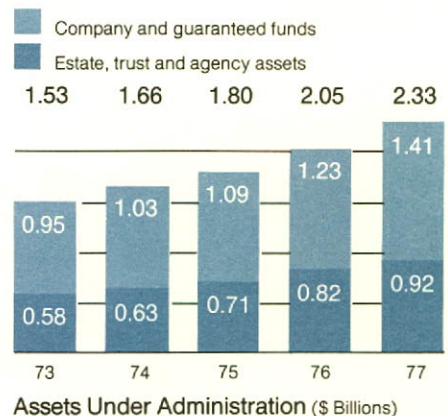
Total deposits grew by 15 per cent to \$1.3 billion. Of the \$175 million increase, savings and chequing deposits accounted for \$44 million, a 16 per cent increase, registered savings plans grew by \$25 million or 42 per cent and GIC's increased by \$102 million, or 14 per cent.

**Corporate Services**

In the area of corporate services the successful introduction of the F.A.S.T. (Fully Automated Stock Transfer) system, one of the most advanced in North America, now enables the Company to offer features and quality of service unavailable elsewhere in Canada and at cost savings for Guaranty Trust clients. The pension service area also had a very successful year with assets under administration growing 36 per cent to \$175 million.

**Personal Financial Services**

Retirement savings plans continue to be an extremely important segment of the Company's trust services, amounting to over



\$300 million under administration. Deposit-based registered savings plans have been increasingly popular in recent years and in 1977 these plans grew from \$60 million to \$85 million, a 42 per cent increase. The Mortgage Fund continues to provide an attractive yield and the net assets increased 98 per cent to \$5 million.

The focus on the rest of the Company's estate, trust and agency business has been on improving service and achieving cost efficiencies. This has resulted in a reorganization and consolidation of trust services into 10 strategically located branches across the country as well as the implementation of Trust-Aid II—the on-line computer system.

#### Real Estate

Gross commissions from real estate increased 14 per cent to \$4 million, while net commissions amounted to \$1 million, a

growth of 22 per cent. The result was that the real estate operation realized a profit for the first time in the Company's history. With this profitable base, it is planned to expand the real estate arm to other regions where Guaranty Trust is represented.

#### Capital

On January 31, 1978 Guaranty Trust sold \$15 million of 8 per cent Cumulative Redeemable Preference Shares, Series A. Proceeds were applied to repay subordinated shareholder loans of \$3 million to Traders and \$5 million U.S. to the National Bank of Detroit with the balance, after expenses, added to the Company's capital. As a result the Company's capacity to take on additional deposits without raising further capital has been increased to over \$460 million.

Accordingly, the Company is well equipped to take advantage of opportunities offered by its closer relationship with Traders as well as through its own expansion.

#### 1978 Outlook

Canada experienced a difficult year in 1977 and there are signs that 1978 will show only modest improvement. The trust company has taken steps in both organization and asset/liability management to ensure effective response to this challenging economic environment. However, because the Company's profit performance is linked to the interest rate structure, the magnitude of profit improvement in 1978 will depend to a large degree on the direction and variability of rates during the year.

## Statement of Revenue and Expense (\$000's)

Year ended December 31	1977	1976 Reclassified (Note 9)
<b>REVENUE</b>		
Interest from mortgages and other loans . . . . .	\$ 98,182	\$ 83,210
Interest and dividends from securities and bank deposit receipts . . . . .	20,266	18,856
Real estate fees and commissions . . . . .	4,147	3,631
Other fees and commissions . . . . .	8,900	9,045
	<u>131,495</u>	<u>114,742</u>
<b>EXPENSE</b>		
Interest on deposits and subordinated shareholder loans . . . . .	97,112	87,952
Salaries and staff benefits . . . . .	13,892	12,675
Premises including depreciation and amortization of \$582 (1976—\$469) . . . . .	2,868	2,563
Real estate commissions paid . . . . .	3,022	2,710
Other operating expenses . . . . .	7,889	6,411
	<u>124,783</u>	<u>112,311</u>
Operating profit before taxes . . . . .	6,712	2,431
Deferred income tax provision . . . . .	2,355	544
Net operating profit . . . . .	4,357	1,887
Net gain (loss) on investments less applicable income taxes . . . . .	(3)	76
Net profit for the year . . . . .	<u>\$ 4,354</u>	<u>\$ 1,963</u>
<b>Earnings per share*</b>		
Net operating profit . . . . .	\$ 0.65	\$ 0.31
Net gain on investments . . . . .	—	0.01
Net profit for the year . . . . .	\$ 0.65	\$ 0.32
*Based on weighted average shares outstanding (000's) . . . . .	6,667	6,111



# Balance Sheet (\$000's)

Guaranty Trust Company of Canada



December 31	1977	1976
<b>ASSETS</b>		
INVESTMENTS		
Cash and bank deposit receipts . . . . .	\$ 178,243	\$ 98,246
Securities and loan income due and accrued . . . . .	12,853	11,742
Collateral loans to investment dealers . . . . .	7,920	8,910
Securities (Note 2) . . . . .	144,380	158,847
Loans:		
Consumer . . . . .	98,893	88,301
Corporate . . . . .	30,799	26,483
Mortgages . . . . .	923,084	817,832
	<u>1,052,776</u>	<u>932,616</u>
Other investments . . . . .	4,087	4,312
	<u>1,400,259</u>	<u>1,214,673</u>
OTHER ASSETS		
Premises, leasehold improvements and equipment, at cost less accumulated depreciation and amortization of \$5,767 (1976—\$5,190) . . . . .	6,646	6,370
Accounts receivable and other assets . . . . .	7,898	7,265
	<u>\$1,414,803</u>	<u>\$1,228,308</u>
<b>LIABILITIES</b>		
Guaranteed Trust Account (Note 3):		Reclassified (Note 9)
Savings and chequing accounts . . . . .	\$ 327,326	\$ 282,915
Registered Savings Plan Deposits . . . . .	84,833	59,895
Guaranteed Investment Certificates . . . . .	831,385	729,571
Time Deposits . . . . .	65,756	61,812
Interest accrued and other payables . . . . .	30,112	24,693
	<u>1,339,412</u>	<u>1,158,886</u>
Other liabilities . . . . .	1,494	1,218
Deferred income taxes . . . . .	4,546	2,591
Subordinated shareholder loans (Note 4) . . . . .	8,500	8,050
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock:		
Authorized:		
— 1,250,000 Preference Shares of \$20 par value		
— 10,000,000 Common Shares of \$2 par value		
Issued and fully paid:		
— 6,666,600 Common Shares . . . . .	13,333	13,333
General reserve . . . . .	39,618	39,618
Retained earnings . . . . .	7,900	4,612
	<u>60,851</u>	<u>57,563</u>
	<u>\$1,414,803</u>	<u>\$1,228,308</u>

