

TRADERS  
GROUP LIMITED

1981 Financial  
Statements

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February 4, 1982

To the Shareholders of  
Traders Group Limited

The Corporation's annual  
report for the year ended  
December 31, 1981 will  
be mailed at a later date.



Year ended December 31

	1981	1980
<b>Gross income</b>		
Trust company loan, investment and fee income	<b>\$335,137,000</b>	\$250,004,000
Land sales and other income	<b>20,628,000</b>	17,494,000
Finance charges and related income	<b>125,505,000</b>	137,380,000
Insurance premiums and investment income	<b>128,540,000</b>	112,088,000
Gain on sale of investments	<b>2,223,000</b>	1,561,000
	<b>612,033,000</b>	518,527,000
<b>Expenses</b>		
Interest expense—trust and property	<b>278,279,000</b>	198,433,000
—finance	<b>73,301,000</b>	81,149,000
Cost of land sales (including write-down of land inventory)	<b>351,580,000</b>	279,582,000
Insurance claims	<b>12,943,000</b>	6,824,000
Insurance commissions and premium taxes	<b>101,559,000</b>	79,225,000
Credit losses	<b>18,375,000</b>	17,998,000
Salaries and staff benefits	<b>9,779,000</b>	14,468,000
Premises including depreciation	<b>58,915,000</b>	55,467,000
Other expenses	<b>12,093,000</b>	11,751,000
	<b>44,580,000</b>	39,477,000
Income before income taxes and minority interest	<b>609,824,000</b>	504,792,000
Income taxes—current	<b>2,209,000</b>	13,735,000
—deferred	<b>1,816,000</b>	1,654,000
	<b>(3,815,000)</b>	901,000
<b>Net operating income</b>	<b>(1,999,000)</b>	2,555,000
Minority interest and consolidation adjustments	<b>4,208,000</b>	11,180,000
<b>Net operating income from continuing operations</b>	<b>1,017,000</b>	426,000
Loss from discontinued operation	<b>3,191,000</b>	11,606,000
	<b>—</b>	1,866,000
Write-down of investment in and loans to factoring subsidiary (Note 5)	<b>(526,000)</b>	—
<b>Net income for the year</b>	<b>\$ 2,665,000</b>	\$ 9,740,000
<b>Available for</b>		
Preferred shares	<b>\$ 2,545,000</b>	\$ 2,588,000
Common shares	<b>120,000</b>	7,152,000
	<b>\$ 2,665,000</b>	\$ 9,740,000
<b>Earnings (loss) per common share—continuing operations</b>	<b>\$0.12</b>	\$1.76
—discontinued operation	<b>—</b>	(.36)
—write-down of investment in and loans to factoring subsidiary	<b>(0.10)</b>	—
	<b>\$0.02</b>	\$1.40
Weighted average number of common shares outstanding after inter-corporate elimination	<b>5,069,000</b>	5,122,000

# Traders Group Limited

December 31	1981	1980
<b>Assets</b>		
<b>Trust</b>		
Cash and securities	\$ 524,970,000	\$ 392,940,000
Loans	<b>1,986,201,000</b>	1,814,214,000
	<b>2,511,171,000</b>	2,207,154,000
<b>Guaranty Properties</b>		
Cash and mortgages receivable	<b>23,569,000</b>	22,863,000
Real estate	<b>122,133,000</b>	94,833,000
	<b>145,702,000</b>	117,696,000
<b>Finance</b>		
Cash and money market instruments	<b>5,146,000</b>	8,512,000
Receivables	<b>663,645,000</b>	838,994,000
	<b>668,791,000</b>	847,506,000
<b>Insurance</b>		
Cash and investments	<b>151,167,000</b>	143,360,000
Premiums receivable and deferred acquisition costs	<b>31,174,000</b>	24,498,000
	<b>182,341,000</b>	167,858,000
<b>Other</b>		
Investments in associated corporations and other investments	<b>3,624,000</b>	3,629,000
Fixed assets	<b>18,201,000</b>	17,073,000
Miscellaneous assets	<b>39,044,000</b>	32,827,000
	<b>\$3,568,874,000</b>	\$3,393,743,000

## Auditors' Report

### To the Shareholders of Traders Group Limited:

We have examined the consolidated balance sheet of Traders Group Limited as at December 31, 1981 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, 1981 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 28, 1982.

