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EXPORT FINANCE CORPORATION

OF CANADA, LTD.

ANNUAL REPORT

YEAR ENDED 30th APRIL

1966

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EXPORT FINANCE CORPORATION OF CANADA, LTD.

4 KING STREET WEST
TORONTO, CANADA

DIRECTORS

J. J. DENISON, *President*

T. L. AVISON, *Vice-President*

J. W. AYLWARD

T. A. BOYLES

C. B. CLARK

J. H. COLEMAN

E. R. ERNST

D. C. LANGFORD

L. LAVOIE

R. LECLERC

A. F. LUCAS

R. M. MACINTOSH

G. PERREAULT

R. PRIMEAU

M. C. C. ROSS

S. T. STRATHY

GENERAL MANAGER

H. DUKE SCOTT

DEPUTY GENERAL MANAGER

R. S. SNEYD

SECRETARY-TREASURER

S. J. GASTON

EXPORT FINANCE CORPORATION OF CANADA, LTD.

PRESIDENT'S REPORT

I have pleasure in submitting to the shareholders the Annual Report of the Corporation for the year ended April 30, 1966, the fifth full year of our operations.

Last year my predecessor made reference to the voluntary restraint programme announced by the President of the United States in February, 1965. It was generally expected at that time that this programme would go far to ameliorate the unfavourable balance of payments problem in that country and would only be temporary. Unfortunately this has not happened, and indeed the restrictions have if anything tended to be more severe. We are consequently still in the position of having to rely to a greater extent on our local market for our financing. The New York Market has been practically closed to us.

In these circumstances we have thought it prudent to limit the amount of new business undertaken from the Banks and as a consequence our total assets have shrunk by a substantial amount, represented by an excess of bills matured over new business undertaken.

The great bulk of the balance of our assets will mature in 1966 and 1967 and we have every hope that improved market conditions will make it possible in the coming year to resume the offer of our facilities without restriction to the Banks.

No dividends have been paid to our shareholder Banks since the inception of the Corporation.

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.

J. J. DENISON,
President.

June 8, 1966.

EXPORT FINANCE CORPORATION

BALANCE SHEET

with comparative

ASSETS

	1966	1965
Cash	\$ 1,240,655	\$ 2,316,019
Income taxes recoverable	99,541	—
Loans receivable (including accrued interest 1966, \$905,676; 1965, \$982,163)	178,359,979	218,358,430

Approved on behalf of the Board:

J. J. DENISON, Director.

T. L. AVISON, Director.

<u>\$179,700,175</u>	<u>\$220,674,449</u>
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NOTE: Assets in United States dollars exceed liabilities in United States dollars at April 30, 1966. The Corporation has been used to convert United States dollar assets and liabilities respectively to Canadian dollars. Liabilities have been converted at the rate of Canadian \$1.07688 equal to U.S. \$1.00, the rate prevailing at April 30, 1965 was Canadian \$1.00. Loans made by the Corporation are due in varying instalments from 1966 to 1970. The Corporation has loans totalling \$9,128,171 which mature at various dates to January, 1968. At maturity the Corporation may require such re-financing. At April 30, 1966, interest rates on loans payable were generally in excess of 10%.

RATION OF CANADA, LTD.

— APRIL 30, 1966

figures for 1965

LIABILITIES

	1966	1965
Accounts payable and accrued expenses \$	1,700	\$ 2,171
Income taxes payable	—	200,295
Loans payable (including accrued interest 1966, \$1,304,430; 1965, \$1,068,988)	167,976,914	208,718,256
	<u>167,978,614</u>	<u>208,920,722</u>
Shareholders' equity:		
Capital stock:		
<i>Authorized:</i>		
10,000,000 shares of the par value of \$5 each	\$ 50,000,000	
<i>Issued:</i>		
2,000,000 shares	10,000,000	10,000,000
Earned surplus	1,721,561	1,753,727
	<u>11,721,561</u>	<u>11,753,727</u>
	<u>\$179,700,175</u>	<u>\$220,674,449</u>

. The average rates of future exchange sales and purchase contracts outstanding at April 30, 1966 Canadian dollars to the extent that such contracts exist. All other United States dollar assets and rate prevailing at April 30, 1966. At April 30, 1965, assets and liabilities in United States dollars 1.07906 equal to U.S. \$1.00.

loans payable by the Corporation mature in the period from May, 1966 to April, 1967, except for dates loans payable will be re-financed, as necessary, at interest rates obtainable at the dates of cess of interest rates on loans receivable.

EXPORT FINANCE CORPORATION OF CANADA, LTD.

Statement of Income and Expenditure and Earned Surplus

Year Ended April 30, 1966
with comparative figures for 1965

	1966	1965
Interest earned	\$9,435,053	\$8,796,893
Interest expense	9,443,098	7,603,069
	(8,045)	1,193,824
Administrative expenses:		
Salaries — officers	37,861	33,233
— other	4,228	6,370
Legal fees	2,237	—
Other professional fees	1,850	2,025
Rent	4,153	4,005
Other	9,542	10,472
	59,871	56,105
Net profit (loss) before taxes on income	(67,916)	1,137,719
Taxes on income	—	581,000
Taxes recoverable, due to application of loss carry over provisions of Income Tax Acts	35,750	—
Net profit (loss)	(32,166)	556,719
Earned surplus at beginning of year	1,753,727	1,197,008
Earned surplus at end of year	\$1,721,561	\$1,753,727

See accompanying note to balance sheet.

Auditors' Report to the Shareholders

We have examined the balance sheet of Export Finance Corporation of Canada, Ltd. as of April 30, 1966 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, 1966 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, 1966.

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 loss of some \$32,000 after the recovery of some \$35,000 from income tax paid for the year April 30th, 1965. The net loss has resulted in a reduction of earned surplus account to \$1,721,000.

Apart from the difficulties encountered by the United States' restraint programme on foreign lending to which our President has referred there has been a steep rise in interest rates during the year both for short term and long term funds and we have also been handicapped by the tendency of investors to shorten maturities, due no doubt to their policies of maintaining a liquid position. While the result of the higher rates affected our earnings position seriously for the last half of the year we expect that the full impact will not be felt till the year 1967 when we can expect a further depletion of our earned surplus account unless of course there occurs a drastic and early fall in money rates, and this depletion is not likely to be appreciably minimized by any new business we are able to undertake at existing high rates, in view of our policy of holding our rediscount rate at a minimum in the interest of financing Canada's exports at rates competitive with those of other countries.

Administrative expenses have been held at approximately the same figure as last year (an increase of some \$3,000). Our total assets have been reduced by some \$40,000,000. A balanced view of the operations of the Corporation can of course only be seen over a period of years.

A continuance or further restriction of a free money market in the United States may force Canadian exporters to quote terms in Canadian Dollars, which might place them in a difficult competitive position — Foreign trade must perforce rely on a stable and internationally recognized reserve currency as a medium of payment.

In the somewhat difficult circumstances of the last year I trust that the result of our year's business will be considered satisfactory and I take this opportunity of expressing my thanks to our President, Vice-President and other Directors, and also to the Banks as such for their cooperation and help.

H. DUKE SCOTT,
General Manager.

June 8, 1966.



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