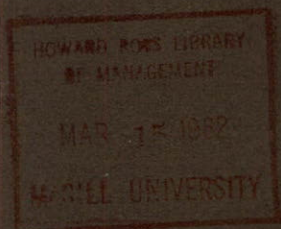


AVCO FINANCIAL SERVICES CANADA LIMITED



1981 ANNUAL REPORT



Consolidated Highlights

For the Five Years Ended November 30, 1981

	1981	1980	1979	1978	1977
	(thousands of dollars)				
NET EARNINGS					
Earnings from operations, after taxes.....	\$ 7,499	\$ 8,085	\$ 9,634	\$ 11,864	\$ 12,737
Gain (loss) on foreign exchange, after taxes	(455)	631	(2,114)	(2,528)	(1,461)
Net earnings.....	<u>\$ 7,044</u>	<u>\$ 8,716</u>	<u>\$ 7,520</u>	<u>\$ 9,336</u>	<u>\$ 11,276</u>
VOLUME OF BUSINESS					
Consumer loans.....	\$ 249,424	\$ 217,774	\$ 246,261	\$ 290,770	\$ 267,659
Sales finance accounts.....	82,033	117,977	114,751	96,867	72,341
Total.....	<u>\$ 331,457</u>	<u>\$ 335,751</u>	<u>\$ 361,012</u>	<u>\$ 387,637</u>	<u>\$ 340,000</u>
RECEIVABLES OUTSTANDING					
Consumer loans.....	\$ 547,143	\$ 519,929	\$ 518,286	\$ 524,162	\$ 501,679
Sales finance accounts.....	53,691	66,943	62,194	49,183	34,750
Total.....	<u>\$ 600,834</u>	<u>\$ 586,872</u>	<u>\$ 580,480</u>	<u>\$ 573,345</u>	<u>\$ 536,429</u>
NUMBER OF BRANCH OFFICES	<u>267</u>	<u>323</u>	<u>374</u>	<u>411</u>	<u>416</u>
OTHER SIGNIFICANT DATA					
Shareholders' equity	\$ 148,943	\$ 143,162	\$ 135,736	\$ 129,512	\$ 139,263
Total lines of credit.....	\$ 168,535	\$ 134,031	\$ 129,512	\$ 160,650	\$ 189,039
Commercial paper coverage	108%	105%	123%	120%	157%
Average cost of borrowed funds	12.33%	10.71%	10.16%	9.28%	8.91%
Allowance for losses as a percentage of net receivables outstanding	4.96%	4.78%	4.50%	4.50%	4.50%
Net credit losses as a percentage of average net receivables outstanding	2.61%	2.74%	2.43%	1.95%	2.45%
Other operating expenses as a percentage of revenues	35.49%	36.83%	37.46%	36.49%	36.17%

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, 1981 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, 1981 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.

London, Canada
January 18, 1982

Arthur Young, Clarkson, Gordon & Co.
Chartered Accountants.

Consolidated Financial Position

November 30, 1981 and 1980

	1981	1980
	(thousands of dollars)	
ASSETS		
Cash	\$ 996	\$ 5,166
Receivables (less unearned charges: \$3,949,000 in 1981 and \$7,805,000 in 1980) (note 2)	600,834	586,872
Allowance for losses	(29,809)	(28,027)
	<u>571,025</u>	<u>558,845</u>
Investments (note 3)	23,540	23,677
Prepaid expenses and other receivables	8,164	9,151
Deferred income taxes	7,517	2,654
Property and equipment, at cost (less accumulated depreciation and amortization: \$11,914,000 in 1981 and \$11,705,000 in 1980)	3,676	4,048
Unrealized loss on foreign exchange (less accumulated amortization: \$9,095,000 in 1981 and \$8,427,000 in 1980)	7,034	10,028
Other assets, net of amortization	3,553	4,959
Intangible assets recognized in acquisitions, without amortization	805	805
TOTAL ASSETS	<u>\$ 626,310</u>	<u>\$ 619,333</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term note debt—unsecured		
Commercial paper	\$ 139,515	\$ 121,203
Bank	12,400	
Total short-term note debt	<u>151,915</u>	<u>121,203</u>
Accounts payable and accrued liabilities	15,681	15,867
Income taxes payable	3,272	207
Deferred insurance commissions	1,588	597
Long-term note debt—unsecured (note 4)	295,435	326,869
Insurance provisions and claims		
Unearned premiums	6,197	7,720
Provision for outstanding claims	3,279	3,708
Total liabilities	<u>477,367</u>	<u>476,171</u>
 SHAREHOLDERS' EQUITY		
Share capital (note 5)		
Preference	1,054	1,271
Common	16,788	16,788
Additional paid-in capital	6,183	6,159
Retained earnings (note 7)	124,918	118,944
Total shareholders' equity	<u>148,943</u>	<u>143,162</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 626,310</u>	<u>\$ 619,333</u>

