

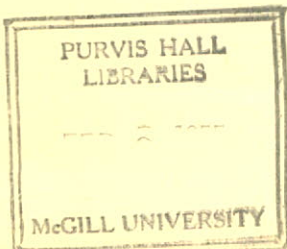
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TRADERS FINANCE CORPORATION LIMITED

TWENTY-EIGHTH ANNUAL REPORT



DECEMBER 31st, 1948



TRADERS FINANCE CORPORATION LIMITED

Annual Report - 1948

TO THE SHAREHOLDERS:

Your directors have pleasure in submitting herewith the Annual Report of your company for the year ended December 31, 1948, together with the consolidated Balance Sheet and consolidated statements of Profit and Loss and of Surplus as certified by your auditor.

Results of the consolidated operations of the company during the year were satisfactory. The total volume of receivables acquired by the parent company and the consolidated net income were larger than in any previous year in the history of the company; and these results were obtained notwithstanding the fact that the rates of finance charge in all categories were lower than in 1939. There are few businesses and fewer companies in North America presently charging less for their goods or services than in pre-war years.

Your company is engaged in the purchase of instalment sales obligations, principally resulting from time sales of automobiles, trucks, tractors and other durable goods. The conditional sales financing covers sales from the manufacturer to the dealer and from the dealer to the consumer. The average maturity of lien obligations securing sales from the manufacturer to the dealer is less than 30 days. Conditional sale agreements covering sales from the dealer to the consumer, which are supported by promissory notes, are repayable in instalments ranging from a few months to a year and a half and sometimes longer periods. Outstanding retail instalment obligations average less than \$725.00 and are owing by purchasers located throughout the Dominion and widely diversified as to occupation. In addition to the lien and the covenant of the purchaser the company is usually further protected by the endorsement of the dealer and by comprehensive insurance coverage. It is apparent that the company's assets, 94.8% of which consisted of such receivables, cash and investments, are of a highly liquid nature, and it is interesting to note that at December 31, 1948, arrears of payments, in excess of thirty days, in respect of receivables were less than 4/10 of 1%.

Very careful scrutiny of credits, wide diversification and comprehensive insurance coverage, together with purchasers' initial equities have resulted in a very small percentage of loss over a long period. On the \$459,000,000 receivables purchased during the past twelve years loss has been less than 1/10 of 1%.

A wholly owned subsidiary, Trans Canada Credit Corporation Limited, is engaged in the making of personal and other loans to the public. Two subsidiaries, Canadian General Insurance Company and Toronto General Insurance Company, underwrite automobile, fire and miscellaneous casualty insurance. Since acquisition of controlling interest in 1939 by Traders Finance Corporation Limited, combined earned premiums, less reinsurance, to December 31, 1948, totalled \$21,727,055 with an over-all loss ratio of 42.56%. Last year net earned premiums were \$3,276,161, with a continuing favorable loss ratio of only 41.78%. All operations are Dominion-wide.

CONSOLIDATED NET INCOME

Consolidated Net Income credited to Earned Surplus after providing for Dominion and Provincial taxes on income and for minority interests was \$1,003,527.29 compared with \$709,710.88 in 1947, an increase of 41.4%. Earnings applicable to debentures and preferred and common shares were as follows:

	1948	1947
Debentures, times interest earned (annual basis)	12.1	—
Income Funding Rights		
Earned per Right - - -	\$50.60	\$35.80
Interest paid per Right - - -	1.00	1.00
Preferred Shares 4½% cumulative		
Earned per share - - -	32.53	22.83
Dividend paid per share -	4.50	4.50
Common shares, Classes A and B (new sub-divided stock)		
Earned per share - - -	4.79	3.16
Dividend paid per share -	.83⅓	.41⅓

(The common shares are presently on a dividend basis of \$1.00 per annum payable quarterly.)

Following the practice of previous years, the net cost of equipment purchased for replacements and additions during the year in the amount of \$113,816.24 has been charged against 1948 operations.

