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EXPORT FINANCE CORPORATION OF CANADA, LTD.

ANNUAL REPORT

YEAR ENDED 30th APRIL

1965

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EXPORT FINANCE CORPORATION OF CANADA, LTD.

SUITE 1314 PRUDENTIAL BUILDING
4 KING STREET WEST
TORONTO, CANADA

DIRECTORS

E. R. ERNST, *President*

J. J. DENISON, *Vice-President*

T. L. AVISON

J. W. AYLWARD

T. A. BOYLES

C. B. CLARK

J. N. GOSSELIN

F. S. HARRISON

D. C. LANGFORD

L. LAVOIE

R. LECLERC

A. F. LUCAS

R. M. MACINTOSH

A. F. MAYNE

R. PRIMEAU

M. C. C. ROSS

GENERAL MANAGER

H. DUKE SCOTT

DEPUTY GENERAL MANAGER

R. S. SNEYD

SECRETARY-TREASURER

S. J. GASTON

PRESIDENT'S REPORT

I have pleasure in submitting to the shareholders the Annual Report of the Corporation for the year ended April 30, 1965, the fourth full year of our operations. It will, I am sure, be gratifying to you as it is to me that the Corporation's facilities have been used to an increasing extent during the past year.

The voluntary restraint programme announced by the President of the United States in February has adversely affected the cost of our short and medium term financing. Although this adverse factor is expected to have some effect on our profits for the coming year the Corporation's high credit standing gives ample assurance of our ability to continue to refinance approved Canadian exports at the finest prevailing rates.

The increase in our earned surplus of some \$556,000 is about the same as last year, but is the product of a substantially larger turnover of business. Your Directors have thought it inadvisable, in view of current conditions to declare a dividend, but I can again assure you that

our overhead costs have been held to a minimum, and this has been possible in large part by reason of the excellent facilities afforded us by our shareholding Banks.

My term as President expires today and I wish to express my thanks to the General Manager and his staff for their work during the year and to our shareholder Banks for their co-operation.

The General Manager will deal in detail with the operating results for the past year.

E. R. ERNST,
President.

June 4, 1965.

EXPORT FINANCE CORPORATION

BALANCE SHEET

with comparative

ASSETS

	1965	1964
Cash	\$ 2,316,019	\$ 336,908
Loans receivable (including accrued interest 1965, \$982,163; 1964, \$833,950)	218,358,430	138,543,902

Approved on behalf of the Board:

E. R. ERNST, *Director*.J. J. DENISON, *Director*.

<u>\$220,674,449</u>	<u>\$138,880,810</u>
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NOTE: Assets in United States dollars exceed liabilities in United States dollars at April 30, 1965. have been used to convert United States dollar assets and liabilities respectively to Canadian dollars. Liabilities have been converted at the rate of Canadian \$1.07906 equal to US \$1.00, the dollars were converted at the rate of Canadian \$1.0808 equal to U.S. \$1.00 being the substantially the rate prevailing at April 30, 1964.

Loans made by the Corporation are due in varying instalments from 1965 to 1969. The for an amount of \$2,131,021 (1964, \$2,107,922) which matures in January 1968. At dates of such re-financing.

RATION OF CANADA, LTD.

— APRIL 30, 1965

figures for 1964

LIABILITIES

	1965	1964
Accounts payable and accrued expenses \$	2,171	\$ 1,650
Income taxes payable	200,295	351,812
Loans payable		
(including accrued interest		
1965, \$1,068,988; 1964, \$646,556) ..	208,718,256	127,330,340
	<u>\$208,920,722</u>	<u>\$127,683,802</u>
Shareholders' equity:		
Capital stock:		
<i>Authorized:</i>		
10,000,000 shares		
of the par		
value of		
\$5.00 each..	<u>\$ 50,000,000</u>	
<i>Issued:</i>		
2,000,000 shares	10,000,000	10,000,000
Earned surplus	1,753,727	1,197,008
	<u>\$ 11,753,727</u>	<u>\$ 11,197,008</u>
	<u><u>\$220,674,449</u></u>	<u><u>\$138,880,810</u></u>

The average rates of future exchange sales and purchase contracts outstanding at April 30, 1965 in Canadian dollars to the extent that such contracts exist. All other United States dollar assets and liabilities are stated at the rate prevailing at April 30, 1965. As at April 30, 1964 all assets and liabilities in United States dollars are stated at the average of all the outstanding future exchange contracts at that date. Such rate was also

Loans payable by the Corporation mature in the period from May 1965 to December 1965, except where maturity dates loans payable will be re-financed, as necessary, at interest rates obtainable at the

EXPORT FINANCE CORPORATION OF CANADA, LTD.

