

TRADERS

GROUP LIMITED
1982 Financial
Statements

January 27, 1983 **To the Shareholders of Traders Group Limited:**

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 11.30 a.m., Friday, February 25th, 1983, in Toronto, in the Ballroom of the Royal York Hotel.

ASSEMBLÉE ANNUELLE

L'assemblée annuelle des actionnaires aura lieu à 11 h 30, le vendredi 25 février 1983, à Toronto. Endroit: salon "Ballroom", Hôtel Royal York.

The 1982 annual report will be mailed to all Shareholders of the Corporation in due course.

Si vous désirez recevoir un exemplaire en français du rapport annuel Groupe Traders Limitée, veuillez vous adresser au service des finances, Le Groupe Traders Limitée, 625, rue Church, Toronto (Ontario) M4Y 2G1.



Management's Report

To the Shareholders of Traders Group Limited:

Management is responsible for the preparation and presentation of financial information contained in this report. The financial statements and the accompanying notes are considered by management to present fairly the Corporation's financial position and results of operations.

Management maintains the necessary system of internal controls to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained. The controls are monitored by the Corporation's internal auditors.

The Board of Directors appoints an Audit Committee. Acting on behalf of the Board, the Committee reviews the Corporation's financial statements and accounting policies and periodically reviews principal internal controls to ensure their adequacy. The Executive Committee of the Board approves credit authorization policies.

The Department of Insurance conducts an annual examination and enquiry into the affairs of the Trust and Insurance Companies as it feels appropriate and necessary to satisfy itself that the provisions of the legislation under which they operate are being duly observed and that the Companies are in a sound financial condition.

Price Waterhouse, the independent auditors appointed by the shareholders of the Corporation, have examined our financial statements in accordance with generally accepted auditing standards and their report follows. Price Waterhouse have free and independent access to the Audit Committee and meet with the Committee to consider matters relating to financial statement presentations, internal controls and audit procedures.

A. R. MARCHMENT
Chairman of the Board and
Chief Executive Officer

E. W. AUSTIN
Senior Vice President
Finance and Administration

Toronto, January 26, 1983

Auditors' Report

To the Shareholders of Traders Group Limited:

We have examined the consolidated balance sheet of Traders Group Limited as at December 31, 1982 and the consolidated statements of income, retained earnings 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 Corporation as at December 31, 1982 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.

Toronto, January 26, 1983

PRICE WATERHOUSE
Chartered Accountants

**Consolidated
Statement
of Income**

Year ended December 31

	1982	1981
Gross income		
Trust company loan, investment and fee income	\$374,931,000	\$335,137,000
Property sales and other income	28,463,000	20,628,000
Finance charges and related income	96,785,000	125,505,000
Insurance premiums and investment income	138,920,000	128,540,000
Gain on sale of investments	93,000	2,223,000
	<u>639,192,000</u>	<u>612,033,000</u>
Expenses		
Interest expense—trust and property	305,167,000	278,911,000
—finance	50,874,000	73,301,000
	<u>356,041,000</u>	<u>352,212,000</u>
Cost of property sales and write-down of land inventory	16,745,000	12,311,000
Insurance claims	98,153,000	101,559,000
Insurance commissions and premium taxes	20,558,000	18,375,000
Credit losses	18,532,000	9,779,000
Salaries and staff benefits	60,937,000	58,915,000
Premises including depreciation	13,264,000	12,093,000
Other expenses (Note 9)	47,783,000	44,580,000
	<u>632,013,000</u>	<u>609,824,000</u>
Income before income taxes and minority interest	7,179,000	2,209,000
Income taxes—current	4,140,000	1,816,000
—deferred	(2,424,000)	(3,815,000)
	<u>1,716,000</u>	<u>(1,999,000)</u>
Net operating income	<u>5,463,000</u>	<u>4,208,000</u>
Minority interest and consolidation adjustments	1,219,000	1,017,000
Net operating income from continuing operations	<u>4,244,000</u>	<u>3,191,000</u>
Loss from factoring operation, net of taxes (Note 5)	(1,590,000)	(526,000)
Net income for the year	<u>\$ 2,654,000</u>	<u>\$ 2,665,000</u>
Available for		
Preferred shares	\$ 2,464,000	\$ 2,545,000
Common shares	190,000	120,000
	<u>\$ 2,654,000</u>	<u>\$ 2,665,000</u>
Earnings (loss) per common share—continuing operations	<u>\$0.35</u>	<u>\$0.12</u>
—factoring operation	(0.31)	(0.10)
	<u>\$0.04</u>	<u>\$0.02</u>
Weighted average number of common shares outstanding after inter-corporate elimination	<u>5,067,000</u>	<u>5,069,000</u>

