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1984 ANNUAL REPORT

# AVCO FINANCIAL SERVICES CANADA LIMITED

# CONSOLIDATED HIGHLIGHTS

For the Five Years Ended November 30, 1984

| *Thousands of dollars, November 30,* | 1984 | 1983 | 1982 | 1981 | 1980 |
|---|---|---|---|---|---|
| **NET EARNINGS** | | | | | |
| Earnings from operations, after taxes | $ 9,254 | $ 9,530 | $ 9,468 | $ 7,499 | $ 8,085 |
| Gain (loss) on foreign exchange, after taxes | (253) | (1,431) | (2,183) | (455) | 631 |
| Net earnings | $ 9,001 | $ 8,099 | $ 7,285 | $ 7,044 | $ 8,716 |
| **RECEIVABLES OUTSTANDING** | | | | | |
| Consumer loans | $564,785 | $545,707 | $539,876 | $532,548 | $515,693 |
| Sales finance | 63,260 | 30,850 | 15,699 | 46,873 | 61,816 |
| Commercial and wholesale | 18,052 | 44,595 | 37,962 | 21,413 | 9,363 |
| Total | $646,097 | $621,152 | $593,537 | $600,834 | $586,872 |
| **VOLUME OF BUSINESS** | | | | | |
| Consumer loans | $263,731 | $259,519 | $212,273 | $236,967 | $214,521 |
| Sales finance | 138,098 | 42,355 | 10,481 | 73,928 | 110,092 |
| Commercial and wholesale | 10,691 | 31,338 | 25,982 | 20,562 | 11,138 |
| Total | $412,520 | $333,212 | $248,736 | $331,457 | $335,751 |
| **NUMBER OF BRANCH OFFICES** | 235 | 237 | 241 | 267 | 323 |
| **OTHER SIGNIFICANT DATA** | | | | | |
| Shareholders' equity | $169,896 | $161,889 | $154,971 | $148,943 | $143,162 |
| Total lines of credit | $105,000 | $115,000 | $140,000 | $168,535 | $134,031 |
| Commercial paper coverage | 154% | 222% | 227% | 108% | 105% |
| Average cost of borrowed funds | 11.54% | 10.54% | 11.93% | 12.33% | 10.71% |
| Allowance for losses as a percentage of net receivables outstanding | 4.38% | 4.16% | 4.84% | 4.96% | 4.78% |
| Net credit losses as a percentage of average net receivables outstanding | 1.59% | 3.24% | 2.44% | 2.71% | 2.83% |
| Other operating expenses as a percentage of revenues | 34.71% | 34.30% | 32.98% | 35.03% | 36.45% |

# 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 November 30, 1984 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 November 30, 1984 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
January 14, 1985

# CONSOLIDATED FINANCIAL POSITION

| *Thousands of dollars, November 30,* | 1984 | 1983 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 2,542 | $ 4,487 |
| Receivables (less unearned charges: $7,267 in 1984 and $5,526 in 1983) (note 2) | 646,097 | 621,152 |
| Allowance for losses | (28,296) | (25,842) |
| | 617,801 | 595,310 |
| Investments (note 4) | 35,522 | 27,796 |
| Prepaid expenses and other receivables (note 9) | 31,459 | 26,469 |
| Deferred income taxes | 9,337 | 7,507 |
| Property and equipment, at cost (less accumulated depreciation and amortization: $13,953 in 1984 and $13,203 in 1983) | 3,356 | 3,408 |
| Unrealized loss on foreign exchange (less accumulated amortization: $11,641 in 1984 and $8,767 in 1983) | 11,288 | 7,407 |
| Other assets, net of amortization | 3,450 | 4,147 |
| **TOTAL ASSETS** | $714,755 | $676,531 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Trust deposits | $ 61,063 | $ 49,399 |
| Short-term Note debt — unsecured — commercial paper | 68,119 | 51,782 |
| Accounts payable and accrued liabilities | 20,260 | 23,642 |
| Income taxes payable | 5,393 | 2,691 |
| Deferred insurance commissions | 3,194 | 1,826 |
| Insurance provisions and claims | | |
| Unearned premiums | 6,115 | 5,261 |
| Provision for outstanding claims | 4,533 | 3,483 |
| Long-term Note debt — unsecured (note 3) | 376,182 | 376,558 |
| Total liabilities | 544,859 | 514,642 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (note 5) | | |
| Preference | 603 | 629 |
| Common | 16,788 | 16,788 |
| Additional paid-in capital | 6,209 | 6,208 |
| Retained earnings (note 7) | 146,296 | 138,264 |
| Total shareholders' equity | 169,896 | 161,889 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $714,755 | $676,531 |

See accompanying notes.

