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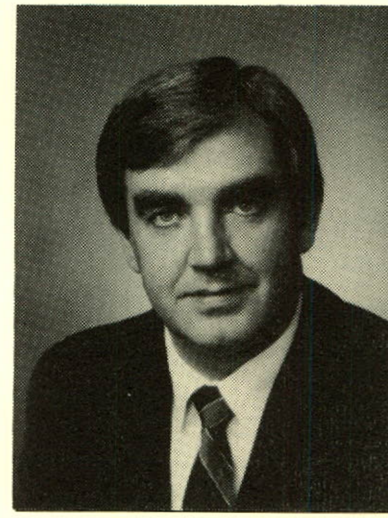
# 1986 ANNUAL REPORT

# AVCO FINANCIAL SERVICES CANADA LIMITED

# THE PRESIDENT'S MESSAGE



**W. A. Barrett**
**President**

1986 was another outstanding year for Avco Financial Services Canada Limited.

We experienced strong growth in our primary product lines resulting in a receivable gain of $84 million, which represents a 13.5% increase over our 1985 base. Revenues climbed to a record level of $158 million and net earnings improved by 24% over 1985, rising to $17 million for a 2.3% Return on Assets.

As our culture continues to evolve in 1987, we will focus on four basic corporate values:

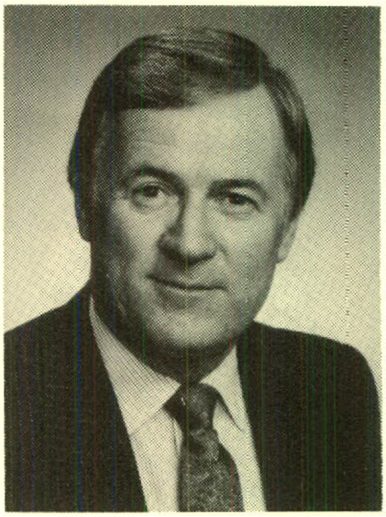
1. Total commitment and effort
2. Outstanding service to the customer
3. Respect for each other as employees
4. Attractive returns to our shareholders

I know if we conduct business on a day-to-day basis demonstrating behaviours that support these four values we will achieve the highest level of excellence within our industry.

There is no alternative to excellence in the fiercely competitive world of financial services. Customers' expectations are higher than they have ever been before. We must strive not simply to meet those expectations, we must exceed them.

At the core of our success is an enthusiastic and dedicated group of employees. It takes a tremendous amount of human energy to produce the kinds of results we have achieved over the past few years. I thank each and everyone of them for the individual contributions they have made. We enter 1987 with great momentum. We are confident that it will be another extremely successful year.

# SENIOR VICE PRESIDENT - OPERATIONS AND QUALITY



**D.A. Morrison**
**Senior Vice President**

In 1986 we surpassed all of our operational goals and finished the year with the strongest quarter of growth in the Company's history.

During the year, our premier product, the consumer loan, grew $46 million, a 16% increase over 1985. We have registered 43 consecutive months of growth in this portfolio. Our Retail Sales base grew 48% or $42 million and the Real Estate base basically held even.

The quality of our lending is supported by the fact that we are currently experiencing record low net losses: 1.19% in 1986.

Volume continues to rise sharply and once again, we are beginning to expand our branch network. Between the middle of 1986 and the end of 1987 we have scheduled 20 new branch openings which will increase our branch base - including specialty branches - to 258. High potential markets have already been identified for further expansion throughout the 1980's.

1986 was a year we dedicated to our Quality Improvement Process. Our employees responded through their Quality Teams by generating ideas and recommendations worth $2 million in projected cost-savings. Innovation has become a way of life within our organization.

We are truly excited about the future. We take great pride in the performance of our people and in turn, the extraordinary results they have achieved.

