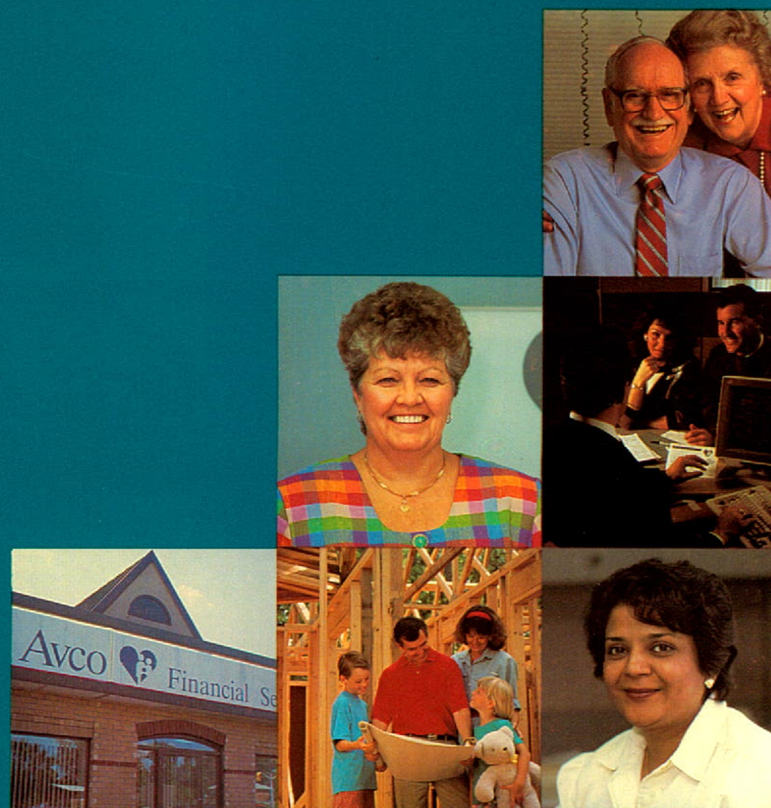
Annual Report 1992



Avco
Financial
Services
Canada
Limited

Avco Financial Services
Subsidiary of Textron Inc

Message from the Board

On behalf of the Board of Directors of Avco Financial Services Canada Limited, I am pleased to report net earnings of $17.8 million, a result achieved in spite of a difficult economic and operating climate.

The effects of this business climate were most sharply felt in reduced consumer confidence. Volume of business dropped 12.6 per cent from 1991. In 1992 we experienced a decline in our outstanding receivables of $54.4 million to $1.06 billion, and a decline in revenues to $258.8 million from $273.2 million. The revenue decline is due in large part to decreased yields in our sales portfolio. This drop in yields resulted because of reductions in the prime borrowing rate and because of competitive market demands.

The Company's financial performance during 1992 was also affected by higher charge-off levels than experienced in previous years. This charge-off is primarily related to the high level of personal bankruptcies experienced in Canada during the year. The company's net earnings and operating expenses were also affected by increased losses from the sale of secured real estate properties that were in foreclosure.

We maintained a very focused approach to lending quality during the year, which resulted in lower levels of delinquency in 1992 than in 1991. If delinquency stays at these levels, we should see a reduction in charge-offs in the upcoming year.

Key economic indicators point to renewed consumer confidence and a gradual improvement from the economic recession of the past two years. Avco Financial Services expects to generate modest growth in 1993 by building on our twin market advantages of excellent customer satisfaction and a strong branch network. In addition, automation of our branch operations was completed during 1992 which we expect will lead to increased productivity gains and competitive advantage.

In order to stimulate this growth, we have undertaken a number of important initiatives in the past year which we will carry forward into 1993. These initiatives include the introduction into the marketplace of a number of innovative products, development of a new structure to help us maximize opportunities from the company's large base of sales customers, and continuing productivity improvements through automation and technology.

It is important to note that Avco's culture of Quality improvement has continued to have a significant impact on both the level of customer satisfaction with our products and services, and on the company's ability to remain profitable in a challenging business climate. As the economy begins its recovery phase we are confident that our people, combined with new initiatives and our commitment to Quality, will strengthen the company's market position and its profitability.