BALANCE SHEET

Net Current Assets at December 31, 1948, amounted to \$25,538,321 and Capital Resources are very conservatively stated at \$11,360,162, both the highest in the history of your company.

The Reserve for Unearned Income, which will be taken into future earnings, stood at \$3,371,944 as compared with \$2,944,609 at the end of the previous year.

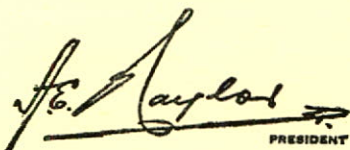
The continuing increase in business made it desirable to augment the capital funds of your company during the year, and to this end \$2,000,000 4% sinking fund debentures, series "B", were sold and the underwriting expense in connection therewith was written off. To provide further capital your company is currently offering to the holders of its common shares, rights to purchase one share for every three shares held at a price of \$15.00 per share. This offer extends from March 16 to April 14, 1949.

As of February 1, 1949, your company sold, for general corporate purposes, \$5,000,000 3¼% Collateral Trust Notes due 1954.

The percentage of sales of durable goods on the instalment plan is increasing in relation to total sales. The volume of receivables acquired in the first two months of 1949 is considerably greater than in the first two months of last year. Your directors anticipate a satisfactory year in 1949.

The operating results of the company and its subsidiaries reflect credit upon the officers and employees. To them your directors desire to accord appreciation for their splendid efforts and loyal co-operation.

FOR THE BOARD OF DIRECTORS,



J. G. Taylor
PRESIDENT

March 8, 1949.

**TRADERS FINANCE CORPORATION LIMITED
AND SUBSIDIARY COMPANIES**

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1948

Income from operations - - - - -	\$4,992,639.87
Income from interest and dividends - - - - -	238,164.91
Profit realized on securities sold - - - - -	28,885.87
	\$ 5,259,690.65
Interest on loans and funded debt - - - - -	902,929.39
General and administrative expense - - - - -	2,352,089.50
Directors' and executive officers' salaries - - - - -	149,818.82
Directors' fees - - - - -	5,755.00
Legal fees - - - - -	7,709.20
Equipment purchased - - - - -	113,816.24
Increase in reserve for guarantee bonds - - - - - (subsidiary companies)	10,320.82
	3,542,438.97
Profit for year before provision for income taxes -	1,717,251.68
Provision for Dominion and Provincial taxes on income -	604,620.00
	1,112,631.68
Less provision for minority interest - - - - -	109,104.39
Net profit for year - - - - -	\$ 1,003,527.29

CONSOLIDATED DISTRIBUTABLE SURPLUS

DECEMBER 31, 1948

after providing for minority interest

Balance, January 1, 1948 - - - - -	\$ 144,340.60
Add: Adjustment arising from purchase of additional shares of subsidiary company - - - - -	9.71
	144,350.31
Deduct: Dividend paid by subsidiary company in 1948	91,809.00
Balance, December 31, 1948 - - - - -	\$ 52,541.31

**TRADERS FINANCE CORPORATION LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED EARNED SURPLUS

DECEMBER 31, 1948

after providing for minority interest

Balance, January 1, 1948	-	-	-	-	\$ 3,635,583.05
Add: Dividends paid by subsidiary company in 1948 charged to consolidated distributable surplus				\$ 91,809.00	
Adjustment arising from changes in the shareholding of companies included in this consolidation				2,451.54	
Adjustment of prior years' income taxes of subsidiary company	-	-	-	-	101,011.55
				6,751.01	3,736,594.60
Less: Underwriting expense	-	-	-	-	66,773.02
					3,669,821.58
Add: Net profit for year	-	-	-	-	1,003,527.29
Less: Interest on income funding rights	-	-	-	-	\$ 19,716.00
Dividends on 4½% cumulative redeemable preferred shares				\$ 157,497.74	177,213.74
Amount available for common shares	-	-	-	-	826,313.55
Dividends on common shares	-	-	-	-	143,857.50
					682,456.05
Balance, December 31, 1948	-	-	-	-	\$ 4,352,277.63