See accompanying notes.

On behalf of the Board

R. D. Brazeau
Director

L. R. Guest
Director

Consolidated Earnings

For the Years Ended November 30, 1981 and 1980

	1981	1980
	(thousands of dollars)	
REVENUES		
Interest, finance and service charges	\$ 129,291	\$ 121,259
Insurance premiums	5,175	5,792
Investment income	2,977	2,714
Other revenues	1,244	1,509
Total revenues	<u>138,687</u>	<u>131,274</u>
EXPENSES		
Interest and debt expense		
Interest on long-term note debt	29,278	31,779
Amortization of long-term note debt financing costs	809	681
Interest on short-term note debt	<u>25,587</u>	<u>15,471</u>
Total interest and debt expense	55,674	47,931
Provision for losses on collection of receivables, less recoveries	16,845	17,364
Insurance losses and adjustment expenses	1,819	1,921
Other operating expenses	<u>49,214</u>	<u>48,350</u>
Total expenses	<u>123,552</u>	<u>115,566</u>
Earnings from operations	15,135	15,708
Gain (loss) on foreign exchange	<u>(938)</u>	<u>1,316</u>
Earnings before income taxes	14,197	17,024
Income taxes	<u>(7,153)</u>	<u>(8,308)</u>
NET EARNINGS	<u>\$ 7,044</u>	<u>\$ 8,716</u>

Consolidated Shareholders' Equity

For the Years Ended November 30, 1981 and 1980

	1981				1980	
	Preference shares	Common shares	Additional paid-in capital	Retained earnings	Total	Total
	(thousands of dollars)					
Balance at beginning of year	\$ 1,271	\$ 16,788	\$ 6,159	\$ 118,944	\$ 143,162	\$ 135,736
Net earnings				7,044	7,044	8,716
Preference share purchases and redemptions	(217)		24		(193)	(206)
Cash dividends paid on common shares				(1,002)	(1,002)	(1,002)
Cash dividends paid on preference shares				(68)	(68)	(82)
Balance at end of year	<u>\$ 1,054</u>	<u>\$ 16,788</u>	<u>\$ 6,183</u>	<u>\$ 124,918</u>	<u>\$ 148,943</u>	<u>\$ 143,162</u>

See accompanying notes.

Changes in Consolidated Financial Position

For the Years Ended November 30, 1981 and 1980

1981 1980

(thousands of dollars)

SOURCES OF FUNDS

From operations

Net earnings	\$ 7,044	\$ 8,716
Provision for losses on receivables	21,565	21,874
Depreciation and amortization of property and equipment and other assets	4,202	2,373
Increase in income taxes payable	3,065	207
Increase in deferred insurance commissions	991	108
Decrease in prepaid expenses and other receivables	987	2,029
Amortization of unrealized loss on foreign exchange	668	1,718
Loss on disposal of property and equipment	136	129
Decrease in accounts payable and accrued liabilities	(186)	(1,735)
Decrease in provision for outstanding claims	(429)	(581)
Decrease in unearned insurance premiums	(1,523)	(980)
Increase in deferred income taxes	(4,863)	(124)
Total from operations	<u>31,657</u>	<u>33,734</u>
Collections on receivables (excluding finance charges included in net earnings)	319,919	336,222
Increase in short-term note debt	30,712	22,522
Decrease (increase) in unrealized loss on foreign exchange	2,326	(649)
Decrease (increase) in investments	137	(540)
Proceeds from issuance of long-term note debt		4,660
Decrease (increase) in cash	4,170	(3,547)
Total	<u>\$ 388,921</u>	<u>\$ 392,402</u>

