ARTHUR YOUNG, CLARKSON, GORDON & CO.

CHARTERED ACCOUNTANTS

AVCO FINANCIAL SERVICES CANADA LIMITED
and its subsidiaries

FINANCIAL STATEMENTS

COMPANY AND CONSOLIDATION

NOVEMBER 30, 1973

ARTHUR YOUNG, CLARKSON, GORDON & CO.
CHARTERED ACCOUNTANTS
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LONDON 14, CANADA
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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, 1973 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, 1973 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, 1973 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, after giving retroactive affect to the changes in accounting for insurance commissions as referred to in Note 1 and the changes in accounting for commission income and expenses by insurance subsidiaries referred to in Note 2, on a basis consistent with that of the preceding year.

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

London, Canada.
February 7, 1974.

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FINANCIAL POSITION - C

NOVEMBER 30,

	Company		Consolidation	
	1973	1972	1973	1972
ASSETS	(Thousands of dollars)			
Cash	$ 810	$ 2,720	$ 1,035	$ 2,720
Marketable securities, at cost (approximates market value)		700		700
Installment Receivables less unearned charges (Company: $6,749,000 in 1973 and $7,647,000 in 1972; Consolidation: $8,664,000 in 1973 and $14,555,000 in 1972) - Note 1	356,741	283,364	518,501	461,290
Less allowance for losses	(14,099)	(11,117)	(17,627)	(15,357)
Net receivables	342,642	272,247	500,874	445,933
Income Taxes Recoverable		8,847		4,600
Prepaid expenses and other	1,038	746	1,038	746
Demand Notes Receivable From Finance Subsidiaries	94,357	110,779		
Equity in Net Assets of Subsidiaries (Note 2)	67,019	55,475	19,939	14,802
Property and Equipment, at cost (less accumulated depreciation and amortization: Company: $3,579,000 in 1973 and $2,999,000 in 1972; Consolidation: $5,481,000 in 1973 and $4,854,000 in 1972)	4,158	3,079	5,051	3,980
Intangible Assets recognized in acquisitions, without amortization	805	805	805	805
TOTAL ASSETS	$510,829	$455,398	$528,742	$474,286

On behalf of the Board

Director

Director

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VICES CANADA LIMITED
the laws of Ontario)
subsidiaries

OMPANY AND CONSOLIDATION

1973 AND 1972

LIABILITIES AND STOCKHOLDERS' EQUITY	Company 1973	Company 1972	Consolidation 1973	Consolidation 1972
	(Thousands of dollars)			
Short-Term Debt - Unsecured				
Banks	$ 3,968	$ 7,654	$ 3,968	$ 7,654
Commercial paper (including amounts payable in U.S. funds - $4,500,000 in 1973, $9,000,000 in 1972)	48,338	29,266	48,338	29,266
Due to parent company on current account	14,939	6,901	14,939	6,901
Total short-term debt	67,245	43,821	67,245	43,821
Accounts Payable	1,153	1,455	1,191	1,452
Deferred Insurance Commissions (Note 1)	809	934	1,381	1,396
Income Taxes	1,192		181	
Accrued Liabilities				
Interest	3,241	3,190	3,241	3,190
Other	2,497	2,643	2,497	2,643
Total accrued liabilities	5,738	5,833	5,738	5,833
Long-Term Debt - Unsecured (Note 3)				
Senior notes payable	105,700	87,385	105,700	87,385
Notes due to parent company				
Senior notes	207,010	204,960	207,010	204,960
Subordinated notes	8,471	8,471	26,900	26,900
	215,481	213,431	233,910	231,860
Total long-term debt	321,181	300,816	339,610	319,245
Deferred Gain on Foreign Exchange (Note 1)	17,154	19,999	17,039	19,999
Stockholders' Equity				
Capital stock (Note 4)				
Preference	11,124	11,360	11,124	11,360
Common	16,788	16,788	16,788	16,788
Additional paid-in capital	5,863	5,828	5,863	5,828
Retained earnings	62,582	48,564	62,582	48,564
Total stockholders' equity	96,357	82,540	96,357	82,540
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$510,829	$455,398	$528,742	$474,286

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STATEMENT OF STOCKHOLDERS' EQUI

