ARTHUR YOUNG, CLARKSON, GORDON & CO.

CHARTERED ACCOUNTANTS

AVCO FINANCIAL SERVICES CANADA LIMITED
and its subsidiaries

FINANCIAL STATEMENTS

COMPANY AND CONSOLIDATION

NOVEMBER 30, 1974

ARTHUR YOUNG, CLARKSON, GORDON & CO.
CHARTERED ACCOUNTANTS
NORTHERN LIFE TOWER
CITY CENTRE
380 WELLINGTON STREET
LONDON, CANADA N6A 5B5
TELEPHONE-672 6100 (AREA CODE 519)

AUDITORS' REPORT

To the Shareholders,
Avco Financial Services Canada Limited.

We have examined the statement of financial position of Avco Financial Services Canada Limited and the consolidated statement of financial position of Avco Financial Services Canada Limited and its subsidiaries as at November 30, 1974 and the respective statements of earnings, stockholders' equity and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly:

(a) the financial position of the Company as at November 30, 1974 and the results of its operations and the changes in its financial position for the year then ended, and

(b) the consolidated financial position of the Company and its subsidiaries as at November 30, 1974 and the results of their operations and the changes in their financial position for the year then ended,

both 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 10, 1975.

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IABILITIES AND STOCKHOLDERS' EQUITY	Company 1974	Company 1973	Consolidation 1974	Consolidation 1973
	(Thousands of dollars)			
hort-Term Debt - Unsecured				
Banks	$ 9,540	$ 3,968	$ 14,391	$ 3,968
Commercial paper (including amounts payable in U.S. funds - $5,000,000 in 1974, $4,500,000 in 1973)	39,152	48,338	39,337	48,338
Due to parent company on current account	11,156	14,939	11,156	14,939
Total short-term debt	59,848	67,245	64,884	67,245
ccounts Payable	854	1,153	854	1,191
eferred Insurance Commissions (Note 1)	695	809	1,267	1,381
ncome Taxes	4,977	1,192	4,683	181
ccrued Liabilities				
Interest	3,991	3,241	4,060	3,241
Other	1,729	2,497	1,869	2,497
Total accrued liabilities	5,720	5,738	5,929	5,738
ong-Term Debt - Unsecured (Note 3)				
Senior notes payable	105,365	105,700	105,365	105,700
Notes due to parent company				
Senior notes	204,960	207,010	204,960	207,010
Subordinated notes	8,471	8,471	26,900	26,900
	213,431	215,481	231,860	233,910
Total long-term debt	318,796	321,181	337,225	339,610
eferred Gain on Foreign Exchange (Note 1)	19,849	17,154	19,728	17,039
tockholders' Equity				
Capital stock (Note 4)				
Preference	10,696	11,124	10,696	11,124
Common	16,788	16,788	16,788	16,788
Additional paid-in capital	5,935	5,863	5,935	5,863
Retained earnings	77,877	62,582	77,877	62,582
Total stockholders' equity	111,296	96,357	111,296	96,357
OTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$522,035	$510,829	$545,866	$528,742

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FINANCIAL POSITION - COM

NOVEMBER 30, 1

	Company		Consolidation	
	1974	1973	1974	1973
ASSETS	(Thousands of dollars)			
Cash	$ 2,366	$ 810	$ 2,366	$ 1,035
Installment Receivables less unearned charges (Company: $3,540,000 in 1974 and $6,749,000 in 1973; Consolidation: $4,066,000 in 1974 and $8,664,000 in 1973) - (Note 1)	367,296	356,741	536,340	518,501
Less allowance for losses	(16,279)	(14,099)	(19,266)	(17,627)
	351,017	342,642	517,074	500,874
Prepaid expenses and other	1,090	1,038	1,146	1,038
Demand Notes Receivable From Finance Subsidiaries	93,303	94,357		
Equity in Net Assets of Subsidiaries (Note 2)	69,024	67,019	19,186	19,939
Property and Equipment, at cost (less accumulated depreciation and amortization: Company: $4,476,000 in 1974 and $3,579,000 in 1973; Consolidation: $6,589,000 in 1974 and $5,481,000 in 1973)	4,430	4,158	5,289	5,051
Intangible Assets recognized in acquisitions, without amortization	805	805	805	805
TOTAL ASSETS	$522,035	$510,829	$545,866	$528,742