Eugene R. Schutt Jr.,
Director, and Executive Vice President
International Finance Operations
Avco Financial Services, Inc.

Consolidated Highlights

FOR THE FIVE YEARS ENDED DECEMBER 31

Thousands of dollars,	1992	1991	1990	1989	1988
NET EARNINGS	$ 17,823	$ 22,731	$ 24,485	$ 24,778	$ 24,655
RECEIVABLES OUTSTANDING					
Consumer loans	$ 451,923	$ 492,954	$ 510,797	$ 453,748	$ 432,107
Real estate loans	355,647	390,788	394,911	301,666	283,404
Sales finance	253,914	229,209	214,337	201,017	184,787
Other loans	1,380	4,333	5,250	4,685	4,672
Total	$1,062,864	$ 1,117,284	$ 1,125,295	$ 961,116	$ 904,970
VOLUME OF BUSINESS					
Consumer loans	$ 199,989	$ 258,976	$ 326,326	$ 268,641	$ 284,613
Real estate loans	84,077	123,128	177,639	112,872	114,474
Sales finance	321,865	310,323	330,727	348,449	316,487
Other loans	609	1,292	2,306	1,516	1,832
Total	$ 606,540	$ 693,719	$ 836,998	$ 731,478	$ 717,406
NUMBER OF BRANCH OFFICES	218	240	250	254	254
OTHER SIGNIFICANT DATA					
Shareholders' equity	$ 173,145	$ 163,022	$ 150,798	$ 144,434	$ 131,048
Total lines of credit	$ 349,037	$ 270,083	$ 203,999	$ 201,323	$ 166,300
Commercial paper coverage	101%	104%	100%	110%	105%
Average cost of borrowed funds	10.56%	11.07%	11.56%	11.49%	11.11%
Allowance for losses as a percentage of net receivables outstanding	2.69%	2.77%	2.98%	3.50%	3.50%
Net credit losses as a percentage of average net receivables outstanding	2.43%	2.26%	1.31% *	1.17%	1.08%
Other operating expenses as a percentage of revenues	39.28%	36.63%	36.17%	34.76%	34.23%

*Excludes accounts charged directly to the allowance for losses resulting from a change in the Company's write-off policy. Including such amounts, the 1990 percentage would be 1.82%.

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Earnings before income taxes for the year ended December 31, 1992 were $31.2 million, compared to $39.7 million in 1991. On a segmented basis, earnings from insurance services increased slightly during the year, while earnings from financial services decreased. In 1992, insurance services provided 8.2% of revenues and 14.1% of earnings before taxes, compared to 6.3% of revenues and 8.6% of earnings before taxes in 1991.

Revenues from financial services decreased 7.2% in 1992 due primarily to the decrease in receivables outstanding. This decrease in revenues was partially offset by decreases in interest expense due to lower levels of debt outstanding and decreases in other variable expenses.

The financial services margins were adversely affected by decreasing yields, primarily in the sales finance portfolio. Average yields for this portfolio decreased by 11% in 1992 due to market demands for decreased rates because of competitive factors and decreases in the prime borrowing rate. It is anticipated that these market demands will continue in 1993, and, the Company is undertaking several initiatives to increase the efficiency of operations in this area.

Interest and debt expense decreased in 1992 as a result of the decreased average cost of borrowed funds from 11.07% in 1991 to 10.56% in 1992 and reduced borrowings. During 1992, the Company took advantage of decreasing short-term interest rates by refinancing maturing long-term debt with lower rate commercial paper. An interest rate exchange agreement in the amount of $50 million expired in October, 1992, allowing the Company to benefit from floating commercial paper rates which were lower than the 10.48% fixed rate in the agreement.

Operating expenses associated with financial services increased in 1992 as a result of increased expenses relating to real estate assets in foreclosure, and higher depreciation expenses associated with the Company's ongoing branch renovation and branch automation projects. In September of 1992, all of the Company's 218 branch offices had been converted to the Canadian Automated Branch System (CABS). This automated system provides Avco branches with an on-line, stand-alone operating system in both official languages, featuring on-line credit bureau access and increased management review capabilities of underwriting quality. In regard to the branch renovation project, approximately two thirds of the branches have been renovated during the past two years to enhance customer service. The remaining branches are scheduled for renovation over the next few years.