On behalf of the Board

**W.A. Barrett**
Director

**L.R. Guest**
Director

## CONSOLIDATED EARNINGS

| *Thousands of dollars, year ended November 30,* | 1984 | 1983 |
|---|---|---|
| **REVENUES** | | |
| Interest, finance and service charges | $129,485 | $122,704 |
| Insurance premiums | 11,701 | 7,061 |
| Investment income | 2,984 | 2,070 |
| Other revenues | 1,222 | 1,055 |
| Total revenues | 145,392 | 132,890 |
| **EXPENSES** | | |
| Interest and debt expense | | |
| Interest on long-term Note debt | 48,047 | 38,379 |
| Amortization of long-term Note debt financing costs | 759 | 716 |
| Interest on short-term Note debt | 8,053 | 8,726 |
| Total interest and debt expense | 56,859 | 47,821 |
| Provision for losses on collection of receivables, less recoveries | 12,715 | 16,450 |
| Insurance losses and adjustment expenses | 7,195 | 3,824 |
| Other operating expenses | 50,463 | 45,578 |
| Loss on foreign exchange | 510 | 2,940 |
| Total expenses | 127,742 | 116,613 |
| Earnings before income taxes | 17,650 | 16,277 |
| Income taxes | 8,649 | 8,178 |
| **NET EARNINGS** | $ 9,001 | $ 8,099 |

See accompanying notes.

## CONSOLIDATED SHAREHOLDERS' EQUITY

| *Thousands of dollars, year ended November 30,* | 1984 | | | | | 1983 |
|---|---|---|---|---|---|---|
| | Preference shares | Common shares | Additional paid-in capital | Retained earnings | Total | Total |
| **Balance at beginning of year** | $ 629 | $ 16,788 | $ 6,208 | $138,264 | $161,889 | $154,971 |
| Net earnings | | | | 9,001 | 9,001 | 8,099 |
| Preference share purchases and redemptions | (26) | | 1 | | (25) | (200) |
| Cash dividends paid on common shares | | | | (935) | (935) | (935) |
| Cash dividends paid on preference shares | | | | (34) | (34) | (46) |
| **Balance at end of year** | $ 603 | $ 16,788 | $ 6,209 | $146,296 | $169,896 | $161,889 |

See accompanying notes.

# CHANGES IN CONSOLIDATED FINANCIAL POSITION

| *Thousands of dollars, year ended November 30,* | 1984 | 1983 |
|---|---|---|
| **SOURCES OF FUNDS** | | |
| From operations | | |
| Net earnings | $ 9,001 | $ 8,099 |
| Provision for losses on receivables | 16,632 | 20,560 |
| Amortization of unrealized loss on foreign exchange | 4,682 | 2,956 |
| Increase (decrease) in income taxes payable | 2,702 | (177) |
| Depreciation and amortization of property and equipment and other assets | 1,603 | 1,677 |
| Increase in deferred insurance commissions | 1,368 | 415 |
| Increase in provision for outstanding claims | 1,050 | 264 |
| Increase in unearned insurance premiums | 854 | 865 |
| Loss on disposal of property and equipment | 31 | 27 |
| Decrease (increase) in deferred income taxes | (1,830) | 828 |
| Increase (decrease) in accounts payable and accrued liabilities | (3,382) | 1,158 |
| Total from operations | 32,711 | 36,672 |
| Collections on receivables (excluding finance charges included in net earnings) | 373,648 | 285,816 |
| Proceeds from issuance of long-term Note debt | 57,484 | 63,577 |
| Increase (decrease) in short-term Note debt | 16,337 | (13,445) |
| Increase in trust deposits | 11,664 | 42,612 |
| Decrease in cash | 1,945 | 1,035 |
| Total | $493,789 | $416,267 |
| **USES OF FUNDS** | | |
| New funds advanced on receivables | $412,520 | $333,212 |
| Repayment of long term note debt | 57,860 | 60,824 |
| Increase (decrease) in unrealized loss on foreign exchange | 8,563 | (12) |
| Increase in investments | 7,726 | 4,746 |
| Other | 5,067 | 13,846 |
| Cash dividends on common shares | 935 | 935 |
| Increase in property and equipment (net) | 808 | 865 |
| Bulk purchases of receivables | 251 | 1,605 |
| Cash dividends on preference shares | 34 | 46 |
| Preference share purchases and redemptions | 25 | 200 |
| Total | $493,789 | $416,267 |