FOR THE YEARS ENDED NOV

Balance at beginning of year, as previously reported

Adjustment in respect of retroactive accounting changes (Notes 1 and 2)

Balance at beginning of year, as restated

Net earnings

Preference stock purchases and redemptions

Dividends paid on preference shares

Balance at end of year

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MBER 30, 1973 AND 1972

1973					1972
Preference stock (Note 4)	Common stock	Additional paid in capital (Note 4)	Retained earnings	Total	Total
		(Thousands of dollars)			
$11,360	$16,788	$5,828	$48,228	$82,204	$67,727
			336	336	(462)
11,360	16,788	5,828	48,564	82,540	67,265
			14,189	14,189	15,665
(236)		35		(201)	(202)
			(171)	(171)	(188)
$11,124	$16,788	$5,863	$62,582	$96,357	$82,540

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EARNINGS - COMPA

FOR THE YEARS ENDED M

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 of $205,000 in 1973 and $357,300 in 1972)
Total

EARNINGS BEFORE GAIN ON FOREIGN EXCHANGE

GAIN (LOSS) ON FOREIGN EXCHANGE (less income taxes ($106,000) in 1973 and $2,750,000 in 1972)

NET EARNINGS

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VICES CANADA LIMITED
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AND CONSOLIDATION

EMBER 30, 1973 AND 1972

Company		Consolidation	
1973	1972	1973	1972
(Thousands of dollars)			
$69,891	$53,741	$100,224	$91,349
9,303	12,659		
79,194	66,400	100,224	91,349
30,449	28,622	31,831	30,004
8,788	6,487	9,772	6,497
23,456	17,903	33,926	30,642
7,985	6,485	12,236	11,767
70,678	59,497	87,765	78,910
8,516	6,903	12,459	12,439
3,943	5,536		
1,834	653	1,834	653
5,777	6,189	1,834	653
14,293	13,092	14,293	13,092
(104)	2,573	(104)	2,573
$14,189	$15,665	$ 14,189	$15,665

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COMPANY

FOR THE YEARS ENDE

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

TOTAL

USES OF FUNDS
New funds advanced to customers
Increase in investment in insurance subsidiaries
Increase in property and equipment
Decrease in deferred insurance commissions
Reduction in long-term debt
Decrease (increase) in deferred gain on foreign exchange
Purchase of preference shares
Cash dividends

TOTAL

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subsidiaries

FINANCIAL POSITION

ND CONSOLIDATION

NOVEMBER 30, 1973 AND 1972

Company		Consolidation	
1973	1972	1973	1972
(Thousands of dollars)			
$ 14,189	$ 15,665	$ 14,189	$ 15,665
573	403	620	625
10,191	9,352	12,346	9,045
180	1,758	180	1,758
(5,777)	(6,189)	(1,834)	(653)
19,356	20,989	25,501	26,440
172,586	125,011	283,776	253,330
2,610	7,824	2,385	7,824
8,555	9,949	4,308	16,016
10,475	56,743		
23,424	(19,767)	23,424	(19,767)
795	1,690	(175)	1,687
20,515	56,076	20,515	56,076
$258,316	$258,515	$359,734	$341,606
$253,172	$213,768	$351,063	$296,802
		3,483	192
1,652	952	1,691	927
125	367	15	257
150	49,689	150	49,689
2,845	(6,651)	2,960	(6,651)
201	202	201	202
171	188	171	188
$258,316	$258,515	$359,734	$341,606

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AVCO FINANCIAL SERVICES CANADA LIMITED
and its subsidiaries

NOTES TO FINANCIAL STATEMENTS - COMPANY AND CONSOLIDATION

NOVEMBER 30, 1973

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) Miscellaneous income -

Under an accounting policy initiated in 1973 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.

In prior years these commissions were taken into earnings as received. This policy has been applied retroactively and accordingly in the accompanying financial statements and consolidated financial statements, prior years' figures have been adjusted to reflect this change.