LIQUIDITY AND CAPITAL RESOURCES

The Company depends on a broad base of financial support for its liquidity and capital requirements. Cash can readily be obtained from its operations or by borrowing in various financial markets. These markets include unsecured borrowings against bank lines of credit, the issuance of commercial paper and sales of medium and long-term debt instruments.

One of the operating risks affecting the Company is credit risk. The Company controls this risk through geographical diversification across all ten provinces and the Yukon territory. With respect to the consumer loan and sales finance portfolios, diversification is also enhanced by relatively small account balances spread among many customers.

Management's Discussion

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At December 31, 1992, 33.5% of the Company's finance receivables were represented by residential real estate loans, secured primarily by first and second mortgages on single family homes, with an average outstanding principal balance of $29,856 per loan. Such loans are limited to a maximum of 85% of the appraised value at the time of loan origination. Most loans, however, are made at significantly lower loan to value ratios. Management believes that substantially all such loans remain fully secured.

Underwriting controls incorporated in the loan approval process are a primary factor in managing credit risk. Underwriting controls are integrated in the CABS branch operating systems, including credit bureau access, automated analysis of loan quality and periodic supervisory review. In addition, compliance audits are conducted by the Company's management audit department and underwriting skills are fully incorporated into the Company's employee training programs. Underwriting controls have been strengthened during 1992 by the creation of the Credit Manager position in all five field operating areas of the Company. The Credit Manager is responsible for evaluating and maintaining underwriting standards.

Interest rate risk is carefully managed by adjusting the mix between fixed rate debt and variable rate debt based upon current and anticipated market conditions. The larger the proportion of fixed rate debt the more protected the Company is from the risk of future interest rate increases, however, the potential benefits of a declining interest rate market are reduced. During 1992, $150 million of long-term debt matured at an average interest rate of 10.94%. Due to the cash flow from operations of $49.5 million and the decrease in receivables outstanding, only $86.8 million of this maturing long-term debt needed to be refinanced with lower rate commercial paper. In order to take advantage of lower short-term rates, the Company increased its commercial paper portfolio to 39% of total debt at December 31, 1992. Throughout the year, commercial paper averaged only 28% of total debt. At December 31, 1992, the Company had a debt to equity ratio of 5.1/1, compared to the ratio of 5.8/1 at December 31, 1991. This ratio is conservative by industry standards and provides the Company with the ability to finance future receivable growth. The general economic conditions of relatively high consumer debt and low consumer confidence have restricted growth in both the consumer loan and real estate portfolios, but this has provided increased opportunities for purchases of receivables from other companies in the financial services industry. Bulk purchases of receivables increased to $11.2 million in 1992 from $3.5 million in 1991. Prospective bulk purchases are extensively reviewed by management to ensure that loan quality and return on investment meet Company standards.

For liquidity purposes, the Company maintains unused bank lines of credit to back up its commercial paper borrowings. The commercial paper coverage ratio at December 31, 1992 was 101%. These lines of credit are provided by seven financial institutions, including all of the Canadian Schedule A banks.

All note debt of the Company is guaranteed by Avco Financial Services, Inc. An important factor in the ability of the Company to meet its financial requirements in the future is the financial condition, results of operations and liquidity/capital position of Avco Financial Services, Inc.

Auditors' Report

TO THE
SHAREHOLDERS OF
AVCO FINANCIAL SERVICES
CANADA LIMITED

We have audited the consolidated statement of financial position of Avco Financial Services Canada Limited as at December 31, 1992 and 1991 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1992 and 1991 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Ernst & Young

Chartered Accountants
London, Canada
February 4, 1993

Consolidated Earnings

Thousands of dollars, year ended December 31,	1992	1991
REVENUES		
Interest, discount and service charges	$ 234,226	$ 252,598
Insurance premiums	18,876	14,849
Investment income	3,088	2,971
Other revenues	2,643	2,737
Total revenues	258,833	273,155
EXPENSES		
Interest and debt expense		
Interest on long-term debt	72,590	79,922
Amortization of long-term debt financing costs	1,217	1,549
Interest on short-term debt	20,311	22,404
Total interest and debt expense	94,118	103,875
Provision for losses on collection of receivables, less recoveries	22,795	22,377
Insurance losses and adjustment expenses	9,037	7,135
Other operating expenses	101,665	100,045
Total expenses	227,615	233,432
Earnings before income taxes	31,218	39,723
Income taxes	13,395	16,992
NET EARNINGS	$ 17,823	$ 22,731

See accompanying notes.