USES OF FUNDS

New funds advanced to customers	\$ 331,457	\$ 335,751
Bulk purchases of receivables	22,207	26,825
Reduction in long-term note debt	31,434	25,221
Increase in other assets	1,961	2,060
Increase in property and equipment (net)	599	1,255
Preference share purchases and redemptions	193	206
Cash dividends on common shares	1,002	1,002
Cash dividends on preference shares	68	82
Total	<u>\$ 388,921</u>	<u>\$ 392,402</u>

See accompanying notes.

Notes to Consolidated Financial Statements

November 30, 1981

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.

The intangibles recognized in the acquisition of subsidiaries (all prior to 1974) are shown separately under the heading "Intangible assets recognized in acquisitions, without amortization."

(b) Receivables

Interest on loans which do not include finance charges in the original face amount is taken into earnings as collected. When finance charges are included in the face amount of the loan the entire finance charge is credited to unearned charges. No portion is recognized in earnings to offset acquisition costs. The unearned charges are transferred to earnings on either the sum-of-the-digits or the straight-line accrual method beginning with 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 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, 1981 and 1980 assets of \$6,000 and \$8,000 respectively, and liabilities of \$101,189,000 and \$111,892,000 respectively, were represented by amounts to be settled in U.S. funds. The rates used at November 30, 1981 and 1980 were Can. \$1 = U.S. \$0.8498 and Can. \$1 = U.S. \$0.8410 respectively. For the years ended November 30, 1981 and 1980, U.S. dollar income and expense accounts have been translated at the average rate of Can. \$1 = U.S. \$0.8335 and Can. \$1 = U.S. \$0.8574 respectively.

(f) Other assets

Other assets, which consist of debt financing costs and premiums on the bulk purchases of receivables, are amortized on a straight-line basis over the terms of the respective debt issues and receivables maturities to which they relate.

(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 in some respects from those reported at its year-end (December 31) which are based on accounting practices prescribed or permitted 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 at year-end. These unearned premiums are taken into earnings over the life of the policies in the following manner:

- (1) unearned premiums for accident and sickness insurance in relationship to anticipated claims and
- (2) unearned premiums 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.

2. **Receivables**

Receivables outstanding at November 30, 1981 and 1980 were as follows:

	<u>1981</u>	<u>1980</u>
	(thousands of dollars)	
Consumer loans	\$ 547,143	\$ 519,929
Sales finance accounts	<u>53,691</u>	<u>66,943</u>
	<u>\$ 600,834</u>	<u>\$ 586,872</u>

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 90 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.

3. **Investments at cost**

Investments, all of which are owned by the Company's insurance subsidiary, consist of the following at November 30, 1981 and 1980:

	<u>1981</u>	<u>1980</u>
	(thousands of dollars)	
Short-term notes	\$ 2,100	\$ 1,650
Bonds (market value: \$8,651,000 in 1981 and \$8,912,000 in 1980)	10,331	10,240
Stocks (market value: \$8,805,000 in 1981 and \$9,343,000 in 1980)	9,398	7,650
Mortgages	<u>1,711</u>	<u>4,137</u>
	<u>\$ 23,540</u>	<u>\$ 23,677</u>

These investments, which constitute the majority of the assets of the insurance subsidiary and are subject to government regulation which controls the type of investments permitted, are not interchangeable with other assets of the Company. It is management's opinion that the decline in the market value of investments below their cost is not of a permanent nature.