See accompanying notes.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 1984

## 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 November 30, 1984 and 1983 assets of $794,000 and $379,000 respectively, and liabilities of $131,391,000 and $130,000,000 respectively, were represented by amounts to be settled in U.S. funds. The rates used at November 30, 1984 and 1983 were Can. $1 = U.S. $0.7553 and Can. $1 = U.S. $0.8074 respectively. For the years ended November 30, 1984 and 1983, U.S. dollar income and expense accounts have been translated at the average rate of Can. $1 = U.S. $0.7763 and Can. $1 = U.S. $0.8120 respectively.

At November 30, 1984 the Company had forward exchange contracts to purchase a total of U.S. $45,508,000 for Can. $60,000,000. These contracts mature at various dates to February 15, 1985. 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 not being amortized 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 accounts of the Company's insurance subsidiary for the year ended November 30, have been prepared for purposes of consolidation with those of the Company in accordance with generally accepted accounting principles but differ from those reported at its year end (December 31) with respect to reserves required by the Department of Insurance of Canada.

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, November 30,* | 1984 | 1983 |
|---|---|---|
| Consumer loans | $564,785 | $545,707 |
| Sales finance | 63,260 | 30,850 |
| Commercial and wholesale | 18,052 | 44,595 |
| | $646,097 | $621,152 |

The terms of the Company's receivables generally require repayment in equal monthly instalments. The maximum term over which consumer loans (excluding loans secured by real estate) and sales finance accounts are written is 60 months. However, approximately 94 percent of the dollar amount of consumer loans (excluding loans secured by real estate) and sales finance accounts are written with terms of 48 months or less.

Consumer loans secured by real estate are written for amortization periods of up to 25 years, however, substantially all of these loans are callable by the Company after not more than five years. Commercial loans are generally secured by real estate and are written with terms not exceeding three years. Wholesale loans are written for a term not exceeding one year.

## NOTE 3: GUARANTEED LONG-TERM NOTE DEBT

| *Thousands of dollars, November 30,* | 1984 | 1983 |
|---|---|---|
| Due in Canadian Funds | | |
| 9½% Notes payable maturing March 1993 (a)(b) | $ 19,515 | $20,321 |
| 9¾% Notes payable | | 28,935 |
| 10⅛% Notes payable $3,000 annually, maturing May 1993 | 27,000 | 30,000 |
| 10¼% Notes payable | | 8,000 |
| 10¼% Note payable maturing May 1986 | 25,000 | 25,000 |
| 10½% Note payable | | 10,000 |
| 10½% Notes payable maturing February 1985 | 12,000 | 12,000 |
| 10 7/10% Note payable maturing January 1985 | 3,000 | 3,000 |
| 11¾% Note payable maturing November 1988 | 500 | 500 |
| 11⅞% Note payable maturing May 1985 | 2,500 | |
| 12% Note payable maturing January 1989 | 5,000 | |
| 12⅛% Notes payable maturing July 1987 | 3,000 | 3,000 |
| 12¼% Notes payable maturing February 1989 | 7,500 | |
| 12 3/10% Notes payable maturing January 1989 | 2,000 | |
| 12¾% Note payable maturing April 1987 | 1,000 | |
| 12¾% Notes payable maturing May 1987 | 15,975 | |
| 13% Notes payable maturing April 1987 | 10,000 | |
| 13% Notes payable maturing May 1987 | 5,000 | |
| 13% Notes payable maturing February 1988 | 50,000 | 50,000 |
| 13% Note 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 | 249,080 | 250,846 |
| Due in U.S. funds (See note 1(e) ) | | |
| 8⅜% Notes payable U.S. $3,000 annually, maturing June 1992 (U.S. $26,000) | 34,424 | 35,918 |
| 9¾% Notes payable U.S. $2,500 annually, maturing June 1992 (U.S. $20,000) | 26,479 | 27,867 |
| Floating Rate Notes maturing December 1986 (U.S. $50,000) (c) | 66,199 | 61,927 |
| Total due in U.S. funds (U.S. $96,000 and U.S. $101,500, respectively) | 127,102 | 125,712 |
| Total long-term Note debt | $376,182 | $376,558 |