Assets	1982	1981
Trust		
Cash and bank deposit receipts	\$ 389,582,000	\$ 412,110,000
Securities	90,118,000	112,860,000
Loans	2,014,257,000	1,986,201,000
	<u>2,493,957,000</u>	<u>2,511,171,000</u>
Guaranty Properties		
Cash and mortgages receivable	18,767,000	23,569,000
Real estate	136,218,000	122,133,000
	<u>154,985,000</u>	<u>145,702,000</u>
Finance		
Cash and money market instruments	20,594,000	5,146,000
Receivables	448,181,000	663,645,000
Income producing properties	25,263,000	—
	<u>494,038,000</u>	<u>668,791,000</u>
Insurance		
Cash and investments	162,650,000	151,167,000
Premiums receivable and deferred acquisition costs	29,383,000	31,174,000
	<u>192,033,000</u>	<u>182,341,000</u>
Other		
Investments in associated corporations and other investments	3,183,000	3,624,000
Fixed assets	16,475,000	18,201,000
Miscellaneous assets	45,173,000	39,044,000
	<u>\$3,399,844,000</u>	<u>\$3,568,874,000</u>

Consolidated Financial Statements

Consolidated Balance Sheet

December 31

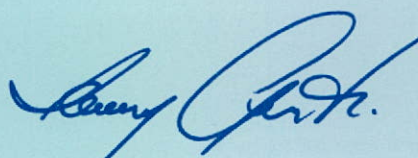
Liabilities	1982	1981
Trust		
Savings and chequing accounts	\$ 657,847,000	\$ 623,000,000
Time deposits	275,151,000	316,610,000
Guaranteed investment certificates	1,435,161,000	1,401,094,000
	<u>2,368,159,000</u>	<u>2,340,704,000</u>
Guaranty Properties		
Bank loans and mortgages payable	71,942,000	102,421,000
Finance		
Debt (Note 2)	396,118,000	521,937,000
Unearned finance charges	63,681,000	72,377,000
	<u>459,799,000</u>	<u>594,314,000</u>
Insurance		
Claims in course of settlement	90,699,000	90,539,000
Unearned premiums	49,185,000	49,491,000
	<u>139,884,000</u>	<u>140,030,000</u>
Other		
Accounts payable and accrued expenses	163,310,000	187,034,000
Deferred income taxes (Note 6)	37,347,000	39,858,000
Minority interest (including Trust company preference shares)	12,168,000	14,843,000
Shareholders' equity (Note 2)		
Preferred shares	32,026,000	33,144,000
Common shares	64,465,000	64,465,000
	<u>96,491,000</u>	<u>97,609,000</u>
Retained earnings	79,581,000	80,898,000
	<u>176,072,000</u>	<u>178,507,000</u>
Elimination of inter-corporate holdings	(28,837,000)	(28,837,000)
	<u>147,235,000</u>	<u>149,670,000</u>
	<u>\$3,399,844,000</u>	<u>\$3,568,874,000</u>

The accompanying notes form an integral part of the consolidated financial statements.

Approved by the Board:



A. R. Marchment, Director



I. R. Gerstein, Director

**Consolidated
Statement of
Retained
Earnings**

Year ended December 31

	1982	1981
Balance at beginning of year	\$ 80,898,000	\$ 85,659,000
Adjustment arising during the year—		
Change in holdings in subsidiaries	—	(40,000)
Amortization of cost of issuing preferred shares, net of gain on redemption	520,000	416,000
	81,418,000	86,035,000
Net income for the year	2,654,000	2,665,000
Less dividends on preferred shares		
4½%	135,000	136,000
5%	58,000	58,000
5%, Series A	60,000	65,000
\$2.16 Series B	387,000	408,000
10¼%	723,000	747,000
7.5%	1,101,000	1,131,000
	2,464,000	2,545,000
	190,000	120,000
Earnings available for common shares		
Less dividends on common shares, net of inter-corporate holdings (1982—\$0.40; 1981—\$1.03¾ per share)	2,027,000	5,257,000
Earnings retained for the year	(1,837,000)	(5,137,000)
Balance at end of year	\$ 79,581,000	\$ 80,898,000