## Statement of Changes in Financial Position (000's)

Year Ended December 31	1977	1976
<b>SOURCE OF FUNDS</b>		
Operations:		
Net profit .....	\$ 4,354	\$ 1,963
Add non cash items:		
Depreciation and amortization .....	582	469
Deferred income taxes .....	2,355	544
	7,291	2,976
Net increase in:		
Savings and chequing accounts .....	44,411	11,761
Registered Savings Plan Deposits .....	24,938	22,301
Guaranteed Investment Certificates .....	101,814	77,682
Time Deposits .....	3,944	19,424
Other liabilities and accrued interest .....	5,295	3,853
Subordinated shareholder loans .....	450	100
Net proceeds from issue of common shares .....	—	5,479
	\$188,143	\$143,576
<b>APPLICATION OF FUNDS</b>		
Net increase (decrease) in:		
Cash, bank deposit receipts and collateral loans to investment dealers .....	\$ 79,007	\$ 23,242
Securities .....	(14,467)	6,911
Consumer and corporate loans .....	14,908	38,039
Mortgages .....	105,252	69,700
Other .....	2,377	4,706
Dividends .....	1,066	978
	\$188,143	\$143,576

## Statement of Retained Earnings (\$000's)

Balance at beginning of the year .....	\$ 4,612	\$ 3,627
Net profit for the year .....	4,354	1,963
	8,966	5,590
Deduct—		
Dividends (1977—16¢ per share; 1976—16¢ per share) ..	1,066	978
Balance at end of the year .....	\$ 7,900	\$ 4,612

## Statement of General Reserve (\$000's)

Balance at beginning of the year .....	\$ 39,618	\$ 36,361
Net proceeds in excess of par value of common shares issued .....	—	3,257
Balance at end of the year, including contributed surplus of \$25,741 .....	\$ 39,618	\$ 39,618

# Notes to Financial Statements

Guaranty Trust Company of Canada  
December 31, 1977

## 1. Summary of Accounting Policies:

These financial statements comply with all disclosure requirements of the Trust Companies Act (Canada). The significant accounting policies are in the "Summary of Accounting Policies" which is an integral part of these financial statements.

## 2. Securities (\$000's)

	1977	1976
Government of Canada and Provinces of Canada	\$ 64,086	\$ 70,421
Corporate notes	22,159	30,619
Other securities:		
Municipal	2,570	3,009
Corporation bonds and debentures	23,418	29,981
Stocks	32,147	24,817
(Market value 1977—\$56,600; 1976—\$53,286)	58,135	57,807
	<u>\$ 144,380</u>	<u>\$ 158,847</u>

## 3. Assets held for Guaranteed Trust Account: (\$000's)

Cash and bank deposit receipts	\$ 158,416	\$ 80,052
Securities	105,176	124,216
Mortgages	923,084	817,832
Other loans	137,612	121,714
Accrued interest and other	15,124	15,072
	<u>\$1,339,412</u>	<u>\$1,158,886</u>

## 4. Subordinated Shareholder Loans:

(a) A loan of \$5,500,000 (U.S. \$5,000,000) is payable to National Bank of Detroit, parent company of International Bank of Detroit, a former major shareholder. The loan is interest bearing and repayable as to U.S. \$2,000,000 on January 1, 1981 and January 1, 1982 and as to U.S. \$1,000,000 on January 1, 1983 and the proceeds of the loan are held in a U.S. dollar bank deposit receipt.

(b) A loan of \$3,000,000 is payable to Traders Group Limited, the parent company. The loan is interest bearing and repayable on or before December 30, 1980.

(c) The Company proposes to repay the subordinated shareholder loans outstanding upon receipt of the net proceeds from the issue of the 8% Cumulative Redeemable Preference Shares, Series A (Note 8).

## 5. Long Term Leases:

The Company leases premises for various periods up to 12 years. The aggregate amount of rentals incurred in the year ended December 31, 1977 was \$1,133,000 (1976—\$995,000) and the aggregate minimum rental expense under these leases for the five years subsequent to December 31, 1977 is approximately \$3,820,000 (1976—\$4,400,000).

## 6. Remuneration of Directors and Senior Officers:

The amount of the aggregate direct remuneration paid or payable by the Company to the

directors and senior officers of the Company for the year ended December 31, 1977 was \$762,000 (1976—\$732,000).

## 7. Anti-Inflation Act:

The Company is subject to, and believes it has complied with, controls on profit margins, compensation and dividends under the anti-inflation program.