(a) Early maturity of $18,418,000 on March 1, 1985 has been elected.

(b) Subject to purchase fund agreements.

(c) Held by a subsidiary of Avco Financial Services, Inc. and bearing interest at 2% above the latter Company's cost of commercial paper borrowings in the United States. Interest of $1,772,000 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 November 30, 1984 and thereafter are as follows: 1985 – $46,200,000; 1986 – $35,337,000; 1987 – $111,510,000; 1988 – $62,927,000; 1989 – $82,837,000; 1990 and thereafter – $37,371,000.

## NOTE 4: INVESTMENTS AT COST

| *Thousands of dollars, November 30,* | 1984 | 1983 |
|---|---|---|
| Short-term Notes | $ 16,590 | $ 12,843 |
| Bonds (market value: $11,234 in 1984 and $6,838 in 1983) | 11,473 | 7,269 |
| Stocks (market value: $7,627 in 1984 and $7,723 in 1983) | 6,970 | 6,912 |
| Mortgages | 489 | 772 |
| | $ 35,522 | $ 27,796 |

## NOTE 5: SHARE CAPITAL

| *Thousands of dollars, November 30,* | 1984 | 1983 |
|---|---|---|
| Preference shares | | |
| 5½% cumulative voting Class A preference shares redeemable at $100 per share | | |
| Authorized and issued | | |
| 1984 – 6,028 shares (1983 – 6,293 shares) | $ 603 | $ 629 |
| Common shares | | |
| Authorized – 2,000,000 shares | | |
| Issued – 1984 and 1983 – 1,670,382¾ shares | $ 16,788 | $ 16,788 |

During the year the Company purchased for cancellation 265 Class A preference shares for $25,175 cash. The difference between the stated value of the preference shares purchased of $26,500 and the cash paid in respect thereof has been credited to additional paid-in capital.

Avco Financial Services, Inc., a United States company, owns 71.0% of the Class A preference shares and in excess of 99.9% of the issued common shares. The ultimate parent company is Avco Corporation, a United States company.

On December 2, 1984, Avco Corporation and Textron Inc. entered into a definitive merger agreement providing for the acquisition by Textron Inc. of all the outstanding common stock of Avco Corporation. On or about March 1, 1985 the merger will be effected and Avco Corporation will become a wholly owned subsidiary of Textron Inc.

## 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 $2,532,000. Vehicles are leased over terms generally not in excess of three years at annual rentals of approximately $909,000.

The total net rental obligations at November 30, 1984 under all leases are as follows: 1985 – $3,110,000; 1986 – $2,434,000; 1987 – $1,757,000; 1988 – $1,290,000; 1989 – $516,000; 1990 and thereafter – $28,000. Rent expense charged to earnings for the years ended November 30, 1984 and 1983 amounted to $4,263,000 and $3,795,000 respectively.

## NOTE 7: OPERATIONS BY INDUSTRY SEGMENT

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

| *Thousands of dollars, November 30,* | 1984 | 1983 |
|---|---|---|
| Revenues | | |
| Financial Services | $132,147 | $124,761 |
| Insurance | 13,534 | 8,342 |
| Intercompany elimination | (289) | (213) |
| Total | $145,392 | $132,890 |
| Operating profit | | |
| Financial Services | $ 16,785 | $ 17,561 |
| Insurance | 1,375 | 1,656 |
| Total | $ 18,160 | $ 19,217 |
| Identifiable assets | | |
| Financial Services | $685,307 | $650,637 |
| Insurance | 31,088 | 27,196 |
| Intercompany elimination | (1,640) | (1,302) |
| Total | $714,755 | $676,531 |

Operating profit by industry segment represents total revenues less operating expenses before losses on foreign exchange in the financial services section ($510,000 in 1984 and $2,940,000 in 1983) 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 $18,558,000 and $15,904,000 at November 30, 1984 and 1983, 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 November 30, 1984 and 1983 includes the unremitted accumulated net earnings of the insurance subsidiary of $8,394,000 and $8,449,000, respectively.