Consolidated Financial Statements

Consolidated Statement of Changes in Financial Position

Year ended December 31

	1982	1981
Funds provided by:		
Operations:		
Net income	\$ 2,654,000	\$ 2,665,000
Add non cash items:		
Depreciation and amortization	3,961,000	2,450,000
Deferred income taxes	(2,511,000)	(8,098,000)
	4,104,000	(2,983,000)
Proceeds from issue and redemption of shares of the Corporation	(1,117,000)	(645,000)
Net increase (decrease) in:		
Trust company deposits	27,455,000	274,785,000
Guaranty Properties debt	(30,479,000)	27,745,000
Finance debt	(125,819,000)	(128,670,000)
Insurance claims in course of settlement	160,000	14,142,000
Unearned insurance premiums	(306,000)	5,471,000
Other	(31,573,000)	14,315,000
	<u>\$ (157,575,000)</u>	<u>\$ 204,160,000</u>
Funds applied to:		
Dividends	\$ 4,491,000	\$ 7,802,000
Addition to fixed assets	2,230,000	3,578,000
Net increase (decrease) in:		
Trust company cash, loans and securities	(17,214,000)	304,017,000
Guaranty Properties cash, mortgages and real estate	9,283,000	28,006,000
Finance cash, receivables and properties, net of unearned finance charges	(166,057,000)	(153,726,000)
Insurance cash, investments and other	9,692,000	14,483,000
	<u>\$ (157,575,000)</u>	<u>\$ 204,160,000</u>

Statement of Income

Year ended December 31

	1982	1981
Gross income		
Interest from mortgage and other loans	\$ 279,724,000	\$ 246,603,000
Interest and dividends from securities and bank deposit receipts	66,831,000	58,386,000
Real estate fees and commissions	6,967,000	8,668,000
Other fees and commissions	21,409,000	21,480,000
	374,931,000	335,137,000
Expenses		
Interest on deposits	300,279,000	275,800,000
Credit losses	8,384,000	2,831,000
Salaries and staff benefits	30,412,000	28,193,000
Real estate commissions paid	5,030,000	6,365,000
Premises including depreciation	7,870,000	7,408,000
Other expenses	19,206,000	15,071,000
	371,181,000	335,668,000
Income (loss) before income taxes	3,750,000	(531,000)
Income taxes deferred	—	(577,000)
Net operating income	3,750,000	46,000
Net gain on investments and other assets	44,000	1,712,000
Equity share of net income of Guaranty Properties Limited	1,002,000	1,632,000
Net income before minority interest	4,796,000	3,390,000
Minority interest and consolidation adjustments	1,075,000	1,001,000
Net contribution to Traders	\$ 3,721,000	\$ 2,389,000

Summary Balance Sheet

December 31

	1982	1981
Assets		
Cash and securities		
Cash and bank deposit receipts	\$ 364,599,000	\$ 384,912,000
Securities and loan income due and accrued	24,983,000	27,198,000
Securities (Note 10)	90,118,000	112,860,000
	479,700,000	524,970,000
Loans (Note 11)		
Consumer	1,114,992,000	1,101,664,000
Commercial	899,265,000	884,537,000
	2,014,257,000	1,986,201,000
Other		
Investment in and advances to subsidiary, Guaranty Properties Limited	75,569,000	12,471,000
Fixed assets	6,295,000	6,573,000
Miscellaneous assets	21,891,000	19,768,000
	\$2,597,712,000	\$2,549,983,000
Liabilities		
Deposits		
Savings and chequing accounts	\$ 657,847,000	\$ 623,000,000
Time deposits	275,151,000	316,610,000
Guaranteed investment certificates	1,435,161,000	1,401,094,000
	2,368,159,000	2,340,704,000
Other		
Interest accrued	70,667,000	52,097,000
Accounts payable	30,117,000	31,758,000
Unearned finance charges	9,077,000	7,401,000
Minority interest (primarily preference shares)	13,831,000	14,158,000
Traders investment, at equity value	105,861,000	103,865,000
	\$2,597,712,000	\$2,549,983,000

Gross Income

	1982	1981
Sales	\$ 24,004,000	\$ 17,977,000
Other	4,459,000	2,651,000
	<u>28,463,000</u>	<u>20,628,000</u>

**Statement
of Income**

Year ended December 31

Expenses

Cost of sales	16,032,000	11,468,000
Write-down of land inventory	713,000	843,000
Interest expense	4,888,000	3,111,000
Salaries and staff benefits	1,684,000	918,000
Premises including depreciation	210,000	199,000
Other expenses	811,000	504,000
	<u>24,338,000</u>	<u>17,043,000</u>
Income before income taxes	4,125,000	3,585,000
Income taxes—current	4,662,000	1,804,000
—deferred	(1,539,000)	149,000
	<u>3,123,000</u>	<u>1,953,000</u>
Net contribution to Guaranty Trust	<u>\$ 1,002,000</u>	<u>\$ 1,632,000</u>

Assets

	1982	1981
Cash	\$ 1,971,000	\$ 3,218,000
Mortgages receivable and other secured receivables	16,796,000	20,351,000
Real estate		
Land inventory	131,425,000	113,674,000
Residential buildings under construction	2,758,000	6,932,000
Income producing properties	12,475,000	1,527,000
	<u>146,658,000</u>	<u>122,133,000</u>
Other		
Fixed assets	417,000	306,000
Miscellaneous assets	8,928,000	2,631,000
	<u>\$174,770,000</u>	<u>\$148,639,000</u>