## 8. Subsequent Event:

Underwriting agreement—  
Under an agreement dated January 5, 1978 between the Company and McLeod Young Weir Limited and Midland Doherty Limited, as underwriters, the Company has agreed to sell and the underwriters have agreed to purchase on January 31, 1978 or on such other date, not later than February 16, 1978, as may be agreed, 750,000 8% Cumulative Redeemable Preference Shares, Series A of the par value of \$20 each at \$20 per share. After payment of the underwriters' fee of \$506,250 and legal and other expenses of the issue estimated at \$100,000, the Company will receive estimated proceeds of \$14,393,750. The underwriters' fee and the legal and other expenses of the issue, less applicable income tax reductions, will be charged to retained earnings. The outstanding shareholder loans will be repaid from the proceeds.

## 9. Changes in account classification:

The 1976 comparative figures have been reclassified to reflect the account classification adopted in 1977.

## Summary of Accounting Policies

The Company follows accounting policies common to trust companies. The significant policies are as follows:

### (A) Investments:

Securities are stated at amortized cost except for corporate notes and stocks which are stated at cost. Loans are stated at cost less any provision for losses which management considers necessary in the circumstances. Other investments are stated at cost.

Income is recorded on an accrual basis. Discounts or premiums on the purchase of government bonds are amortized on a yield to maturity basis. Discounts or premiums on other bonds and loans are amortized on a straight-line basis over the term to maturity.

Realized gains or losses on investments are included in the statement of revenue and expense.

### (B) Revenues from Fees and Commissions:

The Company follows accrual accounting for all corporate services it provides including the stock transfer agency business. Accrual accounting is also followed for most fees arising from the estate, trust and agency business.

### (C) Depreciation and Amortization:

The reducing balance basis is used to compute depreciation on buildings at 5% and equipment at 20%. Amortization of leasehold improvements is computed using the straight-line method over the life of the lease plus the first renewal option period.

### (D) Income Tax:

Income taxes are provided on the tax allocation basis which relates income taxes to the accounting income for the year. The Company's income tax provisions are lower than the prevailing corporate tax rate because of the amount of tax-free dividend income it receives.

## Auditors' Report

### To the Shareholders of Guaranty Trust Company of Canada:

We have examined the balance sheet of Guaranty Trust Company of Canada as at December 31, 1977 and the statements of revenue and expense, retained earnings, general reserve and changes in financial position for the year then ended and have obtained all the information and explanations we required. 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, and according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements present fairly the financial position of the Company as at December 31, 1977 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.

Toronto, January 20, 1978

PRICE WATERHOUSE & CO.  
Chartered Accountants



R. E. BETHELL  
President

The Insurance Group's profit contribution to Traders was \$3,007,000 an increase of 40 per cent over 1976.

The substantial increase in earnings is largely attributable to the expanded business in all lines during the year. Net premiums written rose 16 per cent to \$67.4 million. Investment income also increased 23 per cent to \$6.4 million.

In the general insurance lines, marketing emphasis was placed on increasing the property portfolio. This has resulted in a better balanced insurance portfolio which now comprises 50 per cent auto and 50 per cent other lines.

Claims ratios for the year showed a slight improvement. In particular automobile

**Highlights**

December 31	1977	1976
<b>General Insurance</b>		
Net premiums earned (\$000's) . . . . .	57,665	46,194
Claims to premiums earned . . . . .	63.3%	64.2%
Other expenses to net premiums written . . . . .	35.4	32.8
Combined ratio . . . . .	98.7%	97.0%
<b>Life and Disability Insurance</b>		
Life insurance in force (\$000's) . . . . .	723,504	510,581
Net premiums earned (\$000's) . . . . .	6,742	5,861

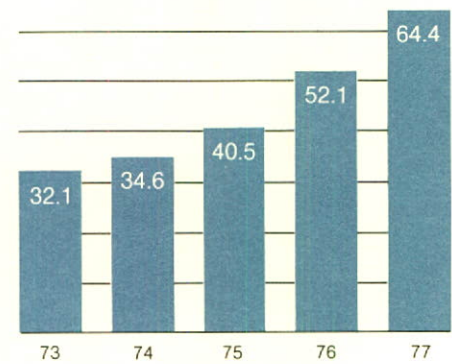
claims loss experience decreased, requiring a marketing reduction in premiums early in 1977, in accordance with an excess revenue compliance plan filed with the AIB.

General and administrative expenses increased in connection with the development of an on-line computer system which will connect all branches and the group's head office. The system, considered one of the most advanced in North America, will come on-line in 1978 and will provide instant detailed customer and agent service and claims data as well as management information. It is anticipated that the full implementation of the system will substantially reduce record-keeping and improve employee productivity.

During 1977 the group re-entered the Alberta general insurance market, opening branches in Calgary and Edmonton. A profitable insurance portfolio was obtained from a competitor who withdrew from the market. Future prospects in the province are considered encouraging.

Life and disability insurance lines showed improvement, registering increased premiums and profit for the year.

The profit outlook for the insurance group for the balance of 1978 is favourable, however, growth is not expected to match the past year in view of signs of increased competition in the industry.



Net Premiums Earned (\$ Millions)

## Summary of Assets and Liabilities (\$000's)

Canadian General Insurance Group

December 31	1977	1976
<b>ASSETS</b>		
Cash	\$ 5,843	\$ 2,869
Bonds (market value 1977—\$53,933; 1976—\$44,601)	56,298	47,585
Stocks (market value 1977—\$15,613; 1976—\$10,759)	16,493	12,098
Mortgages	18,943	17,747
Agents' balances	10,586	8,867
Other receivables	3,269	2,306
Fixed assets, at cost less depreciation	2,242	2,154
	<u>\$113,674</u>	<u>\$ 93,626</u>
<b>LIABILITIES</b>		
Payables	\$ 6,508	\$ 5,545
Claims in course of settlement	50,200	38,831
Mortgages payable	500	631
Income taxes (current and deferred)	5,045	3,497
Unearned insurance premiums	25,504	22,320
Minority interest	689	619
Traders investment, at equity value	25,228	22,183
	<u>\$113,674</u>	<u>\$ 93,626</u>