Consolidated Retained Earnings

Thousands of dollars, year ended December 31,	1992	1991
BALANCE AT BEGINNING OF YEAR	$ 140,023	$ 127,799
Net earnings	17,823	22,731
Dividend	(7,700)	(10,507)
BALANCE AT END OF YEAR	$ 150,146	$ 140,023

Consolidated Financial Position

Thousands of dollars, year ended December 31,	1992	1991
ASSETS		
Receivables (note 2)	$ 1,062,864	$ 1,117,284
Allowance for losses	(28,633)	(31,000)
	1,034,231	1,086,284
Investments (note 3)	31,410	28,144
Prepaid expenses and other receivables	32,899	31,429
Deferred income taxes	1,348	341
Property and equipment (note 4)	16,972	16,508
Cash	768	1,027
Other assets, net of amortization	2,672	4,029
TOTAL ASSETS	$ 1,120,300	$ 1,167,762
LIABILITIES		
Short-term debt - unsecured - commercial paper (note 5)	$ 346,510	$ 259,729
Long-term debt - unsecured (note 6)	541,900	691,900
	888,410	951,629
Accounts payable and accrued liabilities	34,718	35,319
Dividends payable	6,698	
Deferred insurance commissions	728	743
Income taxes payable	959	2,373
Insurance provisions and claims		
Unearned premiums	8,081	8,752
Provision for outstanding claims	7,561	5,924
Total liabilities	947,155	1,004,740
SHAREHOLDERS' EQUITY (note 7)		
Common share capital	16,788	16,788
Additional paid-in capital	6,211	6,211
Retained earnings	150,146	140,023
Total shareholders' equity	173,145	163,022
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,120,300	$ 1,167,762

See accompanying notes.

On Behalf of the Board

E.R. Schutt, Jr.
Director

A.J. Smith-Windsor
Director

Changes in Consolidated Financial Position

Thousands of dollars, year ended December 31,	1992	1991
OPERATING ACTIVITIES		
Net earnings	$ 17,823	$ 22,731
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for losses on receivables	29,577	28,064
Depreciation and amortization of property and equipment and other assets	5,938	5,435
Increase in provision for outstanding claims	1,637	1,037
Other, (net)	(1,766)	(8,572)
Increase (decrease) in income taxes payable	(1,414)	3,098
Decrease (increase) in deferred income taxes	(1,007)	495
Increase (decrease) in unearned insurance premiums	(671)	613
Decrease in accounts payable and accrued liabilities	(601)	(3,128)
Decrease in deferred insurance commissions	(15)	(677)
	49,501	49,096
INVESTING ACTIVITIES		
Funds advanced on receivables	(606,540)	(693,719)
Bulk purchases of receivables	(11,185)	(3,539)
Principal collections on receivables	640,201	674,687
Purchases of property and equipment (net)	(4,749)	(6,187)
Increase in investments	(3,266)	(1,029)
	14,461	(29,787)
FINANCING ACTIVITIES		
Increase in short-term debt, (net)	86,781	55,841
Proceeds from issuance of long-term debt		31,000
Dividends declared	(7,700)	(10,507)
Dividends payable	6,698	
Repayment of long-term debt	(150,000)	(95,211)
	(64,221)	(18,877)
Net increase (decrease) in cash	(259)	432
Cash at beginning of year	1,027	595
Cash at end of year	$ 768	$ 1,027

See accompanying notes.

Notes to Consolidated Financial Statements

DECEMBER 31, 1992 AND 1991

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

The following represent the significant accounting policies used in the preparation of the consolidated financial statements.

(a) Basis of presentation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

(b) Receivables

Interest income is recognized in revenues using the interest (actuarial) method. Accrual of interest income is suspended for accounts which are more than three payments contractually delinquent. Once an account is suspended, subsequent interest income is recognized as collected.