Don Morrison

# CONSOLIDATED HIGHLIGHTS

For the Five Years Ended

| *Thousands of dollars* | December 31<br>**1986** | November 30<br>1985 | 1984 | 1983 | 1982 |
|---|---|---|---|---|---|
| **NET EARNINGS** | | | | | |
| Earnings from operations, after taxes | **$ 18,454** | $ 15,042 | $ 9,254 | $ 9,530 | $ 8,752 |
| Loss on foreign exchange, after taxes | **1,503** | 1,418 | 253 | 1,431 | 2,183 |
| Net earnings | **$ 16,951** | $ 13,624 | $ 9,001 | $ 8,099 | $ 6,569 |
| **RECEIVABLES OUTSTANDING** | | | | | |
| Consumer loans | **$327,928** | $281,979 | $230,676 | $188,704 | $190,881 |
| Real estate | **245,464** | 249,806 | 341,860 | 389,280 | 374,331 |
| Sales finance | **130,150** | 88,077 | 63,260 | 30,850 | 15,699 |
| Other receivables | **4,814** | 4,426 | 10,301 | 12,318 | 12,626 |
| Total | **$708,356** | $624,288 | $646,097 | $621,152 | $593,537 |
| **VOLUME OF BUSINESS** | | | | | |
| Consumer loans | **$224,116** | $187,714 | $156,397 | $116,872 | $ 58,638 |
| Real estate | **93,981** | 80,212 | 107,915 | 168,419 | 173,282 |
| Sales finance | **250,416** | 184,852 | 138,098 | 42,355 | 10,481 |
| Other receivables | **1,882** | 1,212 | 10,110 | 5,566 | 6,335 |
| Total | **$570,395** | $453,990 | $412,520 | $333,212 | $248,736 |
| **NUMBER OF BRANCH OFFICES** | **231** | 226 | 235 | 237 | 241 |
| **OTHER SIGNIFICANT DATA** | | | | | |
| Shareholders' equity | **$102,508** | $140,890 | $169,180 | $161,173 | $154,255 |
| Total lines of credit | **$146,098** | $135,000 | $105,000 | $115,000 | $140,000 |
| Commercial paper coverage | **101%** | 107% | 154% | 222% | 227% |
| Average cost of borrowed funds | **10.96%** | 11.43% | 11.54% | 10.54% | 11.93% |
| Allowance for losses as a percentage of net receivables outstanding | **3.97%** | 4.31% | 4.38% | 4.16% | 4.84% |
| Net credit losses as a percentage of average net receivables outstanding | **1.19%** | 1.89% | 1.59% | 3.24% | 2.44% |
| Other operating expenses as a percentage of revenues | **34.05%** | 33.96% | 34.71% | 34.30% | 32.98% |

# AUDITORS' REPORT

The Shareholders,
Avco Financial Services Canada Limited

We have examined the consolidated statement of financial position of Avco Financial Services Canada Limited as at December 31, 1986 and the consolidated statements of earnings, shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1986 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.

Arthur Young, Clarkson, Gordon & Co.

Chartered Accountants

London, Canada
February 12, 1987

# CONSOLIDATED FINANCIAL POSITION

| *Thousands of dollars, December 31,* | 1986 | 1985 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 5,586 | $ 3,595 |
| Receivables (less unearned charges: $9,343 in 1986 and $7,593 in 1985) (note 2) | 708,356 | 624,288 |
| Allowance for losses | (28,154) | (26,913) |
| | 680,202 | 597,375 |
| Investments (note 3) | 29,645 | 33,993 |
| Prepaid expenses and other receivables | 13,102 | 18,567 |
| Deferred income taxes | 12,200 | 14,448 |
| Property and equipment, at cost (less accumulated depreciation and amortization: $15,098 in 1986 and $14,391 in 1985) | 2,817 | 2,669 |
| Unrealized loss on foreign exchange (less accumulated amortization: $16,505 in 1986 and $16,199 in 1985) | 7,439 | 11,513 |
| Other assets, net of amortization | 3,377 | 3,010 |
| **TOTAL ASSETS** | $754,368 | $685,170 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Short-term Note debt - unsecured - commercial paper | $144,604 | 125,980 |
| Accounts payable and accrued liabilities | 28,539 | 32,417 |
| Income taxes payable | 3,948 | 11,132 |
| Deferred insurance commissions | 2,116 | 3,014 |
| Insurance provisions and claims | | |
| Unearned premiums | 6,167 | 6,076 |
| Provision for outstanding claims | 4,409 | 4,120 |
| Long-term Note debt - unsecured (note 4) | 462,077 | 361,541 |
| Total liabilities | 651,860 | 544,280 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (note 5) | | |
| Preference | 563 | 574 |
| Common | 16,788 | 16,788 |
| Additional paid-in capital | 6,211 | 6,210 |
| Retained earnings | 78,946 | 117,318 |
| Total shareholders' equity | 102,508 | 140,890 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $754,368 | $685,170 |

See accompanying notes.