**TRADERS FINANCE C
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET**

A S S E T S

Cash on hand and in banks - - - - -		\$ 1,713,539.91
Investments in bonds and stocks - at cost - - - \$4,981,108.36 (Market value \$5,068,634.00)		
Interest accrued - - - - -	34,236.45	5,015,344.81
Notes receivable and lien obligations, secured, after full provision for doubtful accounts - - - - -		35,648,638.51
Loans, mortgages, advances and accounts receivable after full provision for doubtful accounts - - -		1,997,077.89
Inventories (valued at the lower of cost or market) - -		181,392.71
Deferred charges - - - - -		8,635.50
Refundable portion of excess profits taxes - - -		9,150.19
Land, buildings and equipment, at cost - - - - - \$ 184,310.23		
Less reserve for depreciation - - - - -	43,029.20	141,281.03

Approved on behalf of the Board,

ARTHUR MEIGHEN, Director

A. E. NAYLOR, Director

\$44,715,060.55

Toronto, March 4, 1949.

This is the balance sheet referred to in my report to the shareholders.

**ORPORATION LIMITED
Y COMPANIES**

HEET — DECEMBER 31, 1948

L I A B I L I T I E S

Bank loans (secured) - - - - -		\$15,517,035.98
Accounts payable and accrued charges - - - - -	\$ 504,834.97	
Dealers' credit balances - - - - -	856,606.65	
Interest accrued on funded debt - - - - -	128,354.12	
Interest and dividends payable - - - - -	147,024.19	
Reserve for income taxes - - - - -	553,754.63	2,190,574.56
Reserve for unpaid insurance claims, (including \$40,000 reserve for unreported claims) - - - - -		1,310,061.36
Reserve for unearned income - - - - -	\$3,371,944.83	
Special reserve for guarantee bonds - - - - -	82,978.11	
Contingent reinsurance reserve - - - - -	200,000.00	
Reserve for investments - - - - -	80,000.00	3,734,922.94
Mortgage on land and building - - - - -		3,316.41
Minority interest of shareholders in the capital and surplus of subsidiary companies - - - - -		598,987.36
Collateral trust serial notes, Series A, 2½% due 1st September 1949, 1950 and 1951 (Secured) Authorized and issued - - - - -		10,000,000.00
Sinking fund debentures — Authorized \$4,000,000.00 Issued — 3¼% Series "A" — due Jan. 2, 1958 - - - - -	\$2,000,000.00	
Less purchased for sinking fund - - - - -	50,000.00	
	1,950,000.00	
4% Series "B" — due May 1, 1963 - - - - -	2,000,000.00	3,950,000.00
Capital		
<i>Authorized:</i>		
35,000 4½% cumulative redeemable preferred shares of the par value of \$100 each, callable at \$104.		
225,086 Class "A" common shares of no par value. - - - - -		
120,000 Class "B" common shares of no par value. - - - - -		
<i>Issued and outstanding:</i>		
35,000 4½% cumulative redeemable preferred shares - - - - -	\$3,500,000.00	
5,522 shares held by subsidiary companies - - - - -	552,200.00	
29,478	2,947,800.00	
82,629 Class "A" common shares - - - - -	27,543.00	
90,000 Class "B" common shares - - - - -	30,000.00	
	3,005,343.00	
Surplus (including \$52,541.31 distributable surplus of subsidiary company) - - - - -	4,404,818.94	
Total capital and surplus - - - - -		7,410,161.94
		\$44,715,060.55

s dated March 4, 1949.

A. Douglas Downie

Chartered Accountant.