It is generally the Company's policy to write off accounts monthly when they are deemed uncollectible, but in any event, except for real estate secured loans, all accounts for which an amount aggregating a full contractual payment has not been received for six consecutive months are written off. The Company charges against current earnings as a provision for losses on receivables such amounts as management believes to be adequate.

(c) Deferred income taxes

The Company's provision for income taxes is based primarily on reported earnings before income taxes and includes an appropriate provision for deferred income taxes resulting from timing differences. Timing differences result from items whose treatment for financial reporting and income tax reporting differs and consist principally of depreciation, amortization and the allowance for losses.

(d) Property and equipment

Property and equipment are stated at cost. The Company calculates depreciation and amortization on a straight-line basis at the following rates, which are estimated to fully depreciate the cost over the estimated useful lives of the following principal assets: computer hardware and software - 5 years; furniture and fixtures - 8 years; leasehold improvements - 8 years and equipment - 5 years.

Cost and accumulated depreciation or amortization are removed from the accounts at the time of disposal. Any resulting gain or loss is included in net earnings of the current period.

(e) Other assets

Other assets consist of (1) intangibles recognized in the acquisition of subsidiaries which are being amortized on a straight-line basis over 25 years, (2) debt financing costs which are amortized on a straight-line basis over the terms of the respective debt issues, and (3) deferred development costs relating to the external costs of designing and developing computer systems which are amortized on a straight-line basis over 5 years.

(f) Deferred insurance commissions

The entire amount of insurance commissions received from carriers is deferred and credited to earnings over the life of the related insurance contracts on a basis consistent with the premium recognition method as described in (h) on the following page.

Notes to Consolidated Financial Statements

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(g) Foreign Exchange

Assets and liabilities denominated in foreign currency have been translated at the closing year-end rates. Income and expense accounts have been translated at the average rates prevailing during the respective years. The resulting gain or loss from translation has been reflected in earnings.

(h) Insurance subsidiary

The following are the significant accounting policies followed by the Company's insurance subsidiary for purposes of these consolidated financial statements:

(i) Unearned premiums

Unearned insurance premiums represent the portion of premiums written which is determined to be unearned on the year-end dates. These unearned premiums are taken into earnings over the life of the policies on a straight-line basis.

(ii) Deferred policy acquisition expenses and prepaid campaign expenses

Certain costs of acquiring new business, principally commissions, campaign expenses and premium taxes, are deferred and charged to expense in the same manner as the premiums are taken into earnings.

(iii) Provisions for outstanding claims

Provisions are made for losses and adjustment expenses, as claims are reported, based on estimates of the probable ultimate liability, and are adjusted for subsequent developments. Provisions are also made for estimated losses incurred but not reported. The provisions are net of estimated reinsurance recoverable.

(iv) Investments

Investments are carried at cost except where it is estimated that there has been a decline that is other than temporary in the underlying market value in which case the carrying value is written down.

NOTE 2: RECEIVABLES

Thousands of dollars, December 31,	1992	1991
Consumer loans	$ 451,923	$ 492,954
Real estate loans	355,647	390,788
Sales finance	253,914	229,209
Other loans	1,380	4,333
	$1,062,864	$ 1,117,284

The terms of the Company's receivables generally require repayment in equal monthly instalments. The maximum term over which consumer loan accounts are written is 60 months. However, approximately 97 percent of the dollar amount of consumer loan accounts are written with terms of 48 months or less.

Real estate loans are written for amortization periods of up to 25 years, however, substantially all of these loans have a term of, or are callable by the Company after, not more than 5 years.

Sales finance includes retail instalment contracts with average written terms of 4 months and revolving charge accounts.

Notes to Consolidated Financial Statements
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NOTE 3: INVESTMENTS AT COST

Thousands of dollars, December 31,	1992	1991
Short-term notes	$ 3,106	$ 2,904
Bonds (market value: $25,379 in 1992 and 21,615 in 1991)	24,482	20,369
Stocks (market value: $4,511 in 1992 and $5,234 in 1991)	3,806	4,847
Mortgages	16	24
	$ 31,410	$ 28,144

The insurance subsidiary has investments of $30,210,000 and $27,045,000 at December 31, 1992 and 1991, respectively. These investments are subject to government regulation which controls the type of investments permitted, and are not interchangeable with other assets of the Company.