**Summary
Balance
Sheet**

December 31

Liabilities

Debt**		
Bank loans	\$ 62,337,000	\$ 94,613,000
Mortgages payable	9,605,000	7,808,000
	<u>71,942,000</u>	<u>102,421,000</u>
Other		
Accounts payable and accrued expenses	14,458,000	17,326,000
Advance from associated corporations	700,000	6,525,000
Deferred income taxes	12,101,000	9,896,000
Guaranty Trust investment, at equity value	75,569,000	12,471,000
	<u>\$174,770,000</u>	<u>\$148,639,000</u>

*Consists of Guaranty Properties Limited and the following subsidiaries and joint ventures:

Albion Road Estates Limited

Apple Creek Business Park

Guaranty Properties (Florida) Inc.

Guaranty Properties (U.S.) Inc.

Traders Associates

360 Bloor Street East

488857 Ontario Limited

**Bears interest from 9% to 14½% and matures from 1983 to 1987.

Statement of Income

Year ended December 31

	1982	1981
Gross income		
Consumer	\$ 69,460,000	\$ 89,679,000
Commercial	18,161,000	34,558,000
Other	9,164,000	1,268,000
	<u>96,785,000</u>	<u>125,505,000</u>
Expenses		
Interest expense—		
Secured debt		
Short term	15,747,000	33,002,000
Medium and long term	22,789,000	27,754,000
Debt of subsidiary	794,000	—
Unsecured debt	7,857,000	10,948,000
Other borrowing costs	3,687,000	1,597,000
	<u>50,874,000</u>	<u>73,301,000</u>
Credit losses	10,148,000	6,948,000
Salaries and staff benefits	18,719,000	20,672,000
Premises including depreciation	3,400,000	3,001,000
Other expenses	15,819,000	17,757,000
	<u>98,960,000</u>	<u>121,679,000</u>
Income (loss) before income taxes	(2,175,000)	3,826,000
Income taxes (deferred 1982—\$(1,869,000); 1981—\$1,994,000)	(1,335,000)	2,266,000
Net operating income (loss)	<u>(840,000)</u>	<u>1,560,000</u>
Consolidation adjustment	(65,000)	—
Loss from factoring operation, net of taxes (Note 5)	(1,590,000)	(526,000)
Net contribution	(2,495,000)	1,034,000
Equity share in net income (loss) of non-finance subsidiaries:		
Guaranty Trust Company of Canada	3,721,000	2,389,000
Canadian General Insurance Group	1,428,000	(758,000)
Net income for the year	<u>\$ 2,654,000</u>	<u>\$ 2,665,000</u>

Summary Balance Sheet

December 31

	1982	1981
Assets		
Cash and money market instruments	\$ 20,594,000	\$ 5,146,000
Finance receivables		
Consumer (Note 13)	316,386,000	432,559,000
Commercial (Note 13)	141,877,000	193,450,000
Factoring	6,958,000	39,343,000
International	1,298,000	2,737,000
Loans to associated corporations	—	15,615,000
	<u>466,519,000</u>	<u>683,704,000</u>
Less: Allowance for credit losses	18,338,000	20,059,000
	<u>448,181,000</u>	<u>663,645,000</u>
Investments and advances:		
Investments in non-finance subsidiaries at equity value		
Guaranty Trust Company of Canada	105,861,000	103,865,000
Canadian General Insurance Group	31,305,000	29,855,000
Investment in associated corporations and other investments	3,183,000	3,624,000
	<u>140,349,000</u>	<u>137,344,000</u>
Other		
Income producing properties	25,263,000	—
Fixed assets	8,633,000	8,770,000
Miscellaneous assets	2,414,000	3,252,000
	<u>\$ 645,434,000</u>	<u>\$ 818,157,000</u>
Liabilities		
Debt (Note 2)	\$ 396,118,000	\$ 521,937,000
Unearned finance charges	63,681,000	72,377,000
Other		
Accounts payable and accrued expenses	11,603,000	41,451,000
Deferred income taxes (Note 6)	28,877,000	32,374,000
Minority interest in finance subsidiary	(2,080,000)	348,000
Shareholders' equity	147,235,000	149,670,000
	<u>\$ 645,434,000</u>	<u>\$ 818,157,000</u>

* Consists of Traders Group Limited and the following consolidated subsidiaries:

Trans Canada Credit Corporation Limited

Trans Canada Credit Realty Limited

Traders Finance Corporation (1966) Limited

Traders Homeplan Limited

Aetna Financial Services Limited

Traders Finance S.A. and subsidiaries

Traders Finance Corporation (1976) Limited

Montrad Inc.