## Summary Statement of Income (\$000's)

Year ended December 31	1977	1976
Gross premiums written	\$ 76,634	\$ 64,582
Reinsurance ceded	(9,280)	(6,488)
Change in unearned premium reserve	(2,947)	(6,039)
Net premiums earned	64,407	52,055
Claims	41,777	34,153
Commissions and premium taxes	13,710	11,147
General and administrative expenses	9,642	7,581
	65,129	52,881
Net underwriting loss	(722)	(826)
Investment income	6,463	5,242
Loss on sale of securities	(91)	(352)
	5,650	4,064
Income taxes	2,565	1,864
Net income before minority interest	3,085	2,200
Minority interest and consolidating adjustments	(78)	(60)
Net contributions to Traders, before extraordinary item	3,007	2,140
Extraordinary item: Income taxes realized on the carry forward of past losses	—	296
	<u>\$ 3,007</u>	<u>\$ 2,436</u>

# Directors and Officers

Traders Group Limited



## DIRECTORS

R. E. BETHELL  
President and Chief Executive Officer,  
Canadian General Insurance Company

G. R. CHATER  
President,  
Grafton Group Limited

H. E. DYNES  
Chairman of the Board and  
Chief Executive Officer,  
Traders Group Limited

E. W. FLANAGAN  
President and Chief Operating Officer,  
Traders Group Limited

R. G. GRAHAM  
President,  
Inter-City Gas Limited

R. O. HEDLIN  
Economic Consultant

J. C. LOCKWOOD  
Chairman of the Board and President,  
Carling O'Keefe Limited

G. C. MacDONALD  
Chairman of the Board,  
McLeod Young Weir Limited

A. R. MARCHMENT, F.C.A., C.P.A.  
President and Chief Executive Officer,  
Guaranty Trust Company of Canada

JAMES W. McCUTCHEON, Q.C.  
Partner,  
Shibley, Righton & McCutcheon,  
Barristers and Solicitors

H. C. RYNARD, B.A. Sc., P.Eng.  
President,  
Acres Consulting Services Limited

R. L. SHEARD, F.I.B.  
Financial Consultant

D. I. WEBB, F.C.A.  
Financial Consultant

G. E. WHITLEY, Q.C.  
Vice President, Secretary and  
General Counsel,  
Traders Group Limited

## OFFICERS

H. E. DYNES  
Chairman of the Board and  
Chief Executive Officer

E. W. FLANAGAN  
President and Chief Operating Officer

### Senior Vice Presidents

J. D. DERBYSHIRE  
Personal Financial Services

G. D. WALLACE  
Business Financial Services

L. C. WRIGHT, C.A., Administration

### Vice Presidents

W. C. ATTEWELL, Corporate Planning

P. D. R. BROWN, International Operations

D. K. CLARKSON, Credit

A. M. CLINE  
Personal Financial Services—  
Ontario Division

W. L. COCHRANE  
Business Financial Services

J. DUNBERRY  
Personal Financial Services—  
Quebec Division

G. H. GREENFIELD  
Personal Financial Services—  
Western Division

J. C. HASLER, Public Affairs

R. J. HEROLD  
Advertising and Public Relations

J. G. HUNTER  
Corporate Development

F. P. KEEFE, C.A., Finance

W. G. McGUIRE  
Personnel and Organization

A. R. MITCHELL  
Personal Financial Services—  
Eastern Division

M. E. MURPHY, Information Services

D. F. POLS, C.A., Controller

G. E. WHITLEY, Q.C.  
Secretary and General Counsel

### Treasurer

D. R. PEACH  
Assistant Vice President

### Assistant Treasurers

J. F. ELLIS  
Assistant Vice President,  
Money Market

A. L. BUTLER, A.I.B.

### Assistant Secretary

J. F. VARCOE  
Associate General Counsel

## COMMITTEES

### EXECUTIVE COMMITTEE

G. R. Chater, Chairman  
H. E. Dynes  
E. W. Flanagan  
James W. McCutcheon  
R. L. Sheard  
D. I. Webb

### AUDIT COMMITTEE

R. L. Sheard, Chairman  
G. R. Chater  
H. E. Dynes  
J. C. Lockwood  
James W. McCutcheon

### FINANCE COMMITTEE

G. R. Chater, Chairman  
H. E. Dynes  
James W. McCutcheon  
D. I. Webb  
L. C. Wright

## SUBSIDIARIES

### GUARANTY TRUST COMPANY OF CANADA

#### Chairman

H. E. Dynes

#### President

A. R. Marchment, F.C.A., C.P.A.

### CANADIAN GENERAL INSURANCE GROUP

Canadian General Insurance Company  
Toronto General Insurance Company  
Traders General Insurance Company

#### Chairman

James W. McCutcheon, Q.C.

#### President

R. E. Bethell

### CANADIAN GENERAL LIFE INSURANCE COMPANY

#### Chairman

James W. McCutcheon, Q.C.

#### President

C. P. Flood

### AETNA FACTORS CORPORATION LTD.

#### President

D. G. Higgins

## Branch Locations

### Traders Personal Financial Services

#### EASTERN DIVISION

##### ATLANTIC ZONE

R. J. McNeil  
Assistant Vice President  
1133 St. George St.  
P.O. Box 250,  
Moncton, N.B. E1C 8K9

Amherst, N.S.  
Antigonish, N.S.  
Bathurst, N.B. (2)  
Campbellton, N.B. (2)  
Charlottetown, P.E.I.  
Chatham, Ont.  
Digby, N.S.  
Florenceville, N.B.  
Fredericton, N.B. (2)  
Moncton, N.B. (2)  
Newcastle, N.B. (2)  
New Glasgow, N.S.  
Port Hawkesbury, N.S.  
Saint John, N.B. (4)  
St. Stephen, N.B.  
Springhill, N.S.  
Summerside, P.E.I.  
Sydney, N.S. (3)  
Truro, N.S.  
Woodstock, N.B.  
Yarmouth, N.S.