On behalf of the Board

**W.A. Barrett**
Director

**D.A. Morrison**
Director

# CONSOLIDATED EARNINGS

| *Thousands of dollars, year ended December 31,* | **1986** | 1985 |
|---|---|---|
| **REVENUES** | | |
| Interest, finance and service charges | **$147,839** | $141,031 |
| Insurance premiums | **4,606** | 5,853 |
| Investment income | **3,581** | 3,365 |
| Other revenues | **2,095** | 1,780 |
| Total revenues | **158,121** | 152,029 |
| **EXPENSES** | | |
| Interest and debt expense | | |
| Interest on long-term Note debt | **44,321** | 46,820 |
| Amortization of long-term Note debt financing costs | **874** | 1,155 |
| Interest on short-term Note debt | **10,138** | 7,345 |
| Total interest and debt expense | **55,333** | 55,320 |
| Provision for losses on collection of receivables, less recoveries | **8,902** | 10,827 |
| Insurance losses and adjustment expenses | **3,177** | 4,650 |
| Other operating expenses | **53,847** | 51,627 |
| Loss on foreign exchange | **3,106** | 2,841 |
| Total expenses | **124,365** | 125,265 |
| Earnings before income taxes | **33,756** | 26,764 |
| Income taxes | **16,805** | 13,140 |
| **NET EARNINGS** | **$ 16,951** | $13,624 |

See accompanying notes.

# CONSOLIDATED SHAREHOLDERS' EQUITY

| *Thousands of dollars, year ended December 31,* | | | **1986** | | | 1985 |
|---|---|---|---|---|---|---|
| | Preference shares | Common shares | Additional paid-in capital | Retained earnings | **Total** | Total |
| **Balance at beginning of year** | $ 574 | $ 16,788 | $ 6,210 | $117,318 | **$140,890** | $169,321 |
| Net earnings | | | | 16,951 | **16,951** | 13,624 |
| Preference share purchases and redemptions | (11) | | 1 | | **(10)** | (28) |
| Cash dividends paid on common shares | | | | (55,292) | **(55,292)** | (41,994) |
| Cash dividends paid on preference shares | | | | (31) | **(31)** | (33) |
| **Balance at end of year** | $ 563 | $ 16,788 | $ 6,211 | $ 78,946 | **$102,508** | $140,890 |

See accompanying notes.

# CHANGES IN CONSOLIDATED FINANCIAL POSITION

| *Thousands of dollars, year ended December 31,* | **1986** | 1985 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net earnings | **$ 16,951** | $ 13,624 |
| Items not requiring (providing) cash | | |
| Provision for losses on receivables | **13,240** | 14,430 |
| Decrease (increase) in unrealized loss on foreign exchange | **3,768** | (5,170) |
| Decrease (increase) in deferred income taxes | **2,248** | (3,612) |
| Depreciation and amortization of property and equipment and other assets | **1,709** | 2,037 |
| Amortization of unrealized loss on foreign exchange, net of realized loss | **306** | 3,980 |
| Increase (decrease) in provision for outstanding claims | **289** | (411) |
| Increase (decrease) in unearned insurance premiums | **91** | (141) |
| Loss on disposal of property and equipment | **20** | 227 |
| Decrease in deferred insurance commissions | **(898)** | (150) |
| Changes in non-cash operating accounts | **37,724** | 24,814 |
| Decrease in other assets | **4,169** | 10,478 |
| Increase (decrease) in accounts payable and accrued liabilities | **(3,878)** | 13,090 |
| Increase (decrease) in income taxes payable | **(7,184)** | 4,499 |
| | **30,831** | 52,881 |
| **FINANCING ACTIVITIES** | | |
| Proceeds from issuance of long-term Note debt | **112,756** | 50,000 |
| Increase in short-term Note debt | **18,624** | 53,060 |
| Purchases and redemptions of preference shares | **(10)** | (28) |
| Cash dividends on preference shares | **(31)** | (33) |
| Repayment of long-term Note debt | **(12,220)** | (64,254) |
| Cash dividend on common shares | **(55,292)** | (41,994) |
| Repayment of trust deposits | | (61,012) |
| | **63,827** | (64,261) |
| **INVESTING ACTIVITIES** | | |
| Additional funds advanced on receivables | **(570,395)** | (453,990) |
| Principal collections on receivables | **478,593** | 484,481 |
| Decrease (increase) in investments | **4,348** | (1,906) |
| Purchases of property and equipment (net) | **(948)** | (463) |
| Bulk purchases of receivables | **(4,265)** | (17,052) |
| | **(92,667)** | 11,070 |
| Net increase (decrease) in cash | **1,991** | (310) |
| Cash, beginning of year | **3,595** | 3,905 |
| Cash, end of year | **$ 5,586** | $ 3,595 |