Statement of Income

Year ended December 31

	1982	1981
Gross written premiums	\$180,448,000	\$158,502,000
Reinsurance ceded	59,270,000	40,142,000
Net written premiums	\$121,178,000	\$118,360,000
Gross income		
Net earned premiums	\$121,485,000	\$113,615,000
Investment income	17,435,000	14,925,000
	138,920,000	128,540,000
Gain on sale of securities	49,000	511,000
	138,969,000	129,051,000
Expenses		
Claims	98,153,000	101,559,000
Commissions and premium taxes	20,558,000	18,375,000
Salaries and staff benefits	10,122,000	9,132,000
Premises including depreciation	1,784,000	1,485,000
Other expenses	6,917,000	4,883,000
	137,534,000	135,434,000
Income (loss) before income taxes	1,435,000	(6,383,000)
Income taxes—current	(1,056,000)	(260,000)
—deferred	494,000	(5,381,000)
	(562,000)	(5,641,000)
Net income (loss) before undernoted items	1,997,000	(742,000)
Extraordinary item—gain on sale of fixed assets, net of taxes	7,747,000	—
Minority interest and consolidation adjustment	(8,316,000)	(16,000)
Net contribution to Traders	\$ 1,428,000	\$ (758,000)

	1982	1981
Assets		
Cash and short term investments	\$ 76,423,000	\$ 41,275,000
Bonds (market value 1982—\$44,756,000; 1981—\$54,647,000)	46,078,000	60,777,000
Stocks (market value 1982—\$23,342,000; 1981—\$29,643,000)	23,755,000	32,369,000
Mortgages	16,394,000	16,746,000
	162,650,000	151,167,000
Premiums receivable from agents and policyholders	21,312,000	23,026,000
Deferred acquisition costs	8,071,000	8,148,000
Fixed assets	1,130,000	2,552,000
Miscellaneous assets	11,940,000	13,393,000
	\$205,103,000	\$198,286,000

Summary Balance Sheet

December 31

Liabilities		
Claims in course of settlement	\$ 90,699,000	\$ 90,539,000
Unearned insurance premiums	49,185,000	49,491,000
Provision for policy obligations	15,512,000	15,018,000
Accounts payable and accrued expenses	11,177,000	15,458,000
Deferred income taxes	(1,428,000)	(2,412,000)
Minority interest and consolidation adjustment	8,653,000	337,000
Traders investment, at equity value	31,305,000	29,855,000
	\$205,103,000	\$198,286,000

*Includes the following
subsidiary companies:

Canadian General
Insurance Company
Toronto General
Insurance Company
Traders General
Insurance Company
Canadian General Life
Insurance Company

1. Summary of accounting policies:

The summary of accounting policies followed by the Corporation and its subsidiaries as outlined on page F16 is an integral part of these financial statements.

2. Consolidated capitalization:

Details of the secured and unsecured debt and capital position are included in the Consolidated Capitalization schedules on pages F13, F14 and F15.

3. Foreign exchange:

Debt of the Corporation due beyond one year in foreign currencies is carried at the Canadian funds received at date of issue. The total Canadian dollar liability on such notes at current rates of exchange at December 31, 1982 is greater than the Canadian funds received at date of issue, indicating a contingent future foreign exchange loss of approximately \$13,133,000. Foreign exchange conditions in the future could alter this position materially.

4. Related party transactions:

The Finance Group sold \$78,000,000 of consumer mortgages at fair market value to Guaranty Trust Company of Canada.

The Insurance Group sold real property to Guaranty Properties Limited at fair market value of \$12,000,000.

General and administrative expenses include an allocation among Guaranty Trust, Guaranty Properties and the Finance Group for the cost of shared head office personnel and facilities.

5. Loss from factoring operation:

In 1981 the Corporation's investment in its factoring subsidiary was written down to a nominal value and in 1982 the decision to cease writing new business was made with effect from November 1982 as current economic conditions precluded the satisfactory outcome of the major restructuring attempted in 1982.

Accordingly a loss has been recorded in the 1982 financial statements to reflect this decision. The loss provides for the anticipated costs, including costs of terminating employees, disposing of assets and provisions for credit losses, required to close down the operations in 1983.

6. Income taxes:

Certain subsidiaries receive tax-exempt dividend and debenture income. In addition certain items of income and expense are recognized in time periods different for financial reporting than for income tax purposes. The summarized income tax position at December 31, 1982 is as follows:

(i) Guaranty Trust:

The Company at December 31, 1982 has cumulative tax losses of \$3,900,000 comprised of historical profits less tax-exempt income. The benefits of these losses have not been recorded in the accounts. Mainly as a result of certain elective deductions which the Company has not claimed for tax purposes, there is an additional amount of \$14,000,000 available to offset future income for tax filing purposes.