##### EASTERN ZONE

R. A. Wilson  
Assistant Vice President  
6080 Young Street, Suite 707  
Halifax, N.S. B3K 5L2

Botwood, Nfld.  
Bridgewater, N.S.  
Corner Brook, Nfld. (2)  
Dartmouth, N.S. (4)  
Gander, Nfld.  
Grand Falls, Nfld. (2)  
Halifax, N.S. (7)  
Kentville, N.S.  
Liverpool, N.S.  
Lower Sackville, N.S.  
New Minas, N.S.  
Port Aux Choix, Nfld.  
St. John's, Nfld. (4)  
Shelburne, N.S.  
Springdale, Nfld.  
Stephenville, Nfld.  
Windsor, N.S. (2)

#### QUEBEC DIVISION

##### MONTREAL ZONE

P. Gosselin  
Assistant Vice President  
1 Place du Commerce,  
Suite 410,  
Ile-des-Soeurs,  
Montreal, P.Q. H3E 1A2

Chomedey, P.Q. (2)  
Drummondville, P.Q.  
Granby, P.Q. (2)  
Greenfield Park, P.Q.  
Hull, P.Q. (3)  
Lachine, P.Q.  
LaSalle, P.Q.  
Laval, P.Q.  
Longueuil, P.Q.  
Montreal, P.Q. (7)  
Mt. Laurier, P.Q.  
Pointe aux Trembles, P.Q.  
Pointe Claire, P.Q.  
Rouyn, P.Q.  
St. Jean, P.Q. (2)  
St. Jerome, P.Q.  
St. Laurent, P.Q. (2)  
St. Leonard, P.Q.  
St. Michel, P.Q.  
Ste. Therese, P.Q. (2)  
Sherbrooke, P.Q. (2)  
Trois Rivieres, P.Q.  
Valleyfield, P.Q.  
Verdun, P.Q.

##### QUEBEC ZONE

L. Levasseur  
Assistant Vice President  
Edifice Bois-Fontaine  
Suite 840, 880 Chemin Ste Foy  
Quebec, P.Q. G1S 2L2

Alma, P.Q. (2)  
Chicoutimi, P.Q.  
Dolbeau, P.Q. (2)  
Hauterive, P.Q.  
Levis, P.Q.  
Matane, P.Q.  
Quebec, P.Q. (8)  
Rimouski, P.Q. (3)  
Riv. du Loup, P.Q.  
St. Georges, P.Q.  
Sept Iles, P.Q.  
Thetford Mines, P.Q.

#### ONTARIO DIVISION

##### ONTARIO WEST ZONE

R. O. Weis  
Assistant Vice President  
625 Church Street  
Toronto, Ont. M4Y 2G1

Aurora, Ont.  
Barrie, Ont.  
Blenheim, Ont.  
Burlington, Ont.  
Chatham, Ont.  
Downsview, Ont. (3)  
Hamilton, Ont. (3)  
Huntsville, Ont.  
London, Ont. (3)  
Newmarket, Ont.  
Niagara Falls, Ont. (2)  
Richmond Hill, Ont.  
St. Catharines, Ont.  
Sarnia, Ont. (2)  
Thornhill, Ont.  
Toronto, Ont. (9)  
Wallaceburg, Ont.  
Welland, Ont.  
Windsor, Ont. (3)

##### ONTARIO CENTRAL ZONE

J. E. Van Leeuwen  
Assistant Vice President  
625 Church Street  
Toronto, Ont. M4Y 2G1

Brampton, Ont. (2)  
Brantford, Ont. (2)  
Cambridge, Ont. (2)  
Chelmsford, Ont.  
Cooksville, Ont.  
Elliot Lake, Ont.  
Guelph, Ont.  
Kapusking, Ont.  
Kirkland Lake, Ont.  
Kitchener, Ont.  
Mississauga, Ont.  
North Bay, Ont. (2)  
Ottawa, Ont.  
Owen Sound, Ont.  
Sault Ste. Marie, Ont. (2)  
Stratford, Ont.  
Sturgeon Falls, Ont.  
Sudbury, Ont. (4)  
Thunder Bay, Ont.  
Timmins, Ont. (2)  
Toronto, Ont. (6)  
Val Caron, Ont.  
Waterloo, Ont.

##### ONTARIO EAST ZONE

D. R. Jarvis  
Assistant Vice President  
625 Church Street  
Toronto, Ont. M4Y 2G1

Agincourt, Ont.  
Ajax, Ont.  
Belleville, Ont.  
Brockville, Ont.  
Cornwall, Ont.  
Kingston, Ont. (2)  
Lindsay, Ont.  
Oshawa, Ont. (2)  
Ottawa, Ont. (2)  
Parkway Forest  
Pembroke  
Peterborough, Ont. (2)  
Stouffville, Ont.  
Toronto, Ont. (4)  
Trenton, Ont.  
Vanier, Ont.

##### ONTARIO MORTGAGE ZONE

T. R. Carnegie  
Assistant Vice President  
625 Church Street  
Toronto, Ont. M4Y 2G1

Barrie, Ont.  
Kingston, Ont.  
Kitchener, Ont.  
London, Ont.  
Ottawa, Ont.  
Sudbury, Ont.  
Toronto, Ont.