(c) Foreign exchange -

At November 30, 1973, assets of $305,000 and liabilities of $306,910,000 were represented by amounts to be settled in U.S. funds. Since 1970 the company has followed 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 in the accompanying statements of financial position and consolidated financial position of the Company at November 30, 1973 and 1972. U.S. dollar accounts at November 30, 1973 have been translated at the closing rate on that date ($1 Canadian = $1.00 U.S. in 1973 and $1 Canadian = $1.01 U.S. in 1972). U.S. dollar income and expense amounts have been translated at $1 Canadian = $1 U.S. for the year ended November 30, 1973 and at the average rate ($1 Canadian = $1.01 U.S.) for the year ended November 30, 1972.

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 Australian and United Kingdom 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 "Intangibles recognized in acquisitions, without amortization".

At November 30, 1973 the combined assets and combined liabilities of the insurance subsidiaries amounted to $48,877,000 and $28,938,000 respectively ($31,213,000 and $16,411,000 respectively for 1972). Included in the assets of the insurance companies are investments in securities carried at an aggregate cost of $42,505,000 at November 30, 1973 and $29,820,000 at November 30, 1972, for which the aggregate market values at those dates were $41,613,000 and $30,745,000 respectively. Revenues of the insurance subsidiaries were $6,816,871 in 1973 and $5,758,000 in 1972.

Under accounting policies initiated during 1973 the insurance subsidiaries defer the entire amount of commissions received on premiums ceded to other carriers and also commission expenses paid (of which substantially all are paid to Avco Financial Services Canada Limited and its finance subsidiaries - see Note 1).

Both the deferred income and expense referred to 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.

In prior years commissions on premiums ceded were taken into earnings as received and commission expenses were charged to earnings as incurred. These policies have been applied retroactively by the company's insurance subsidiaries and accordingly, in the accompanying financial statements and consolidated financial statements, prior years figures have been adjusted to reflect these changes.

3. Long-term debt

Senior notes payable

	1973	1972
	(Thousands of dollars)	
Due in Canadian funds		
6¾% Series G maturing $20,000 annually to 1977	$ 80	$ 100
6 3/8% Series I maturing $50,000 annually to 1978	250	300
6¼% Series I maturing $30,000 annually to 1977	120	150
6 1/8% Series K maturing $50,000 annually to 1978	250	300
7% maturing May, 1975	4,600	
9% maturing November, 1975	5,000	
	10,300	850
Due in U.S. funds		
Note payable maturing $600,000 in 1975 and 1976 and $1,800,000 in 1977 (U.S. $3,000,000)	3,000	2,970
8¼% Note payable maturing $1,000,000 in 1980 and $4,000,000 in 1981 (U.S. $5,000,000)	5,000	4,951
7 3/8% repayable 10% annually commencing January 1974 and maturing January, 1983 (U.S. $29,400,000)	* 29,400	29,109
8 3/8% maturing June, 1992 (U.S. $50,000,000)	50,000	49,505
7%-7 1/8% maturing December, 1974 (U.S. $8,000,000)	8,000	
	95,400	86,535
	$105,700	$ 87,385

Notes due to parent company

Senior notes - company and consolidated		
9½% note payable maturing in 1975 (U.S. $40,000,000)	$ 40,000	$ 39,604
9% note payable maturing in 1991 (U.S. $167,010,000)	167,010	165,356
	$207,010	$204,960
Subordinated notes		
7½%-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 4.750% if prepaid before January, 1974, reducing each year thereafter by 0.525% to maturity. In certain circumstances, a special additional premium of 2.375% may be payable if prepaid before January, 1974, reducing each year thereafter by 0.2625% to maturity.

4. Capital stock

	1973		1972
	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 2% to April 30, 1974 reducing ½% per year thereafter			
Authorized and issued less redeemed			
1973 - 29,739 shares	$ 2,974	$ 2,974	
1972 - 32,103 shares			$ 3,210
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			
1973 and 1972 - 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			
1973 and 1972 - 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 1973 and 1972 - 50,000 shares	5,000	5,000	5,000
	$11,124	$11,124	$11,360

(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 - 1973 and 1972 - 1,670,382 ¾ shares	$16,788	$16,788

During the year the company purchased for cancellation 2,364 Class A preference shares for $201,573 cash. The difference between the par value of the preference shares purchased of $236,400 and the cash paid in respect thereof of $201,573 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, 1973 and 1972 amounted to $598,000 and $486,000 respectively.