4. **Long-term note debt**

Long-term note debt at November 30, 1981 and 1980 is summarized below:

	<u>1981</u>	<u>1980</u>
Guaranteed notes payable	(thousands of dollars)	
Due in Canadian funds		
9½% Notes payable maturing August 1982	\$ 20,000	\$ 20,000
9½% Note payable \$1,000,000 semi-annually to April 1982, maturing October 1982	2,000	4,000
9½% Note payable \$2,500,000 semi-annually to May 1982, maturing November 1982	7,500	12,500
9½% Note payable maturing March 1983	5,000	5,000
9½% Notes payable maturing March 1993 ^{(a)(b)}	22,548	23,442
9¾% Note payable maturing June 1983	5,000	5,000
9¾% Note payable maturing June 1983	5,000	5,000
9¾% Note payable maturing September 1983	5,000	5,000
9¾% Notes payable maturing April 1984 ^(b)	32,623	33,441

10% Note payable maturing May 1983	5,000	5,000
10¼% Notes payable \$3,000,000 annually from May 1984, maturing May 1993	30,000	30,000
10¼% Notes payable maturing April 1984	6,000	6,000
10¼% Note payable maturing April 1984	2,000	2,000
10¼% Note payable maturing January 1985	3,000	3,000
10¼% Note payable maturing May 1986	25,000	25,000
10½% Note payable		8,000
10½% Note payable		1,000
10½% Note payable maturing April 1984	10,000	10,000
10½% Note payable maturing February 1985	5,000	5,000
10½% Note payable maturing February 1985	7,000	7,000
11% Notes payable		3,495
Total due in Canadian funds	<u>197,671</u>	<u>218,878</u>
Due in U.S. funds (See note 1 (e))		
7¾% Notes payable U.S. \$2,940,000 annually, maturing January 1983 (U.S. \$5,880,000)	6,919	10,488
8¾% Notes payable U.S. \$3,000,000 annually, maturing June 1992 (U.S. \$35,000,000)	41,186	45,184
8½% Note payable		2,140
9¼% Notes payable maturing September 1983 (U.S. \$17,200,000)	20,240	20,452
9¾% Notes payable U.S. \$2,500,000 annually from June 1983, maturing June 1992 (U.S. \$25,000,000)	29,419	29,727
Total due in U.S. funds (U.S. \$83,080,000 and U.S. \$90,820,000 respectively)	<u>97,764</u>	<u>107,991</u>
Total long-term note debt	<u>\$ 295,435</u>	<u>\$ 326,869</u>

(a) Subject to prepayment at the option of each holder on March 1, 1985.

(b) Subject to purchase fund agreements.

The maturities, sinking fund and maximum purchase fund payments on long-term note debt for the five years subsequent to November 30, 1981 and thereafter are as follows: 1982 — \$36,563,000; 1983 — \$56,170,000; 1984 — \$59,822,000; 1985 — \$24,722,000; 1986 — \$35,547,000; 1987 and thereafter — \$82,611,000.

5. Share capital

Share capital at November 30, 1981 and 1980 is summarized below:

	<u>1981</u>	<u>1980</u>
	(thousands of dollars)	
Preference shares		
5½% cumulative voting Class A preference shares each redeemable at their par value of \$100		
Authorized and issued less redeemed		
1981 — 10,536 shares	<u>\$ 1,054</u>	
1980 — 12,703 shares		<u>\$ 1,271</u>
Common shares of no par value		
Authorized — 2,000,000 shares		
Issued —		
1981 and 1980 — 1,670,382¾ shares	<u>\$ 16,788</u>	<u>\$ 16,788</u>

During the year the Company purchased for cancellation 2,167 Class A preference shares for \$193,000 cash. The difference between the par value of the preference shares purchased of \$217,000 and the cash paid in respect thereof has been credited to additional paid-in capital.

Avco Financial Services, Inc., a United States company, owns 69.8% 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.

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 loan office locations are occupied under leases having terms generally not in excess of five years at annual rentals of approximately \$2,650,000. Vehicles are leased over terms not in excess of three years at annual rentals of approximately \$1,000,000.