On behalf of the Board

Director

Director

(See accompan

CANADA LIMITED
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CONSOLIDATION

30, 1974 AND 1973

Company		Consolidation	
1974	1973	1974	1973
(Thousands of dollars)			
$79,281	$69,891	$108,914	$100,224
9,112	9,303		
88,393	79,194	108,914	100,224
34,560	30,449	36,205	31,831
9,398	8,788	10,318	9,772
22,693	23,456	35,695	33,926
11,179	7,985	13,987	12,236
77,830	70,678	96,205	87,765
10,563	8,516	12,709	12,459
2,146	3,943		
2,628	1,834	2,628	1,834
4,774	5,777	2,628	1,834
15,337	14,293	15,337	14,293
109	(104)	109	(104)
$15,446	$14,189	$ 15,446	$ 14,189

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EARNINGS - COMPANY A

FOR THE YEARS ENDED NOVEM

OPERATING INCOME
Interest and finance charges and other operating income
Interest income from finance subsidiaries
Total

EXPENSES
Interest and debt expense
Provision for losses on installment receivables (less recoveries)
Other operating expenses
Income taxes
Total

EARNINGS BEFORE EQUITY IN NET EARNINGS OF SUBSIDIARIES AND GAIN (LOSS) ON FOREIGN EXCHANGE

EQUITY IN NET EARNINGS OF SUBSIDIARIES (NOTE 2)
Finance subsidiaries
Insurance subsidiaries (including net realized capital gains (losses) of $(231,000) in 1974 and $205,000 in 1973)
Total

EARNINGS BEFORE GAIN (LOSS) ON FOREIGN EXCHANGE

GAIN (LOSS) ON FOREIGN EXCHANGE (less income taxes $120,000 in 1974 and $(106,000) in 1973)

NET EARNINGS

(See accompany

CANADA LIMITED
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COMPANY AND CONSOLIDATION

30, 1974 and 1973

1974					1973
Preference stock (Note 4)	Common stock	Additional paid in capital (Note 4)	Retained earnings	Total	Total
		(Thousands of dollars)			
$11,124	$16,788	$5,863	$62,582	$ 96,357	$82,540
			15,446	15,446	14,189
(428)		72		(356)	(201)
			(151)	(151)	(171)
$10,696	$16,788	$5,935	$77,877	$111,296	$96,357

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AVCO FINANCIAL SERVICE
and its subsi

STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED NOVEME

Balance at beginning of year

Net earnings

Preference stock purchases and redemptions

Cash dividends paid on preference shares

Balance at end of year

(See accompany

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SOLIDATION

ER 30, 1974 AND 1973

Company		Consolidation	
1974	1973	1974	1973
(Thousands of dollars)			
$ 15,446	$ 14,189	$ 15,446	$ 14,189
897	573	1,106	620
12,164	10,191	13,401	12,346
200	180	200	180
(4,774)	(5,777)	(2,628)	(1,834)
23,933	19,356	27,525	25,501
201,831	172,586	295,572	283,776
3,623	10,475	3,181	(3,483)
3,468	795	4,356	(175)
3,670	20,515	3,670	20,515
2,695	(2,845)	2,689	(2,960)
$239,220	$220,882	$336,993	$323,174
$222,370	$253,172	$325,173	$351,063
1,556	(2,610)	1,331	(2,385)
52	(8,555)	108	(4,308)
1,169	1,652	1,344	1,691
7,397	(23,424)	2,361	(23,424)
114	125	114	15
6,055	150	6,055	150
356	201	356	201
151	171	151	171
$239,220	$220,882	$336,993	$323,174

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FOR THE YEARS ENDED NOVE

SOURCES OF FUNDS
From Operations
Net Earnings
Depreciation and amortization of property and equipment
Provision for losses on installment receivables
Cash dividends received from insurance subsidiaries
Less equity in net earnings of subsidiaries
Total from operations
Collections on installment receivables (excluding finance charges included in net earnings)
Decrease (increase) in investment in subsidiaries
Increase (decrease) in miscellaneous liabilities
Proceeds from issuance of long-term debt
Increase (decrease) in deferred gain on foreign exchange