NOTES TO THE CONSOLIDATED BALANCE SHEET OF

TRADERS FINANCE CORPORATION LIMITED
AND SUBSIDIARY COMPANIES

DECEMBER 31, 1948

1. There are outstanding 13,653 Series "A" and 6,171 Series "B" income funding rights with a total aggregate face value of \$507,286.50. Non-cumulative interest at the rate of \$1.00 per annum per right is payable out of the net profits of each fiscal year or to the extent that such profits are available before payment of dividend on the 4½% cumulative redeemable preferred shares. In the event of liquidation the income funding rights rank after the 4½% cumulative redeemable preferred shares but in priority to the Class "A" and Class "B" common shares.
2. As of January 2, 1948, \$2,000,000.00 3¼% sinking fund debentures, Series "A", were sold for \$1,950,000.00. These debentures mature January 2, 1958.
3. As of May 1, 1948, \$2,000,000.00 4% sinking fund debentures, Series "B", were sold for \$1,940,000.00. These debentures mature May 1, 1963.
4. In November 1948, each of the 27,543 issued Class "A" common shares were sub-divided into three Class "A" common shares, making a total of 82,629 issued Class "A" common shares; each of the 30,000 authorized and issued Class "B" common shares were sub-divided into three Class "B" common shares, making a total of 90,000 issued Class "B" common shares; the capital of the company was increased by the creation of 30,000 additional Class "B" common shares.

AUDITOR'S REPORT TO THE SHAREHOLDERS OF
TRADERS FINANCE CORPORATION LIMITED

I have examined the books and accounts of Traders Finance Corporation Limited and subsidiary companies for the year ended December 31, 1948, and have obtained all the information and explanations I have required.

In carrying out the examination, substantial tests were made of the correctness of the accounts at the head office and branch offices of the companies and the accounting methods were reviewed, but I did not make a detailed audit of all the transactions.

I report that, in my opinion, based upon such examination, the accompanying consolidated balance sheet of Traders Finance Corporation Limited and subsidiary companies is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs, on a consolidated basis, as at December 31, 1948, according to the best of my information and the explanations given to me and as shown by the books.



Chartered Accountant.

Toronto, Ontario,
March 4, 1949.

TRADERS FINANCE CORPORATION LIMITED

BOARD OF DIRECTORS

THE RT. HON. ARTHUR MEIGHEN, K.C., P.C.

HENRY BORDEN, C.M.G., K.C.

LT.-COL. HUGH CLARK

H. R. MILNER, K.C.

J. R. CROFT, O.B.E.

HON. RAY LAWSON, O.B.E., LL.D.

PROF. M. A. MACKENZIE, LL.D.

COL. M. C. G. MEIGHEN, O.B.E.

LT.-COL. T. R. O. MEIGHEN, K.C.

A. E. NAYLOR, O.B.E.

D. H. ROSS

D. E. STEWART

EXECUTIVE OFFICERS

THE RT. HON. ARTHUR MEIGHEN, K.C., P.C. - - - - - *Chairman of the Board*

A. E. NAYLOR, O.B.E. - - - - - *President and General Manager*

J. R. CROFT, O.B.E. - - - - - *Vice-President and Assistant General Manager*

D. H. ROSS - - - - - *Vice-President*

D. E. STEWART - - - - - *Treasurer*

MISS E. M. STRAIN - - - - - *Secretary*

AUDITOR

A. DOUGLAS DOWNIE, C.A. - TORONTO

TRADERS FINANCE CORPORATION LIMITED

HEAD OFFICE — 50 KING STREET WEST — TORONTO

BRANCH OFFICES

MARITIME PROVINCES

SYDNEY
HALIFAX
NEW GLASGOW
CHARLOTTETOWN
SAINT JOHN
CAMPBELLTON

QUEBEC

RIMOUSKI
QUEBEC
CHICOUTIMI
THREE RIVERS
MONTREAL
GRANBY
SHERBROOKE

ONTARIO

OTTAWA
BELLEVILLE
TORONTO
KITCHENER
HAMILTON
OWEN SOUND
LONDON
WINDSOR
KIRKLAND LAKE—*Loc. Rep.*
PORT ARTHUR

PRAIRIE PROVINCES

WINNIPEG
BRANDON
REGINA
MOOSE JAW
SASKATOON
PRINCE ALBERT
CALGARY
LETHBRIDGE
RED DEER
EDMONTON

BRITISH COLUMBIA

PENTICTON
VICTORIA
VANCOUVER

THE OLDEST ALL-CANADIAN NATIONAL FINANCE COMPANY