The total net rental obligations at November 30, 1981 under all leases are as follows: 1982 — \$3,831,000; 1983 — \$3,077,000; 1984 — \$1,721,000; 1985 — \$1,035,000; 1986 — \$609,000; 1987 and thereafter — \$770,000. Rent expense charged to earnings for the years ended November 30, 1981 and 1980 amounted to \$3,973,000 and \$4,055,000 respectively.

7. Retained earnings

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 insurance subsidiary is permitted to pay in any year. Retained earnings at November 30, 1981 and 1980 includes the unremitted accumulated net earnings of the insurance subsidiary of \$7,171,000 and \$6,177,000 respectively.

8. Operations by industry segment

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

	<u>1981</u>	<u>1980</u>
	(thousands of dollars)	
Revenues		
Consumer finance	\$ 131,055	\$ 123,333
Insurance	7,862	8,206
Intercompany elimination.	<u>(230)</u>	<u>(265)</u>
Total	<u>\$ 138,687</u>	<u>\$ 131,274</u>
Operating profit		
Consumer finance	\$ 10,088	\$ 10,611
Insurance	<u>5,047</u>	<u>5,097</u>
Total	<u>\$ 15,135</u>	<u>\$ 15,708</u>
Identifiable assets		
Consumer finance	\$ 601,503	\$ 595,335
Insurance	24,628	24,958
Intercompany elimination.	<u>(592)</u>	<u>(960)</u>
Total	<u>\$ 625,539</u>	<u>\$ 619,333</u>

Operating profit by industry segment represents total revenues less operating expenses before gains and losses on foreign exchange and income taxes. Capital expenditures and depreciation expenses were not material to the operation of the industry segments.

9. Supplemental information

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to its directors and senior officers (as defined under the Business Corporations Act — Ontario) for the years ended November 30, 1981 and 1980 amounted to \$635,000 and \$570,000 respectively.

Amounts paid for management and administrative services (to the parent company) deducted in arriving at net earnings for the years ended November 30, 1981 and 1980 amounted to \$1,364,000 and \$1,572,000 respectively. Amounts received for management and administrative services (from certain affiliates) included in arriving at net earnings for the years ended November 30, 1981 and 1980 amounted to \$581,000 and \$578,000 respectively.

10. Subsequent event

Subsequent to November 30, 1981, the Company issued long-term note debt totalling U.S. \$50,000,000. The notes are held by Avco Financial Services International, Inc. and are due and payable in U.S. funds in December 1986. Interest is to be paid at a rate which is approximately two percent above the cost of commercial paper borrowings in the United States. Proceeds from this financing were applied to the reduction of short-term note debt issued in the ordinary course of business.

Supplemental Statistical Data

For the Years Ended November 30, 1981 and 1980

	Consumer Loans		Sales Finance Accounts		Total	
	1981	1980	1981	1980	1981	1980
	(thousands of dollars)*					
VOLUME OF BUSINESS	\$ 249,424	\$ 217,774	\$ 82,033	\$ 117,977	\$ 331,457	\$ 335,751
AVERAGE ACCOUNT SIZE (VOLUME) \$	2,398	1,578	381	382	1,085	770
RECEIVABLES						
Precompute	\$ 12,098	\$ 21,201	\$ 21,998	\$ 31,351	\$ 34,096	\$ 52,552
Interest bearing	536,973	503,008	33,714	39,117	570,687	542,125
	549,071	524,209	55,712	70,468	604,783	594,677
Unearned charges	(1,928)	(4,280)	(2,021)	(3,525)	(3,949)	(7,805)
Net receivables	\$ 547,143	\$ 519,929	\$ 53,691	\$ 66,943	600,834	586,872
Allowance for losses					(29,809)	(28,027)
					\$ 571,025	\$ 558,845
Allowance for losses as a percentage of net receivables					4.96%	4.78%
NUMBER OF ACCOUNTS OUTSTANDING						
	172,668	197,300	91,013	115,871	263,681	313,171
AVERAGE BALANCE PER ACCOUNT \$	3,169	2,635	515	533	2,253	1,858
RATIOS						
Average net receivables	\$ 534,050	\$ 515,549	\$ 65,787	\$ 67,336	\$ 599,837	\$ 582,885
Charge-offs	\$ 17,428	\$ 17,640	\$ 2,355	\$ 2,322	\$ 19,783	\$ 19,962
Recoveries	(3,666)	(3,568)	(490)	(417)	(4,156)	(3,985)
Net credit losses	\$ 13,762	\$ 14,072	\$ 1,865	\$ 1,905	\$ 15,627	\$ 15,977
Net credit losses to average net receivables	2.58%	2.73%	2.83%	2.83%	2.61%	2.74%
Recoveries to charge-offs	21.04%	20.23%	20.81%	17.96%	21.01%	19.96%