NOTE 4: FIXED ASSETS

Thousands of dollars, December 31,	1992			1991
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	$ 11,933	$ 6,332	$ 5,601	$ 6,664
Furniture and fixtures	11,261	4,069	7,192	5,842
Leasehold improvements	4,359	1,463	2,896	2,645
Equipment	2,075	792	1,283	1,357
	$ 29,628	$ 12,656	$ 16,972	$ 16,508

NOTE 5: INTEREST RATE EXCHANGE AGREEMENTS

The Company has entered into interest rate exchange agreements which have the effect of fixing the rate on $26,640,000 of variable rate short-term debt. An agreement for $15,000,000 at 10.50% expires April 30, 1993 and an agreement for $11,640,000 at 10.75% expires February 22, 1996. At December 31, 1992 the weighted average of the fixed rates exceeded the floating rate by approximately 2.47%.

NOTE 6: LONG-TERM DEBT

Thousands of dollars, December 31,	1992	1991
8.850% notes due December 1994	1,500	1,500
9.250% notes due October 1994	2,000	2,000
9.300% notes due October 1994	5,000	5,000
9.700% notes due October 1996	8,000	8,000
10.000% notes due February 1993	1,000	1,000
10.000% notes due March 1993	3,600	3,600
10.000% notes due October 1995	3,000	3,000
10.125% notes due February 1993	5,000	5,000
10.125% notes due March 1993	10,000	10,000
10.200% notes due March 1993	3,000	3,000
10.250% notes		75,000
10.450% notes due September 1996	5,000	5,000
10.500% notes due June 1994	10,000	10,000
10.625% notes due June 1994	1,000	1,000
10.650% notes due June 1994	5,000	5,000
10.650% notes due August 1996	3,000	3,000
10.750% notes due March 1996	1,000	1,000
10.800% notes due September 1993	5,000	5,000
10.875% notes due May 1994	12,000	12,000
10.950% notes due February 1994	1,000	1,000
11.000% notes due January 1993	100,000	100,000
11.000% notes due August 1993	75,000	75,000
11.000% notes due May 1994	75,000	75,000
11.050% notes due September 1993	1,800	1,800
11.050% notes due October 1993	1,500	1,500
11.250% notes due December 1993	2,500	2,500
11.380% notes due September 1993	1,000	1,000
11.625% notes		75,000
11.850% notes due January 1996	100,000	100,000
12.375% notes due July 1995	75,000	75,000
12.625% notes due May 1995	3,000	3,000
12.650% notes due December 1994	5,000	5,000
12.750% notes due May 1995	5,000	5,000
12.850% notes due May 1995	12,000	12,000
Total long-term debt	$ 541,900	$ 691,900

Long-term debt is Senior debt and is unconditionally guaranteed by Avco Financial Services, Inc.

The maturities of long-term debt for the five years subsequent to December 31, 1992 and thereafter are as follows: 1993 - $209,400,000; 1994 - $117,500,000; 1995 - $98,000,000; and 1996 - $117,000,000.

Notes to Consolidated Financial Statements

Cont'd

NOTE 7: SHAREHOLDERS' EQUITY

Thousands of dollars, December 31,	1992	1991
Common share capital		
Authorized - 2,000,000 shares		
Issued - December 31, 1992 and 1991		
1,670,382 3/4 shares	$ 16,788	$ 16,788

Avco Financial Services, Inc., a United States company, owns in excess of 99.9% of the issued common shares. The ultimate parent company is Textron Inc., a United States company.

Rules prescribed by the Office of the Superintendent of Financial Institutions Canada with respect to capital requirements for the Company's insurance subsidiary and certain provisions of the Insurance Companies Act (Canada) have the effect of restricting the amount of dividends which the subsidiary is permitted to pay in any year. Retained earnings at December 31, 1992 and 1991 includes the accumulated net earnings of the insurance subsidiary of $11,584,000 and $8,898,000, respectively.