TOTAL

USES OF FUNDS
New funds advanced to customers
Increase (decrease) in cash
Increase (decrease) in miscellaneous assets
Increase in property and equipment
Decrease (increase) in short-term debt
Decrease in deferred insurance commissions
Reduction in long-term debt
Purchase of preference shares
Cash dividends on preference shares

TOTAL

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AVCO FINANCIAL SERVICES CANADA LIMITED
and its subsidiaries

NOTES TO FINANCIAL STATEMENTS - COMPANY AND CONSOLIDATION

NOVEMBER 30, 1974

1. Basis of financial statements

The Consolidated Financial Statements include the accounts of the Company and all of its subsidiaries other than insurance subsidiaries. The net assets of the insurance subsidiaries are included under the heading "Equity in net assets of subsidiaries" in the statement of consolidated financial position. The net earnings of the insurance subsidiaries are included under the heading "Equity in net earnings of subsidiaries" in the statement of consolidated earnings.

The following represent the significant accounting policies not disclosed elsewhere in the Consolidated Financial Statements.

(a) Installment receivables -

Under the current policy followed by the Company, the entire finance charge is credited to unearned charges. No portion is recognized as an acquisition cost. The unearned charges (all of which relate to loans with original contract terms of less than eighty-four months) are transferred to earnings on the sum-of-the-digits accrual method beginning with the month following acquisition. Interest on loans which do not include interest or finance charges in the original face amount is taken into earnings as collected.

(b) Other operating income -

The Company defers the entire amount of insurance commissions received from carriers. The deferred insurance commissions are credited to earnings over the life of the related insurance contracts on a basis consistent with the premium recognition methods used by the insurance company.

(c) Foreign exchange -

At November 30, 1974, assets of $620,000 and liabilities of $307,470,000 were represented by amounts to be settled in U.S. funds. The Company follows the practice of translating such amounts at the closing rate in effect at each year end. The resulting gain on translation which has occurred as a result of this practice has been deferred and is shown as Deferred Gain on Foreign Exchange in the accompanying statements of financial position and consolidated financial position of the Company at November 30, 1974 and 1973. U.S. dollar accounts at November 30, 1974 and 1973 have been translated at the closing rate on those dates ($1 Canadian = $1.01 U.S. and $1 Canadian = $1.00 U.S., respectively). For the years ended November 30, 1974 and 1973, U.S. dollar income and expense amounts were translated at the average rate of $1 Canadian = $1.02 U.S. and $1 Canadian = $1.00 U.S., respectively.

The Company follows the practice of including in earnings the portion of the deferred account which has been realized upon repayment of the applicable debt.

The Company's equity in the net earnings of its foreign insurance subsidiaries for each year since acquisition has been translated into Canadian dollars at the average rate of exchange for each respective year.

In the accompanying consolidated financial statements, the accounts of the Company's United Kingdom finance subsidiary have been translated into Canadian dollars on the following basis:

Assets and liabilities - at the rate of exchange in effect at the end of the year

Income and expenses - at the average rate of exchange for the year.

2. Equity in net assets of subsidiaries

The intangibles recognized on the acquisition of subsidiaries are shown separately under the heading "Intangible assets recognized in acquisitions, without amortization".

At November 30, 1974 the combined assets and combined liabilities of the insurance subsidiaries amounted to $39,158,000 and $19,972,000 respectively ($48,877,000 and $28,938,000 respectively for 1973). Included in the assets of the insurance subsidiaries are investments in securities carried at an aggregate cost of $32,566,000 at November 30, 1974 and $42,505,000 at November 30, 1973, for which the aggregate market values at those dates were $26,758,000 and $41,613,000 respectively. Revenues of the insurance subsidiaries were $5,987,000 in 1974 and $6,817,000 in 1973.

During the year the Company sold its shares in Hallmark General Insurance Co. (an Australian subsidiary) to an affiliate for $3,400,000, which amount approximated the carrying value of the investment at the date of sale.