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

BANKS AND OTHER FINANCIAL INSTITUTIONS EXTENDING LINES OF CREDIT

Bank of Montreal—London, Ontario
 Bank of Nova Scotia—London, Ontario
 Canadian Imperial Bank of Commerce—
 London, Ontario
 Mercantile Bank of Canada—London, Ontario
 National Bank of Canada—London, Ontario
 Royal Bank of Canada—Toronto, Ontario
 Toronto Dominion Bank—London, Ontario

ABN Bank Canada—Toronto, Ontario
 Banque National de Paris—(Canada)—Toronto, Ontario
 BT Bank of Canada—Toronto, Ontario
 Chase Manhattan Bank of Canada—Toronto, Ontario
 Citibank of Canada—Toronto, Ontario
 Continental Illinois Bank (Canada)—Toronto, Ontario
 Manufacturers Hanover Leasing Canada Limited—Toronto, Ontario
 Morgan Guaranty Trust Company—New York, New York
 Swiss Bank Corporation (Canada)—Toronto, Ontario

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, 1981 and November 30, 1980 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 and (4) sales finance accounts on which one or more instalments were more than 60 days past due at those dates.

	(thousands of dollars)		Ratio to Gross Receivables Outstanding	
	1981	1980	1981	1980
CONSUMER LOANS				
Past due				
60-89 days	\$ 6,597	\$ 6,370	1.20%	1.21%
90-179 days	8,436	8,204	1.54	1.57
180-269* days	4,486	4,367	.82	.83
Total	19,519	18,941	3.56	3.61
Interest only	6,024	5,942	1.10	1.13
Partial payment	1,072	1,184	.19	.23
Total	<u>\$ 26,615</u>	<u>\$ 26,067</u>	<u>4.85%</u>	<u>4.97%</u>
SALES FINANCE ACCOUNTS				
60 day accounts*	<u>\$ 2,374</u>	<u>\$ 2,387</u>	<u>4.90%</u>	<u>3.68%</u>

*All accounts 270 days or more delinquent are charged off.

Officers and Directors

AVCO FINANCIAL SERVICES CANADA LIMITED

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

* + **R.D. Brazeau:** President and Director

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

T.M. Cumming: Director (President of Avco Financial Services, Inc.)

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

W.D. Hansen: Director (Executive Vice President of Avco Financial Services, Inc.)

+ **F.W.P. Jones:** Director (Financial Consultant)

R.J. O'Brien: Director (Senior Vice President of London and Midland General Insurance Company)

* **D.J. Sadler:** Assistant Vice President and Director

* **A.L. Servant:** Vice President and Director

* **W.W. Weis:** Vice President and Director

J.G. Comrie: Vice President and Treasurer

D.A. Morrison: Vice President

C.L. Newton: Vice President

W.B. O'Dell: Vice President

A.J. Smith-Windsor: Vice President

H.A. Vanden Heuvel: Vice President and Controller

R.A. Vermette: Vice President

* Member of the Executive Committee

+ Member of the Audit Committee

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.

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CREDIT AGENCY RATINGS:

	<u>Commercial Paper</u>	<u>Long-term Debt</u>
Dominion Bond Rating Service	R-1	A
Canada Bond Rating Service	A-1	A+

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