(ii) Guaranty Properties:

Deferred income tax liabilities, arising principally from carrying costs of real estate claimed for tax purposes, have been reflected in the financial statements in the amount of \$16,600,000. Losses carried forward on a filing basis and recognized in the financial statements amount to \$4,500,000 of which \$3,500,000 expire in 1986 and \$1,000,000 in 1987.

(iii) Finance Group:

Deferred income tax liabilities arising principally from direct financing lease contracts are reflected in the financial statements in the amount of \$28,000,000.

(iv) Canadian General Insurance Group:

Tax losses within the companies comprising this group amounting to \$1,428,000 have been recognized in the financial statements.

7. Pension plans:

The Corporation and its subsidiaries have two pension plans which cover substantially all employees. The most recent independent actuarial valuations of the plans were made at January 1, 1982 and showed a surplus which is available to offset future pension costs.

Notes to the Consolidated Financial Statements

December 31, 1982

8. Commitments and contingencies:

Outstanding loan and mortgage commitments for future advances are \$141,176,000 at December 31, 1982.

The Corporation and certain of its subsidiaries in the normal course of business, have guaranteed letters of credit and bank loans on behalf of customers, and bank loans of associated corporations, in the aggregate amount of \$9,000,000 at December 31, 1982.

Legal proceedings against Guaranty Trust, together with the Bank of Montreal, Thorne Riddell Inc., and others, have been commenced in British Columbia and in Alberta, alleging, amongst other things, that Guaranty Trust as trustee under a trust indenture acted improperly in appointing a receiver and manager of the assets of Abacus Cities Ltd., now in bankruptcy. Damages claimed against all defendants total approximately \$1,700,000,000. Guaranty Trust is defending these actions and, in the opinion of its legal counsel, Guaranty Trust has a good defence.

9. Other expenses:

	1982	1981
Marketing	\$ 6,239,000	\$ 8,089,000
Data processing	10,622,000	8,357,000
Communications	8,889,000	9,043,000
All other	22,033,000	19,091,000
	<u>\$47,783,000</u>	<u>\$44,580,000</u>

Trust Company

10. Securities:

	1982	1981
Government of Canada and Provinces of Canada	\$34,781,000	\$ 54,709,000
Other securities:		
Municipal	449,000	1,079,000
Corporation bonds and debentures	5,642,000	5,811,000
Stocks	49,246,000	51,261,000
(Market value 1982—\$49,891,000; 1981—\$50,415,000)	55,337,000	58,151,000
	<u>\$90,118,000</u>	<u>\$112,860,000</u>

11. Loans:

	1982	1981
Consumer		
Mortgages	\$ 716,126,000	\$ 779,130,000
Personal loans	398,866,000	322,534,000
	<u>1,114,992,000</u>	<u>1,101,664,000</u>
Commercial		
Mortgages	529,176,000	576,350,000
Corporate term loans	141,531,000	111,808,000
Equipment financing	77,248,000	71,772,000
Manufacturer and Dealer services	151,310,000	124,607,000
	<u>899,265,000</u>	<u>884,537,000</u>
	<u>\$2,014,257,000</u>	<u>\$1,986,201,000</u>

The classification of loans between Consumer and Commercial was redefined in 1982 to reflect current business practice, accordingly the 1981 balances were restated.

12. Guaranteed trust account:

Included in the balance sheet are assets and liabilities of the guaranteed trust account of \$2,473,240,000 (1981—\$2,428,289,000).

December 31, 1982

Finance Group**13. Finance receivables:**

	1982	1981
(i) Consumer		
Personal loans	\$232,297,000	\$233,973,000
Retail	11,371,000	23,342,000
Mortgages	45,627,000	111,883,000
Home improvements	2,671,000	24,438,000
Other	24,420,000	38,923,000
	<u>\$316,386,000</u>	<u>\$432,559,000</u>
Commercial		
Equipment financing	\$ 52,819,000	\$ 87,500,000
Commercial loans	1,611,000	1,970,000
Leasing	87,447,000	103,980,000
	<u>\$141,877,000</u>	<u>\$193,450,000</u>

(ii) Maturities:

Finance receivables due within one year are \$232,000,000 (1981—\$300,000,000).