See accompanying notes.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1986

## NOTE 1: SUMMARY OF ACCOUNTING POLICIES

The following represent the significant accounting policies not disclosed elsewhere in 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**

Finance and discount charges are recognized in revenues on the effective yield method. When charges are not included in the original face amount of the loan, the charges are recognized in revenues as collected. Unearned charges represent the portion of the finance charge or discount included in the original face amount of the related receivables which is determined to be unearned on the balance sheet date. The unearned charges are transferred to revenues on the accrual basis beginning in the month following acquisition.

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 no payment has been received for eight 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 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 methods used by the insurance carriers.

**(d) Deferred income taxes**

Income taxes are provided on the basis of accounting income which differs from taxable income on which income taxes are currently payable as a result of timing differences principally relating to interest income on interest bearing loans due but not yet collected and unrealized foreign exchange gains or losses. The resulting deferred tax debit is shown separately as an asset in the accompanying statement of consolidated financial position.

**(e) Foreign exchange**

Assets and liabilities denominated in foreign currency have been translated at the closing rates in effect at each year end. 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 except for the amounts relating to long-term Note debt in which case it is the Company's practice to defer the translation gain or loss and to provide for the amortization of such deferred amount annually on a straight-line basis over the remaining term of each instalment payment of related long-term Note debt outstanding. The resulting unamortized translation loss relating to long-term Note debt which has been deferred as a result of this practice is shown as an "unrealized loss on foreign exchange" in the accompanying statement of consolidated financial position.

At December 31, 1986 and 1985 assets of $2,259,000 and $1,731,000 respectively, and liabilities of $167,650,000 and $127,814,000 respectively, were represented by amounts to be settled in U.S. funds. The rates used at December 31, 1986 and 1985 were Can. $1 = U.S. $0.7241 and Can. $1 = U.S. $0.7153 respectively. For the years ended December 31, 1986 and 1985, U.S. dollar income and expense accounts have been translated at the average rate of Can. $1 = U.S. $0.7208 and Can. $1 = U.S. $0.7345 respectively.

At December 31, 1986 the Company had forward exchange contracts to purchase a total of U.S. $36,012,000 for Can. $50,000,000. These contracts mature at various dates to January 15, 1987. These forward exchange contracts are regarded as commitments and are not recorded in the accounts of the Company. Gains or losses arising on such contracts from changes in the foreign exchange rate are included in earnings for the year in which the foreign exchange rate changes.

**(f) Other Assets**

Other assets consist primarily of (1) intangibles recognized in the acquisition of subsidiaries (all prior to 1974) which are being amortized on a straight-line basis over 25 years, and (2) debt financing costs which are amortized on a straight-line basis over the terms of the respective debt issues.

**(g) 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 premiums represent the portion of premiums written which is determined to be unearned on the balance sheet date. These unearned premiums are taken into earnings over the life of the policies in the following manner: (1) for accident and sickness insurance in relationship to anticipated claims and (2) for property and casualty insurance on a straight-line basis.

**(ii) 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.

## NOTE 2: RECEIVABLES

| *Thousands of dollars, December 31,* | **1986** | 1985 |
|---|---|---|
| Consumer loans | **$327,928** | $281,979 |
| Real estate | **245,464** | 249,806 |
| Sales finance | **130,150** | 88,077 |
| Other | **4,814** | 4,426 |
| | **$708,356** | $624,288 |

The terms of the Company's receivables generally require repayment in equal monthly instalments. The maximum term over which consumer loans and sales finance accounts are written is 60 months. However, approximately 97 percent of the dollar amount of consumer loans and sales finance 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.