#### WESTERN DIVISION

##### ALBERTA ZONE

G. W. Aldridge  
Assistant Vice President  
12316 Jasper Avenue  
Edmonton, Alta. T5N 3K5

Calgary, Alta. (6)  
Dawson Creek, B.C.  
Drumheller, Alta.  
Edmonton, Alta. (9)  
Fort St. John, B.C. (2)  
Grande Prairie, Alta.  
Lethbridge, Alta. (2)  
Medicine Hat, Alta.  
Peace River, Alta. (2)  
Ponoka, Alta.  
Red Deer, Alta. (2)  
Whitehorse, Y.T.

## Branch Locations (continued)

### Personal Financial Services (continued)

#### PACIFIC ZONE

R. S. Campbell  
Assistant Vice President  
1281 Georgia St. W.,  
Suite 605,  
Vancouver, B.C. V6E 3J7  
Brandon, Man. (2)  
Kamloops, B.C. (2)  
Kelowna, B.C.  
Nelson, B.C.

New Westminster, B.C.  
North Battleford, Sask.  
Penticton, B.C.  
Prince Albert, Sask. (2)  
Saskatoon, Sask. (2)  
Swift Current, Sask.  
Terrance, B.C.  
Vancouver, B.C. (3)  
Vernon, B.C.  
Victoria, B.C. (2)  
Williams Lake, B.C.

#### MID-COASTAL ZONE

T. L. Sallenbach  
Assistant Vice President  
508 Clarke Rd., Box 1143,  
Coquitlam, B.C. V3J 6Z4  
Abbotsford, B.C.  
Campbell River, B.C.  
Courtenay, B.C.  
Kenora, B.C.  
Langley, B.C.

Nanaimo, B.C. (2)  
New Westminster, B.C.  
Powell River, B.C.  
Prince George, B.C. (2)  
Regina, Sask. (2)  
Richmond, B.C. (2)  
Surrey, B.C. (2)  
Vancouver, B.C. (3)  
Winnipeg, Man. (5)

### Traders Business Financial Services

#### EASTERN REGION

R. C. Hodges  
Regional Manager  
Suite 200  
4881 Yonge Street  
Toronto, Ont. M2N 5X3  
J. F. Johnston  
Regional Operations Manager  
625 Church Street  
Toronto, Ont. M4Y 2G1  
Fredericton, N.B.  
Halifax, N.S.  
Ottawa, Ont.  
Toronto, Ont.

#### QUEBEC REGION

G. H. Desrosiers  
Regional Manager  
Centre de Commerce,  
piece 512  
6600 route Trans Canada  
Pointe Claire, P.Q. H9R 1C2  
P. E. Carbonneau  
Regional Operations Manager  
625 Church Street  
Toronto, Ont. M4Y 2G1  
Chicoutimi, P.Q.  
Montreal, P.Q.  
Quebec, P.Q.  
Sherbrooke, P.Q.

#### CENTRAL REGION

R. L. Foster  
Regional Manager  
Rm. 1025, 135 James St. S.  
P.O. Box 920  
Hamilton, Ont. L8N 3P6  
O. R. Lewis  
Regional Operations Manager  
625 Church Street  
Toronto, Ont. M4Y 2G1  
Hamilton, Ont.  
London, Ont.  
Sudbury, Ont.  
Thunder Bay, Ont.  
Winnipeg, Man.

#### WESTERN REGION

E. Nutter  
Regional Manager  
Suite 890  
999 West Broadway  
Vancouver, B.C. V5Z 1K5  
R. S. Simpson  
Regional Operations Manager  
625 Church Street  
Toronto, Ont. M4Y 2G1  
Calgary, Alta.  
Edmonton, Alta.  
Grande Prairie, Alta.  
Prince George, B.C.  
Vancouver, B.C.

### Land Development

#### EASTERN DIVISION

W. R. Winnicki  
Regional Manager  
625 Church Street  
Toronto, Ont. M4Y 2G1  
FOREST GLENN (DIXIE)  
LIMITED and subsidiaries  
TRADERS DEVELOPMENTS  
LIMITED and subsidiaries  
LES DÉVELOPPEMENTS  
VAL-FORÊTS LTÉE  
and subsidiaries

#### WESTERN DIVISION

C. J. Small  
13623 38th Street  
Edmonton, Alta. T5A 2N1  
FOREST GLENN (DIXIE)  
LIMITED and subsidiaries  
MONTRAD LTD.  
G. St. Pierre  
General Manager  
Alexis Nihon Plaza  
1500 Atwater Avenue  
Montreal, P.Q. H3Z 1X8

### Aetna Factors Corporation Ltd.

Alexis Nihon Plaza  
1500 Atwater Avenue  
Montreal, P.Q. H3Z 1X8

#### EASTERN REGION

G. S. Levinsion  
Vice President, Operations  
Alexis Nihon Plaza  
1500 Atwater Avenue  
Montreal, P.Q. H3Z 1X8

#### CENTRAL REGION

625 Church Street  
Toronto, Ont. M4Y 2G1

### International

#### TRADERS FINANCE AND LEASING INC.

133A Filonos Street  
Piraeus, Greece

#### TRAFINCO SERVICES LIMITED

27 Upper Brook Street  
London, England W1Y 1PD



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## Guaranty Trust Company of Canada

### ONTARIO EAST & QUEBEC REGION

D. K. Bogert  
Regional Vice President  
P.O. Box 2067, Station "D"  
109 Bank Street  
Ottawa, Ont. K1P 5X8  
Belleville, Ont.  
Cornwall, Ont. (2)  
Hull, P.Q.  
Montreal, P.Q.  
Ottawa, Ont. (4)  
Pembroke, Ont.

### TORONTO MAIN REGION

W. A. Baker  
Regional Vice President  
366 Bay Street  
Toronto, Ont. M5H 2W5  
Toronto, Ont.

### ONTARIO CENTRAL REGION

W. G. Schmida  
Regional Vice President  
366 Bay Street  
Toronto, Ont. M5H 2W5  
Agincourt, Ont.  
Don Mills, Ont.

Etobicoke, Ont.  
Mississauga, Ont.  
Oshawa, Ont.  
Peterborough, Ont.  
Richmond Hill, Ont. (2)  
Stouffville, Ont.  
Toronto, Ont. (4)  
Willowdale, Ont.