(iii) Direct financing lease contracts:

The Corporation has the following net investment in direct financing lease contracts:

	1982	1981
Commercial receivables		
Aggregate rentals receivable	\$84,968,000	\$101,373,000
Residuals on expiry of leases		
Contractual	693,000	815,000
Non-contractual	1,786,000	1,792,000
	<u>87,447,000</u>	<u>103,980,000</u>
Unearned income	21,280,000	26,517,000
	<u>\$66,167,000</u>	<u>\$ 77,463,000</u>

December 31, 1982

Finance Group Debt

	Due within one year	Due beyond one year	Total
Summary			
Secured Debt			
Senior Secured Debt			
Short term notes	\$ 78,259,000	\$ —	\$ 78,259,000
Medium term notes	36,082,000	—	36,082,000
Long term notes	49,120,000	136,198,000	185,318,000
Other Secured Debt	1,935,000	21,051,000	22,986,000
	<u>165,396,000</u>	<u>157,249,000</u>	<u>322,645,000</u>
Unsecured Debt			
Debentures	11,778,000	57,079,000	68,857,000
Other	4,616,000	—	4,616,000
	<u>\$181,790,000</u>	<u>\$214,328,000</u>	<u>\$396,118,000</u>

Senior Secured Debt

The senior secured notes of the Corporation are secured by a first specific charge on finance receivables and eligible securities, a first floating charge on the undertaking and certain other property and assets of the Corporation and are protected by operating restrictions provided in borrowing agreements.

Long Term Notes

Series	Maturity date	Annual sinking fund or maximum annual purchase fund	Outstanding
5¾% Z	April 15, 1983	\$ —	\$ 6,323,000
5¼% AA (i)	May 15, 1983	—	11,364,000
9¼% AU	August 15, 1983	—	24,882,000
5¾% AB	May 1, 1984	250,000	5,670,000
9½% AT	June 15, 1984	600,000	24,438,000
5¾% AC	September 15, 1984	375,000	8,005,000
5¾% AD	April 15, 1985	375,000	8,174,000
6¼% AE (i)	April 1, 1986	—	13,457,000
7¾% AH	December 1, 1986	79,000	1,626,000
7¼% AI (i)	July 1, 1987	—	19,034,000
7¾% AJ	September 15, 1987	125,000	3,305,000
8% AK (i)	December 1, 1988	923,000	10,736,000
8¾% AL	December 15, 1988	8,000	212,000
9¾% AM	December 15, 1989	29,000	1,014,000
9½% AN	May 15, 1990	5,000	213,000
10½% AO (i)	October 15, 1990	1,126,000	10,460,000
9% AP	February 15, 1991	625,000	16,271,000
10½% AR (i)	March 15, 1991	1,850,000	16,715,000
11¼% AQ	January 6, 1995	181,000	3,419,000
		<u>\$6,551,000</u>	<u>\$185,318,000</u>

(i) U.S. dollar issues.

Other Secured Debt

The Corporation has obligations of \$14,506,000 secured on leased property, bearing interest rates from 8.35% to 10.25% and payable from 1983 through 1990.

Debentures

Series	Maturity date	Annual sinking fund or maximum annual purchase fund	Outstanding
6%	November 1, 1984	\$ 180,000	\$ 3,576,000
6%	June 1, 1985	120,000	2,568,000
14¾%	June 15, 1990	381,000	6,610,000
11½%	November 1, 1990	238,000	4,211,000
10¾%	April 15, 1991 (i)	300,000	9,452,000
9½%	June 15, 1991	106,000	2,951,000
9¾%	April 15, 1992 (i)	300,000	9,081,000
8¾%	October 15, 1992	51,000	2,044,000
10¼%	April 15, 1993 (i)	200,000	9,646,000
8¾%	May 1, 1993	375,000	9,342,000
9%	October 15, 1993	375,000	9,376,000
		<u>\$2,626,000</u>	<u>\$68,857,000</u>

- (i) The holders of these series have the right to elect an early maturity date for such debentures. The Corporation has the right to increase the interest rates on such series.

**Consolidated
Capitalization**
December 31, 1982
(concluded)

Share Capital

Cumulative redeemable preferred shares

	Authorized		Issued and Outstanding	
	Shares	Amount	Shares	Amount
4½%, par value \$100	35,000	\$ 3,500,000	35,000	\$ 3,500,000
Less: held by subsidiaries			5,135	513,000
			<u>29,865</u>	<u>2,987,000</u>
5%, par value \$40	29,149	1,166,000	29,099	1,164,000
Less: cancelled by purchase during 1982			<u>—</u>	<u>—</u>
			<u>29,099</u>	<u>1,164,000</u>
Shares issuable in series, par value \$30.	351,917	10,558,000		
Series A, 5%			41,213	1,236,000
Less: cancelled by purchase during 1982			<u>1,800</u>	<u>54,000</u>
			<u>39,413</u>	<u>1,182,000</u>
Series B, \$2.16			187,541	5,626,000
Less: cancelled by purchase during 1982			<u>10,595</u>	<u>318,000</u>
			<u>176,946</u>	<u>5,308,000</u>
Shares issuable in series, par value \$10.	5,000,000	50,000,000		
10¼% preferred shares			714,001	7,140,000
Less: cancelled by purchase during 1982			<u>18,370</u>	<u>184,000</u>
			<u>695,631</u>	<u>6,956,000</u>
7.5%, par value \$50	331,100	16,555,000	299,807	14,991,000
Less: cancelled by purchase during 1982			<u>11,235</u>	<u>562,000</u>
			<u>288,572</u>	<u>14,429,000</u>
				<u>\$32,026,000</u>

The terms of issue of preferred shares issued in series include provisions by which the Corporation is to provide (subject to certain conditions) an annual purchase fund for the purchase and cancellation of these preferred shares in the aggregate amount of \$1,399,000.