## NOTE 3: INVESTMENTS AT COST

| *Thousands of dollars, December 31,* | **1986** | 1985 |
|---|---|---|
| Short-term Notes | **$ 10,655** | $ 14,852 |
| Bonds (market value: $9,332 in 1986 and $11,100 in 1985) | **8,915** | 10,658 |
| Stocks (market value: $11,035 in 1986 and $9,673 in 1985) | **9,873** | 8,018 |
| Mortgages | **202** | 465 |
| | **$ 29,645** | $ 33,993 |

## NOTE 4: GUARANTEED LONG-TERM NOTE DEBT

| *Thousands of dollars, December 31,* | **1986** | 1985 |
|---|---|---|
| Due in Canadian Funds | | |
| 9½% Notes payable maturing March 1993 (a) | **$ 908** | $ 956 |
| 10⅛% Notes payable $3,000 annually, maturing May 1993 | **21,000** | 24,000 |
| 10¾% Notes payable maturing April 1991 | **60,000** | |
| 10⅞% Notes payable maturing January 1989 | **3,000** | |
| 11¾% Note payable maturing November 1988 | **500** | 500 |
| 12% Note payable maturing January 1989 | **5,000** | 5,000 |
| 12% Notes payable maturing May 1990 | **50,000** | 50,000 |
| 12⅛% Notes payable maturing July 1987 | **3,000** | 3,000 |
| 12¼% Notes payable maturing February 1989 | **7,500** | 7,500 |
| 12³⁄₁₀% Notes payable maturing January 1989 | **2,000** | 2,000 |
| 12¾% Note payable maturing April 1987 | **1,000** | 1,000 |
| 12¾% Notes payable maturing May 1987 | **15,975** | 15,975 |
| 13% Notes payable maturing April 1987 | **10,000** | 10,000 |
| 13% Notes payable maturing May 1987 | **5,000** | 5,000 |
| 13% Notes payable maturing February 1988 | **50,000** | 50,000 |
| 13% Notes payable maturing September 1988 | **2,090** | 2,090 |
| 13% Notes payable maturing February 1989 | **8,000** | 8,000 |
| 13% Notes payable maturing November 1989 | **50,000** | 50,000 |
| Total due in Canadian funds | **294,973** | 235,021 |
| Due in U.S. funds (See note 1 (e)) | | |
| 8⅜% Notes payable U.S. $3,000 annually, maturing June 1992 (U.S. $20,000) | **27,620** | 32,154 |
| 9¾% Notes payable U.S. $2,500 annually, maturing June 1992 (U.S. $15,000) | **20,716** | 24,465 |
| Floating Rate Notes maturing December 1991 (U.S. $86,000) (b) | **118,768** | 69,901 |
| Total due in U.S. funds (U.S. $121,000 and U.S. $90,500, respectively) | **167,104** | 126,520 |
| Total long-term Note debt | **$462,077** | $361,541 |

(a) Subject to purchase fund agreement.

(b) Held by a subsidiary of Avco Financial Services, Inc. and bearing interest at 1¼% above the latter Company's cost of commercial paper borrowings in the United States. Interest of $302,000 has been accrued and is outstanding.

The maturities, sinking fund and maximum purchase fund payments on long-term Note debt for the five years subsequent to December 31, 1986 and thereafter are as follows: 1987 - $45,616,000; 1988 - $63,231,000; 1989 - $86,141,000; 1990 - $60,641,000; 1991 - $189,409,000; 1992 and thereafter - $17,039,000.

## NOTE 5: SHARE CAPITAL

| *Thousands of dollars, December 31,* | **1986** | 1985 |
|---|---|---|
| Preference shares | | |
| 5½ cumulative voting Class A preference shares redeemable at $100 per share | | |
| Authorized and issued | | |
| December 31, 1986 – 5,631 shares (1985 – 5,741 shares) | **$ 563** | $ 574 |
| Common shares | | |
| Authorized – 2,000,000 shares | | |
| Issued – | | |
| December 31, 1986 and 1985 – 1,670,382 ¾ shares | **$ 16,788** | $ 16,788 |

During the year the Company purchased for cancellation 110 Class A preference shares for $10,450 cash. The difference between the stated value of the preference shares purchased of $11,000 and the cash paid in respect thereof has been credited to additional paid-in capital.

It is the Company's intention to redeem the remaining 5,631 Class A preference shares effective May 15, 1987.

Avco Financial Services, Inc., a United States company, owns 76.1% of the Class A preference shares and in excess of 99.9% of the issued common shares. The ultimate parent company is Textron Inc., a United States company.