### ONTARIO WEST REGION

R. W. Chisholm  
Regional Vice President  
366 Bay Street  
Toronto, Ont. M5H 2W5  
Burlington, Ont.  
Collingwood, Ont.  
Fort Erie, Ont.  
Grimsby, Ont.  
Hamilton, Ont.  
Hanover, Ont.  
Leamington, Ont.  
London, Ont.  
Niagara Falls, Ont. (3)  
St. Catharines, Ont. (2)  
Simcoe, Ont. (2)  
Stoney Creek, Ont.

Welland, Ont.  
Windsor, Ont.

### ONTARIO NORTH, MANITOBA & SASKATCHEWAN REGION

E. D. Skuce  
Regional Vice President  
P.O. Box 668,  
105 Durham Street South  
Sudbury, Ont. P3E 4T7  
Moose Jaw, Sask.  
North Bay, Ont.  
Regina, Sask.  
Saskatoon, Sask.  
Sault Ste. Marie, Ont. (2)  
Sudbury, Ont. (2)  
Thunder Bay, Ont. (3)  
Winnipeg, Man.

### ALBERTA REGION

Calgary, Alta. (2)  
Edmonton, Alta. (3)

### BRITISH COLUMBIA REGION

Vancouver, B.C. (4)

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## Canadian General Insurance Group

### CANADIAN GENERAL INSURANCE COMPANY

### TORONTO GENERAL INSURANCE COMPANY

### TRADERS GENERAL INSURANCE COMPANY

### ATLANTIC REGION

A. G. Hunter  
Regional Manager  
6080 Young Street,  
Suite 808,  
Halifax, N.S. B3K 5L2  
Charlottetown, P.E.I.  
Halifax, N.S.  
Saint John, N.B.  
St. John's, Nfld.

### ONTARIO REGION

K. V. Murphy  
Assistant Vice President  
170 University Avenue  
Toronto, Ont. M5H 3B5  
Hamilton, Ont.  
Kitchener, Ont.  
London, Ont.  
Ottawa, Ont.  
Peterborough, Ont.  
North Bay, Ont.  
Sudbury, Ont.

### QUEBEC REGION

M. Laramee  
Regional Manager  
Alexis Nihon Plaza  
1500 Atwater Avenue,  
Suite 820,  
Montreal, P.Q. H3Z 1X8  
Montreal, P.Q.

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Winnipeg, Man.  
Calgary, Alta.  
Edmonton, Alta.

### CANADIAN GENERAL LIFE INSURANCE COMPANY

P.O. Box 918  
105 Main Street East  
Hamilton, Ont. L8N 3P6

## Consolidated Ten Year Highlights

(amounts in thousands, except where noted)

	1977	1976
<b>Traders Group Limited</b>		
Net income by source		
Finance . . . . .	\$ 7,856	\$ 9,327
Guaranty Trust . . . . .	3,846	1,150
Canadian General Insurance Group . . . . .	3,007	2,140
Land development . . . . .	2,785	2,063
Subsidiary sold in 1971 . . . . .	—	—
	<u>17,494</u>	<u>14,680</u>
Preferred dividends . . . . .	2,716	2,759
Earnings for common shareholders . . . . .	14,778	11,921
Extraordinary items . . . . .	—	759
	<u>\$ 14,778</u>	<u>\$ 12,680</u>
Per common share (dollars)		
Earnings before extraordinary items . . . . .	\$ 3.17	\$ 2.86
Earnings after extraordinary items . . . . .	3.17	3.05
Dividends—declared . . . . .	1.19%	1.12
Book value, at year-end . . . . .	22.90	21.99
Total assets, at year-end . . . . .	1,113,045	1,022,086
Total outstandings, at year-end . . . . .	970,251	891,546
Average cost of borrowed money . . . . .	8.50%	9.25%
Debt to equity ratio (times) . . . . .	4.9	5.2
Return on average annual assets . . . . .	1.64%	1.44%
Return on average annual common equity . . . . .	14.41%	13.53%
Monthly average of common shares outstanding . . . . .	4,669	4,164
Number of shareholders . . . . .	17.5	15.9
<b>Canadian General Insurance Group</b>		
Life insurance in force . . . . .	\$ 723,504	\$ 510,581
Net premiums earned		
General . . . . .	57,665	46,194
Life and Disability . . . . .	6,742	5,861
	<u>64,407</u>	<u>52,055</u>
Net contribution to Traders		
General . . . . .	2,488	1,725
Life and Disability (acquired in 1972) . . . . .	519	415
	<u>\$ 3,007</u>	<u>\$ 2,140</u>
Ratios		
Claims to premiums earned . . . . .	63.3%	64.2%
Other expenses to net premiums written . . . . .	35.4	32.8
Combined ratio . . . . .	98.7%	97.0%
<b>Guaranty Trust Company of Canada</b>		
Assets under administration		
Company and Guaranteed Funds . . . . .	\$1,414,803	\$1,228,308
Estates, Trusts and Agency Assets . . . . .	920,898	822,443
Total assets under administration . . . . .	<u>2,335,701</u>	<u>2,050,751</u>
Net income . . . . .	4,354	1,963
Net contribution to Traders . . . . .	\$ 3,846	\$ 1,150