## NOTE 8: SUPPLEMENTAL INFORMATION

Amounts paid for administrative services (to the parent company) deducted in arriving at net earnings for the years ended November 30, 1984 and 1983 amounted to $975,000 and $1,304,000 respectively. Amounts received for administrative services (from certain affiliates) included in arriving at net earnings for the years ended November 30, 1984 and 1983 amounted to $407,000 and $571,000 respectively.

## NOTE 9: LITIGATION

Included in prepaid expenses and other receivables is $8,855,000 due from other insurance companies at November 30, 1984 representing funds advanced by the Company's insurance subsidiary, London and Midland General Insurance Company, to Park Lane Group Limited and to insureds to cover payment of claims under policies written in the name of London and Midland by Park Lane Group Limited for which reinsurers have refused to make payment under reinsurance agreements. It is estimated that London and Midland could be required to make further payments of up to $192,000 on such claims. In 1982 London and Midland commenced an action in Ontario against its reinsurers and a U.K. intermediary to recover amounts so advanced, plus interest and damages. Pleadings have been completed and examinations for discovery are continuing. One of the defendants, having 10% of the reinsurance, has counterclaimed for general damages of $5,000,000 and punitive damages of $5,000,000.

Also in 1982, a U.S. company to whom one of the reinsurers had retroceded a portion representing 50% of the total reinsurance referred to above, commenced an action in California against London and Midland, the intermediary and certain other parties for rescission of this retrocession agreement, restitution of net claims paid by it totalling $222,000 plus interest, and punitive damages of $2,000,000. This action is still at a preliminary stage of discovery with further depositions continuing.

The Company has not recorded in its accounts any interest on the above-noted advances. Such interest will be recorded as a prior period adjustment when received.

The Company's management is of the opinion, after consultation with its counsel, that London and Midland's action for the recovery of the amount of $8,855,000 included in prepaid expenses and other receivables, plus interest, will be successful.

If London and Midland's actions were to be unsuccessful, it would be entitled to a recovery of approximately $2,000,000 for premiums paid to the reinsurers. Any remaining loss would be treated as a prior period adjustment.

# SUPPLEMENTAL STATISTICAL DATA

*Thousands of dollars*, year ended November 30,*

| | Consumer Loans | | Sales Finance | | Commerical and Wholesale | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **1984** | **1983** | **1984** | **1983** | **1984** | **1983** | **1984** | **1983** |
| **VOLUME OF BUSINESS** | $263,731 | $259,519 | $138,098 | $ 42,355 | $ 10,691 | $ 31,338 | $412,520 | $333,212 |
| **AVERAGE ACCOUNT SIZE (VOLUME)** | $ 2,326 | $ 3,067 | $ 597 | $ 496 | $172,435 | $263,345 | $ 1,196 | $ 1,958 |
| **RECEIVABLES** | | | | | | | | |
| Precompute | $ 996 | $ 2,349 | $ 54,169 | $ 21,697 | $ 6,027 | $ 8,269 | $ 61,192 | $ 32,315 |
| Interest Bearing | 564,905 | 546,131 | 15,126 | 11,605 | 12,141 | 36,627 | 592,172 | 594,363 |
| | 565,901 | 548,480 | 69,295 | 33,302 | 18,168 | 44,896 | 653,364 | 626,678 |
| Unearned Charges | (1,116) | (2,773) | (6,035) | (2,452) | (116) | (301) | (7,267) | (5,526) |
| Net Receivables | $564,785 | $545,707 | $ 63,260 | $ 30,850 | $ 18,052 | $ 44,595 | 646,097 | 621,152 |
| Allowance for losses | | | | | | | (28,296) | (25,842) |
| | | | | | | | $617,801 | $595,310 |
| Allowance for losses as a percentage of net receivables | | | | | | | 4.38% | 4.16% |
| **NUMBER OF ACCOUNTS** | 124,797 | 113,791 | 103,184 | 51,342 | 91 | 172 | 228,072 | 165,305 |
| **AVERAGE BALANCE PER ACCOUNT** | $ 4,526 | $ 4,796 | $ 613 | $ 601 | $198,374 | $259,273 | $ 2,833 | $ 3,758 |
| **OTHER** | | | | | | | | |
| Average Net Receivables | $559,370 | $534,736 | $ 47,401 | $ 16,837 | $ 36,768 | $ 44,570 | $643,539 | $596,143 |
| Charge-offs | $ 12,978 | $ 17,186 | $ 529 | $ 943 | $ 671 | $ 5,324 | $ 14,178 | $ 23,453 |
| Recoveries | (3,581) | (3,763) | (297) | (363) | (39) | (22) | (3,917) | (4,148) |
| Net Losses | $ 9,397 | $ 13,423 | $ 232 | $ 580 | $ 632 | $ 5,302 | $ 10,261 | $ 19,305 |
| Net Credit Losses to Average Net Receivables | 1.68% | 2.51% | .49% | 3.44% | 1.72% | 11.90% | 1.59% | 3.24% |
| Recoveries to Charge-offs | 27.59% | 21.90% | 56.14% | 38.49% | 5.81% | .41% | 27.62% | 17.69% |