## NOTE 6: LEASE COMMITMENTS

The Company's executive office is occupied under a long-term lease expiring in 1989 at an annual rental of approximately $400,000. The branch office locations are occupied under leases having terms generally not in excess of five years at annual rentals of approximately $2,473,000. Vehicles are leased over terms generally not in excess of three years at annual rentals of approximately $1,122,000.

The total net rental obligations at December 31, 1986 under all leases are as follows: 1987 – $3,995,000; 1988 – $3,433,000; 1989 – $2,154,000; 1990 – $978,000; 1991 and thereafter – $473,000. Rent expense charged to earnings for the years ended December 31, 1986 and 1985 amounted to $4,436,000 and $4,410,000 respectively.

## NOTE 7: SUPPLEMENTAL INFORMATION

Amount paid for administrative services (to the parent company) deducted in arriving at net earnings for the years ended December 31, 1986 and 1985 amounted to $840,000 and $875,000 respectively. Amounts received for administrative services (from certain affiliates) included in arriving at net earnings for the years ended December 31, 1986 and 1985 amounted to $298,000 and $316,000 respectively.

## NOTE 8: OPERATIONS BY INDUSTRY SEGMENT

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

| *Thousands of dollars, December 31,* | **1986** | 1985 |
|---|---|---|
| Revenues | | |
| Financial Services | **$151,212** | $144,277 |
| Insurance | **7,361** | 8,078 |
| Intercompany elimination | **(452)** | (326) |
| Total | **$158,121** | $152,029 |
| Operating profit | | |
| Financial Services | **$ 33,863** | $ 28,364 |
| Insurance | **2,999** | 1,241 |
| Total | **$ 36,862** | $ 29,605 |
| Identifiable assets | | |
| Financial Services | **$731,351** | $661,164 |
| Insurance | **25,338** | 22,212 |
| Intercompany elimination | **(2,321)** | (1,794) |
| Total | **$754,368** | $685,170 |

Operating profit by industry segment represents total revenues less operating expenses before losses on foreign exchange in the financial services section ($3,106,000 in 1986 and $2,841,000 in 1985) and income taxes. Capital expenditures and depreciation expenses were not material to the operation of the industry segments.

The insurance subsidiary's assets include investments of $23,616,000 and $19,994,000 at December 31, 1986 and 1985, 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.

Rules prescribed by the Department of Insurance with respect to capital requirements for the Company's insurance subsidiary and certain provisions of the Canadian and British 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, 1986 and 1985 includes the unremitted accumulated net earnings of the insurance subsidiary of $2,748,000 and $1,235,000, respectively.

## NOTE 9: STATEMENT OF CHANGES IN FINANCIAL POSITION

The Statement of Changes in Financial Position has been revised to conform with the Accounting Recommendations of the Canadian Institute of Chartered Accountants.

# SENIOR OFFICERS AND DIRECTORS

## AVCO FINANCIAL SERVICES CANADA LIMITED

+ W.A. Barrett: President and Director

+ G.B. Carmichael: Director (Partner, Ivey & Dowler, Barristers and Solicitors)

L.R. Guest: First Vice President, Secretary and Director

D.A. Morrison: Senior Vice President and Director

+ L.F. Stevens: Director (Financial Consultant)

A.J. Smith-Windsor: First Vice President (Vice President and General Manager of London and Midland General Insurance Company)

J.G. Comrie: Vice President and Treasurer

W.H.S. Cox: Vice President

J.G.F. Germond: Vice President

D.M. Hughes: Vice President

J.N. Moore: Vice President

M.G. Muir: Vice President

W.B. O'Dell: Vice President

D.J. Sadler: Vice President

H.A. Vanden Heuvel: Vice President and Controller

+ Member of the Audit Committee

## BANKS EXTENDING LINES OF CREDIT

Bank of Montreal - London, Ontario
The Bank of Nova Scotia - London, Ontario
Canadian Imperial Bank of Commerce - London, Ontario
The Royal Bank of Canada - London, Ontario
Toronto-Dominion Bank - London, Ontario
Banque Nationale de Paris (Canada) - Toronto, Ontario
The Chase Manhattan Bank of Canada - Toronto, Ontario
Citibank Canada - Toronto, Canada
Continental Illinois National Bank - Chicago, Illinois
First National Bank of Chicago - Chicago, Illinois

## 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, Calgary, Edmonton and Vancouver. For rates and information please contact the Company's Treasury Department office. Toronto area 1-800-265-7953, direct line Toronto 364-4773 or (collect), London 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 |

Printed in Canada