1975	1974	1973	1972	1971	1970	1969	1968
\$ 9,279	\$ 8,121	\$ 6,470	\$ 6,450	\$ 6,061	\$ 5,542	\$ 4,062	\$ 3,315
1,102	71	1,448	2,100	1,467	353	353	339
1,405	281	1,760	1,201	(192)	(853)	989	1,464
1,511	1,687	1,537	843	457	376	329	303
—	—	—	—	113	359	501	545
13,297	10,160	11,215	10,594	7,906	5,777	6,234	5,966
2,256	1,094	843	879	1,066	1,191	1,015	693
11,041	9,066	10,372	9,715	6,840	4,586	5,219	5,273
479	926	953	—	7,379	—	—	—
<u>\$ 11,520</u>	<u>\$ 9,992</u>	<u>\$ 11,325</u>	<u>\$ 9,715</u>	<u>\$ 14,219</u>	<u>\$ 4,586</u>	<u>\$ 5,219</u>	<u>\$ 5,273</u>

\$ 2.47	\$ 1.81	\$ 2.07	\$ 2.01	\$ 1.50	\$ 1.03	\$ 1.18	\$ 1.19
2.58	1.99	2.26	2.01	3.11	1.03	1.18	1.19
1.02½	1.00	0.90	0.75	0.72½	0.60	0.60	0.60
20.36	17.55	16.13	16.27	15.20	12.00	11.60	11.05
1,023,755	934,947	913,027	707,980	592,573	569,557	569,355	534,705
903,907	841,257	823,199	628,776	522,652	472,295	482,167	456,200
8.60%	9.10%	7.60%	7.00%	7.40%	7.26%	6.98%	6.51%
5.8	5.9	6.8	5.3	4.8	5.1	5.1	5.5
1.36%	1.10%	1.38%	1.63%	1.36%	1.01%	1.13%	1.13%
12.91%	10.72%	12.98%	13.08%	11.10%	8.57%	9.84%	10.30%
4,467	5,021	5,021	4,828	4,571	4,441	4,433	4,433
16.7	9.8	8.6	9.1	9.9	10.4	18.3	17.7

\$ 398,112	\$ 361,620	\$ 102,985	\$ 120,331	\$ 106,382	\$ 78,817	\$ 32,172	\$ 21,531
35,765	30,274	28,593	27,399	30,136	29,399	28,330	28,602
4,737	4,301	3,484	2,970	2,518	1,872	1,469	1,241
40,502	34,575	32,077	30,369	32,654	31,271	29,799	29,843
975	(157)	1,401	1,030	(192)	(853)	989	1,464
430	438	359	171	—	—	—	—
<u>\$ 1,405</u>	<u>\$ 281</u>	<u>\$ 1,760</u>	<u>\$ 1,201</u>	<u>\$ (192)</u>	<u>\$ (853)</u>	<u>\$ 989</u>	<u>\$ 1,464</u>
66.8%	71.8%	65.0%	67.1%	76.3%	75.4%	63.8%	60.7%
35.0	38.6	37.0	38.2	41.6	38.2	38.2	37.4
101.8%	110.4%	102.0%	105.3%	117.9%	113.6%	102.0%	98.1%

\$1,086,179	\$1,034,722	\$ 953,188	\$ 793,046	\$ 760,737	\$ 648,059	\$ 619,558	\$ 533,692
712,677	629,000	579,595	551,747	480,759	429,709	393,919	351,210
<u>1,798,856</u>	<u>1,663,722</u>	<u>1,532,783</u>	<u>1,344,793</u>	<u>1,241,496</u>	<u>1,077,768</u>	<u>1,013,477</u>	<u>884,902</u>
1,863	140	3,515	5,382	3,822	2,017	2,788	2,943
<u>\$ 1,102</u>	<u>\$ 71</u>	<u>\$ 1,448</u>	<u>\$ 2,100</u>	<u>\$ 1,467</u>	<u>\$ 353</u>	<u>\$ 353</u>	<u>\$ 339</u>

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**Head Office**

625 Church Street  
Toronto, Ontario  
M4Y 2G1

**Auditors**

Price Waterhouse & Co.  
Chartered Accountants  
Toronto, Ontario

**Stock Exchange Listings**

(Symbol: TG)

Toronto Stock Exchange:  
Class A & B common,  
preferred, warrants

Montreal Stock Exchange:  
Class A & B common

Vancouver Stock Exchange:  
Class A & B common

**Share Transfer Agents and Registrars**

Guaranty Trust Company of Canada  
Toronto, Montreal, Winnipeg,  
Calgary, Vancouver

Bank of Montreal Trust Company  
New York, N.Y.

**Trustees**

Senior Secured Debt—  
The Royal Trust Company  
Toronto, Ontario

Debentures—  
The Canada Trust Company  
Toronto, Ontario

**Bankers****IN CANADA** <sup>(9)</sup>

Bank of British Columbia  
Bank of Montreal  
Bank Canadian National  
Canadian Imperial Bank of Commerce  
The Bank of Nova Scotia  
The Mercantile Bank of Canada  
The Provincial Bank of Canada  
The Royal Bank of Canada  
The Toronto-Dominion Bank

**IN THE UNITED STATES OF AMERICA** <sup>(23)</sup>

Bank of America  
Bankers Trust Company  
Chemical Bank  
Citibank, N.A.  
Continental Illinois National Bank and  
Trust Company of Chicago  
Crocker National Bank  
Harris Trust & Savings Bank  
Irving Trust Company  
Manufacturers Hanover Trust Company  
Manufacturers National Bank of Detroit  
Marine Midland Bank  
Mellon Bank, N.A.  
National Bank of Detroit  
Seattle-First National Bank  
Security Pacific National Bank  
Swiss Bank Corporation  
The Chase Manhattan Bank, National  
Association  
The Cleveland Trust Company  
The First National Bank of Boston  
The First National Bank of Chicago  
Union Bank  
United California Bank  
Wells Fargo, National Association

**IN EUROPE** <sup>(1)</sup>

Bank of Tokyo and Detroit  
(International) Limited