NOTE 8: OPERATING LEASE COMMITMENTS

At December 31, 1992 minimum annual rentals relating to leases on executive and branch offices and vehicles are as follows: 1993 - $5,133,000; 1994 - $3,882,000; 1995 - $2,824,000; 1996 - $1,750,000; 1997 - $942,000; and thereafter - $839,000. Rent expense charged to earnings for the years ended December 31, 1992 and 1991 for these leases amounted to $7,565,000 and $7,422,000, respectively.

Notes to Consolidated Financial Statements

Cont'd

NOTE 9: OPERATIONS BY INDUSTRY SEGMENT

The following is a summary of revenues, operating profit and identifiable assets by industry segment.

Thousands of dollars, year ended December 31,	1992	1991
Revenues		
Financial Services	$ 237,689	$ 255,994
Insurance Services	21,144	17,161
Total	$ 258,833	$ 273,155
Operating profit		
Financial Services	$ 26,811	$ 36,305
Insurance Services	4,407	3,418
Total	$ 31,218	$ 39,723
Identifiable assets		
Financial Services	$ 1,086,565	$ 1,137,782
Insurance Services	37,805	34,029
Intercompany eliminations	(4,070)	(4,049)
Total	$ 1,120,300	$ 1,167,762

Operating profit by industry segment represents earnings before income taxes.

NOTE 10: SUPPLEMENTAL INFORMATION

Amounts paid for administrative services to the parent company deducted in arriving at net earnings for the years ended December 31, 1992 and 1991 amounted to $4,043,000 and $2,836,000 respectively.

In order to focus on its core consumer finance and related insurance business, the Company is contemplating the sale of its insurance operations not related to its finance business, which represented less than 10% of consolidated total assets and consolidated earnings of the Company at and for the year ended December 31, 1992. Although the structure of any such sale has not yet been determined, any such sale will not have a material effect on the financial condition or results of operations of the Company.

Banks Extending Lines of Credit

Bank of Montreal - Toronto, Ontario
The Bank of Nova Scotia - Toronto, Ontario
Canadian Imperial Bank of Commerce - London, Ontario
Royal Bank of Canada - Toronto, Ontario
Toronto Dominion Bank - London, Ontario
National Westminster Bank of Canada - Toronto, Ontario
Dresdner Bank - Los Angeles, California

Commercial Paper

Avco Financial Services Canada Limited is a direct issuer of commercial paper. Short-term notes may be purchased on any business day and are available to investors on either a discount or interest bearing basis in minimum denominations of $100,000 for terms of 1 to 365 days. All commercial paper is senior debt of the Company and is unconditionally guaranteed by Avco Financial Services, Inc. Same day delivery can be made to investors through an issuing agent bank in Montreal, New York, Toronto, London, Winnipeg, Regina, Saskatoon, Calgary, Edmonton and Vancouver. For rates and information please contact the Company's Treasury Department office. Toronto area: 1-800-265-7953; Toronto direct line: 364-4773; and London (collect); 519-672-4220.

CREDIT AGENCY RATINGS:	Commercial Paper	Long-term Debt
Dominion Bond Rating Service	R-1	A
Canadian Bond Rating Service	A-1	A

Senior Officers and Directors

AVCO FINANCIAL SERVICES
CANADA LIMITED

* Member of the Audit Committee

L.R. Guest
Vice President, General Counsel, Secretary and Director

J.G. Morency *
Director (Partner, Martineau, Walker), (Partner, Fasken, Martineau)

J.F. Robinson, F.C.A. *
Director (President, XYLAN Inc.)

E.R. Schutt, Jr. *
Director, and Executive Vice President International Finance Operations Avco Financial Services, Inc.

A.J. Smith-Windsor
Senior Vice President, General Manager of London and Midland General Insurance Company and Director

R. Bukow
Vice President and Treasurer

R.J. Columbus
Vice President

W.H.S. Cox
Vice President

G. Daicoff
Vice President

S.G. Furlonger
Vice President

L.A. Innanen
Vice President and Controller

A. Labelle, Jr.
Vice President

J.P. Low
Vice President

A.W. Miles
Vice President (Insurance)

J.N. Moore
Vice President

D.A. Morrison
Executive Vice President

K.J. Parker
Vice President

D.E. Scott
Vice President

J.A. Towse
Vice President

H.A. Vanden Heuvel
Vice President (Insurance)