Statement of Income and Expenditure and Earned Surplus

Year Ended April 30, 1965

with comparative figures for 1964

	1965	1964
Interest earned	\$8,796,893	\$5,326,421
Interest expense	7,603,069	4,148,710
	<u>\$1,193,824</u>	<u>\$1,177,711</u>
Administrative expenses:		
Salaries — officers	\$ 33,233	\$ 30,250
— other	6,370	4,554
Legal fees	—	356
Other professional fees	2,025	1,000
Rent	4,005	3,856
Other	10,472	9,715
	<u>\$ 56,105</u>	<u>\$ 49,731</u>
Net profit before taxes on income	\$1,137,719	\$1,127,980
Taxes on income	581,000	576,500
Net profit	\$ 556,719	\$ 551,480
Earned surplus at beginning of the year	1,197,008	645,528
Earned surplus at end of the year	<u>\$1,753,727</u>	<u>\$1,197,008</u>

Auditors' Report to the Shareholders

We have examined the balance sheet of Export Finance Corporation of Canada, Ltd. as of April 30, 1965 and the statement of income and expenditure and earned surplus for the year ended on that date. 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, with the explanation given in the note to the balance sheet, the accompanying balance sheet and statement of income and expenditure and earned surplus present fairly the financial position of the corporation as at April 30, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.,

Toronto, Ontario,
May 11, 1965.

Chartered Accountants.

EXPORT FINANCE CORPORATION OF CANADA, LTD.

GENERAL MANAGER'S REPORT

The operations of the Corporation for the year have resulted in a net profit of \$556,000 after making provision for income tax of \$581,000. This is equivalent to 4.97% on the paid up capital and surplus of \$11,197,000. The net profit of \$556,000 has been added to earned surplus which now stands at \$1,753,000.

During the year we have rediscounted bills amounting to some \$130 millions of which some \$11 millions represent bills maturing within five years purchased from Export Credits Insurance Corporation with their full guarantee. The balance of some \$119 millions represents new business accepted from the Banks, maturing within five years and in the latter case all bills carry the endorsement of the respective Chartered Bank and payment for the relative exports has been insured by Export Credits Insurance Corporation. The difference between our holdings on 30th April 1965 and 30th April 1964 namely \$79,814,000 represents the new business less matured bills paid during the year of \$50,186,000. Since the inception of the Corporation we have discounted bills amounting to some \$328 millions represented by exports from Canada to fifteen countries. As in the past all new business represents exports of capital goods and services, and grain.

You will no doubt observe that our profits for the year are very little changed from the previous year despite the substantial amount of new business undertaken. The reason for this is of course that our interest cost has risen considerably and in accordance with our general policy we have held our rediscount rates to figures which assure Canadian exporters of financing rates which are fully competitive with those of other countries in the field of medium term credit — namely one to five years.

The voluntary restraint programme in the United States referred to by our President is reflected in the higher cost of our financing, particularly in New York and will continue to do so in the coming year, but it is gratifying to know that after a relatively short period of uncertainty short term investors in New York have returned to

the market and within the context of the programme we have every expectation of being able to cover our normal requirements in that market. There is of course no doubt that the United States Dollar will continue to be of predominant importance in the financing of international trade.

Our participation in the Canadian money market has increased in the past year and as in the past any borrowings in one currency — (United States and Canadian Dollars), in excess of our assets in the same currency have been hedged in the exchange market. In both the Canadian and New York money markets the weighted average term of our notes issued has declined from about 90 days last year to approximately 70 days this year. This has of course resulted in a larger volume of notes issued and has come about by the reluctance of lenders to commit money for longer periods due to the expectation of higher rates.

The bulk of our portfolio falls due in the years 1966 and 1967 and we should therefore be in an excellent position in the coming year or two to undertake substantial new business in our area of one to five years.

The vast bulk of Canadian exports are of course made for payment in cash or by short term credit but the demand for capital goods on competitive terms for projects which are not immediately self-sustaining makes it necessary for proper facilities to be provided for financing such projects over a period of years. These facilities are provided by your Corporation in the one to five year field and it is hoped that Canadian producers of such goods and services will take still greater advantage of the same in the future.

I trust that the results of the year's business will be regarded by you as satisfactory and I take this opportunity of expressing my thanks to our President and Vice-President and other Directors, for their help and counsel, which have contributed in no small measure to the result.

H. DUKE SCOTT,
General Manager.

June 4, 1965.



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