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3. Long-term debt

Senior notes payable

	1974	1973
	(thousands of dollars)	
Due in Canadian funds		
6 3/4% Series G maturing $20,000 annually to 1977	$ 60	$ 80
6 3/8% Series I maturing $50,000 annually to 1978	200	250
6 1/4% Series J maturing $30,000 annually to 1977	90	120
6 1/8% Series K maturing $50,000 annually to 1978	200	250
7% maturing May, 1975	4,600	4,600
9% maturing November, 1975	5,000	5,000
8 7/8% maturing December, 1975	700	
	10,850	10,300
Due in U.S. funds		
7% - 7 1/8% Notes payable maturing December, 1974 (U.S. $8,000,000)	7,921	8,000
Note payable maturing $600,000 in 1975 and 1976 and $1,800,000 in 1977 (U.S. $3,000,000)	2,970	3,000
8 1/4% Note payable maturing $1,000,000 in 1980 and $4,000,000 in 1981 (U.S. $5,000,000)	4,950	5,000
7 3/8% Notes payable maturing $2,940,000 U.S. annually and maturing January, 1983 (U.S. $26,460,000)	* 26,198	29,400
8 3/8% Notes payable maturing $3,000,000 U.S. annually from June 1, 1977 to 1991 and maturing June, 1992 (U.S. $50,000,000)	49,506	50,000
8 1/2% Note payable maturing $600,000 in 1978 and 1979 and $1,800,000 in 1980 (U.S. $3,000,000)	2,970	
	94,515	95,400
	$105,365	$105,700
Notes due to parent company		
Senior notes - company and consolidated		
9 1/2% Note payable maturing in 1975 (U.S. $40,000,000)	$ 39,604	$ 40,000
9% Note payable maturing in 1991 (U.S. $167,010,000)	165,356	167,010
	$204,960	$207,010

Subordinated notes		
7 1/2% - 7 5/8% Notes maturing in 1986 to 1988 - consolidated	$ 26,900	$ 26,900
Amount of subordinated notes included above which is due by a subsidiary company	18,429	18,429
Total - Company only	$ 8,471	$ 8,471

* The company may repay the 7 3/8% notes in whole or in part in excess of amounts due annually together with a prepayment premium of 4.225% if prepaid before January, 1975, reducing each year thereafter by .525% to maturity. In certain circumstances, a special additional premium of 2.1125 may be payable if prepaid before January, 1975, reducing each year thereafter by .2625% to maturity.

4. Capital stock

	1974		1973
	Authorized	Issued	Issued
	(thousands of dollars)		
Preference shares			
5½% cumulative voting Class A preference shares of $100 par value each redeemable at a premium of 1½% to April 30, 1975 reducing ½% per year thereafter			
Authorized and issued less redeemed			
1974 - 25,462 shares	$ 2,546	$ 2,546	
1973 - 29,739 shares			$ 2,974
5½% cumulative voting Class B sinking fund preference shares of $100 par value each redeemable at par. Annual minimum sinking fund requirement equal to 10% of outstanding shares of class (which requirement has been waived by the shareholder)			
Authorized and issued			
1974 and 1973 - 11,500 shares	1,150	1,150	1,150
5% cumulative voting Class C preference shares of $100 par value each redeemable at par			
Authorized and issued			
1974 and 1973 - 20,000 shares	2,000	2,000	2,000

5½% cumulative voting Class D sinking fund preference shares of $100 par value each redeemable at par. Annual minimum sinking fund requirement equal to 10% of outstanding shares of class (which requirement has been waived by the shareholder) Authorized and issued 1974 and 1973 - 50,000 shares	5,000	5,000	5,000
	$10,696	$10,696	$11,124

(The Class A, B, and C preference shares rank in priority to the Class D shares)

Common shares of no par value

Authorized - 2,000,000 shares Issued - 1974 and 1973 - 1,670,382 ¾ shares	$16,788	$16,788

During the year the Company purchased for cancellation 4,277 Class A preference shares for $355,000 cash. The difference between the par value of the preference shares purchased of $427,000 and the cash paid in respect thereof has been credited to additional paid-in capital.

5. Statutory information

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to its directors and officers (as defined under the Business Corporations Act - Ontario) for the years ended November 30, 1974 and 1973 amounted to $639,000 and $598,000 respectively.

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 $2,071,000. The total rental obligations as at November 30, 1974 under all leases are approximately $15,200,000.