Common shares without nominal or par value

	Authorized	Issued and Outstanding	
		Shares	Amount
Class A	unlimited	6,546,181	\$63,985,000
Class B	720,000	720,000	480,000
		<u>7,266,181</u>	<u>\$64,465,000</u>
Less: elimination of shares held through a subsidiary (i)		<u>2,199,273</u>	
Common shares effectively outstanding		<u>5,066,908</u>	

(i) The common shares of Traders Group Limited held directly and indirectly through a subsidiary for a total cost of \$28,837,000 have been eliminated on consolidation as noted below.

Class A	1,723,389
Class B	475,884
Total common shares	<u>2,199,273</u>

In August 1982, the Corporation introduced a Dividend Reinvestment Plan and a Stock Dividend Program under which eligible holders of Class A non-voting shares and Class B Common shares may elect to acquire new Class A non-voting shares at 95% of the average market price through the reinvestment of dividends.

Principles of Consolidation:

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada.

Financial data covering the Corporation's significant business segments are included in the summarized financial information of subsidiaries which is an integral part of the consolidated financial statements.

Foreign Exchange:

Foreign currency receivables and debt of the Corporation due within one year are translated to Canadian dollars at either the exchange rate at balance sheet date or at forward contract rates where such contracts have been made. Foreign currency receivables and debt of the Corporation due beyond one year are included in the consolidated financial statements at the Canadian dollar amount received at date of issue.

Other assets and liabilities in foreign currencies are translated to Canadian dollars at the exchange rate at balance sheet date.

The financial statements of foreign subsidiaries have been translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Realized gains or losses arising from market fluctuations are reflected in current operations, while those arising from revaluation of currencies are recorded as extraordinary items.

Depreciation and Amortization:

Property and equipment are carried at cost and depreciated over estimated productive lives or terms of the lease using various rates and methods.

Trust Company Accounting:

Securities are stated at amortized cost except for corporate notes and stocks which are stated at cost. Loans are stated at cost less any provision for losses which management considers necessary in the circumstances.

Income is recorded on an accrual basis. Discounts or premiums on the purchase of government bonds are amortized on a yield to maturity basis. Discounts or premiums on the other bonds and loans are amortized on a straight-line basis over the term to maturity.

Realized gains or losses on investments are included in the statement of income.

The Company follows accrual accounting for all corporate services it provides including the stock transfer agency business. Accrual accounting is also followed for most fees arising from the estate, trust and agency business.

Guaranty Properties Accounting:

Income on land sales is recorded after all material conditions have been fulfilled and at least 15% of the sale price has been received in cash.

Land is carried at the lower of cost including direct carrying charges (primarily interest and realty taxes) and development costs to date, and estimated net realizable value at the time of sale.

The proportionate share of the individual assets, liabilities, income and expenses of real estate associated corporations and joint ventures is included in the consolidated financial statements.

Finance Accounting:

Unearned income on direct financing lease contracts and certain long term instalment contracts is computed on an actuarial yield basis. Unearned income on other instalment contracts is computed by the sum of the digits method.

Income from interest bearing loans is recorded on an accrual basis.

Insurance Accounting:

Net written premiums are included in income evenly over the term of the policies. Deferred acquisition expenses, which include commissions paid net of reinsurance commissions received, and premium taxes incurred during the year are amortized to income over the periods in which the premiums are earned. The method used limits the amount deferred to the amount recoverable.

The Companies follow the policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Companies to a maximum amount on any one loss, in the event of a claim. In addition, the Companies have obtained reinsurance which limits the Companies' liability, in the event of a series of claims arising out of a single occurrence.

Premium income is recorded net of amounts ceded to reinsurers and commissions and losses are recorded net of reinsurance recoveries.

Reinsurance ceded does not however, relieve the Companies of their ultimate liability to their insureds in the event that any reinsurer is unable to meet their obligations under the reinsurance agreements.

The provision for outstanding losses includes estimated provision for all costs of investigation and settlement of claims incurred prior to the balance sheet date. Anticipated salvage and subrogation recoveries are not recorded until received.

Bonds and mortgages are carried at amortized cost. Stocks are carried at cost. Gains and losses on disposal are recognized in income when realized.