* Except for average account size, number of accounts outstanding and average balance per account.

## DELINQUENCY ANALYSIS

The following analysis represents (1) loans on which no payments of either principal or interest had been received within 60 days prior to November 30, 1984 and November 30, 1983 respectively (2) loans on which only interest, deferment, extension and/or default charges were received in the last 60 days of each year (3) loans on which the total amount received in the last 60 days of each year was less than 50 percent of the original contractual monthly payment (4) sales finance accounts on which one or more instalments were more than 60 days past due and (5) commercial and wholesale accounts on which one or more instalments were more than 60 days past due at those dates.

| | Amount | | Ratio to Gross Receivables Outstanding | |
|---|---|---|---|---|
| *Thousands of dollars, November 30,* | 1984 | 1983 | 1984 | 1983 |
| Consumer Loans | | | | |
| Past due | | | | |
| 60-89 days | $ 4,161 | $ 4,230 | .73% | .77% |
| 90-179 days | 5,015 | 5,660 | .89 | 1.03 |
| 180-269* days | 1,980 | 2,874 | .35 | .52 |
| Total | 11,156 | 12,764 | 1.97 | 2.32 |
| Interest only | 2,783 | 3,553 | .49 | .65 |
| Partial payment | 950 | 1,353 | .17 | .25 |
| Total | $ 14,889 | $ 17,670 | 2.63% | 3.22% |
| Sales Finance | | | | |
| 60 day accounts* | $ 560 | $ 598 | .81% | 1.80% |
| Commercial and Wholesale | | | | |
| 60 day accounts* | $ 1,689 | $ 604 | 13.91% | 1.65% |

* All accounts 270 days or more delinquent have been charged off.

## 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 Mercantile Bank of Canada - London, Ontario
National Bank of Canada - 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, Ontario

## 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 964-2245 or (collect), London 519-672-4220.

| Credit Agency Ratings: | Commercial Paper | Long Term Debt |
|---|---|---|
| Dominion Bond Rating Service | R-1 | A |
| Canada Bond Rating Service | A-1 | A |

# SENIOR OFFICERS AND DIRECTORS

**AVCO FINANCIAL SERVICES CANADA LIMITED**

H.W. Merryman: Director and Chairman of the Board (Chairman of the Board of Avco Financial Services, Inc.)

*† W.A. Barrett: President and Director

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

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

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

† L.F. Stevens: Director (Chairman of Dale-Ross Holdings Ltd.)

J.G. Comrie: Vice President and Treasurer

D.M. Hughes: Vice President

D.A. Morrison: Vice President

W.B. O'Dell: Vice President

A.L. Servant: Vice President

H.A. Vanden Heuvel: Vice President and Controller

W.W. Weis: Vice President

* Member of the Executive Committee

† Member of the Audit Committee

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