PRICE WATERHOUSE  
Chartered Accountants

Consolidated  
Balance Sheet

December 31	1981	1980
<b>Liabilities</b>		
<b>Trust</b>		
Savings and chequing accounts	\$ 623,000,000	\$ 570,553,000
Time deposits	<u>316,610,000</u>	186,589,000
Guaranteed investment certificates	<u>1,401,094,000</u>	1,308,777,000
	<u>2,340,704,000</u>	2,065,919,000
<b>Guaranty Properties</b>		
Bank loans and mortgages payable	<u>102,421,000</u>	74,676,000
<b>Finance</b>		
Debt (Note 2)	<u>521,937,000</u>	650,607,000
Unearned finance charges	<u>72,377,000</u>	97,366,000
	<u>594,314,000</u>	747,973,000
<b>Insurance</b>		
Claims in course of settlement	<u>90,539,000</u>	76,397,000
Unearned premiums	<u>49,491,000</u>	44,020,000
	<u>140,030,000</u>	120,417,000
<b>Other</b>		
Accounts payable and accrued expenses	<u>187,034,000</u>	163,078,000
Deferred income taxes	<u>39,858,000</u>	47,956,000
Minority interest (including Trust company preference shares)	<u>14,843,000</u>	18,212,000
<b>Shareholders' equity</b> (Note 2)		
Preferred shares	<u>33,144,000</u>	33,789,000
Common shares	<u>64,465,000</u>	64,465,000
Retained earnings	<u>97,609,000</u>	98,254,000
	<u>80,898,000</u>	85,659,000
Elimination of inter-corporate holdings	<u>178,507,000</u>	183,913,000
	<u>(28,837,000)</u>	(28,401,000)
	<u>149,670,000</u>	155,512,000
	<u>\$3,568,874,000</u>	\$3,393,743,000

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

Approved by the Board:

*Alan L. Marchment*

A. R. Marchment, Director

*I. R. Gerstein*

I. R. Gerstein, Director

Year ended December 31	1981	1980
<b>Balance at beginning of year</b>	<b>\$ 85,659,000</b>	\$ 84,859,000
Adjustment arising during the year—		
Change in holdings in subsidiaries	(40,000)	8,000
Amortization of cost of issuing preferred shares, net of gain on redemption	416,000	44,000
<b>Net income for the year</b>	<b>86,035,000</b>	84,911,000
Less dividends on preferred shares	2,665,000	9,740,000
4½%	136,000	136,000
5%	58,000	58,000
5%, Series A	65,000	66,000
\$2.16 Series B	408,000	413,000
10¼%	747,000	768,000
7.5%	1,131,000	1,147,000
<b>Earnings available for common shares</b>	<b>2,545,000</b>	2,588,000
Less dividends on common shares, net of inter-corporate holdings (1981—\$1.03½; 1980—\$1.25 per share)	120,000	7,152,000
<b>Earnings retained for the year</b>	<b>5,257,000</b>	6,404,000
<b>Balance at end of year</b>	<b>(5,137,000)</b>	748,000
	<b>\$ 80,898,000</b>	\$ 85,659,000

Year ended December 31

	<b>1981</b>	1980
<b>Funds provided by:</b>		
Operations:		
Net income	<b>\$ 2,665,000</b>	\$ 9,740,000
Add non cash items:		
Depreciation and amortization	<b>2,450,000</b>	1,818,000
Deferred income taxes	<b>(8,098,000)</b>	901,000
	<b>(2,983,000)</b>	12,459,000
	<b>(645,000)</b>	(273,000)
Proceeds from issue and redemption of shares of the Corporation		
Net increase (decrease) in:		
Trust company deposits	<b>274,785,000</b>	269,937,000
Guaranty Properties debt	<b>27,745,000</b>	16,440,000
Finance debt	<b>(128,670,000)</b>	(113,629,000)
Insurance claims in course of settlement	<b>14,142,000</b>	7,965,000
Unearned insurance premiums	<b>5,471,000</b>	(2,244,000)
Other	<b>14,315,000</b>	2,403,000
	<b>\$204,160,000</b>	\$193,058,000
<b>Funds applied to:</b>		
Dividends	<b>\$ 7,802,000</b>	\$ 8,992,000
Addition to fixed assets	<b>3,578,000</b>	2,879,000
Net increase (decrease) in:		
Trust company cash, loans and securities	<b>304,017,000</b>	278,506,000
Guaranty Properties cash, mortgages and real estate	<b>28,006,000</b>	27,167,000
Finance cash and receivables, net of unearned finance charges	<b>(153,726,000)</b>	(132,503,000)
Insurance cash, investments and other	<b>14,483,000</b>	8,017,000
	<b>\$204,160,000</b>	\$193,058,000

Traders Group Limited  
**Financial Information  
of Subsidiaries**

Guaranty Trust Company

**Statement of  
Income**

Year ended December 31

	<b>1981</b>	1980
Interest from mortgage and other loans	\$ 246,603,000	\$ 190,304,000
Interest and dividends from securities and bank deposit receipts	58,386,000	37,430,000
Real estate fees and commissions	8,668,000	6,913,000
Other fees and commissions	21,480,000	15,357,000
	<b>335,137,000</b>	250,004,000
Interest on deposits	275,800,000	196,637,000
Credit losses	2,831,000	1,291,000
Salaries and staff benefits	28,193,000	23,852,000
Real estate commissions paid	6,365,000	5,028,000
Premises including depreciation and amortization	7,408,000	5,990,000
Other expenses	15,071,000	14,673,000
	<b>335,668,000</b>	247,471,000
Income (loss) before income taxes	(531,000)	2,533,000
Income taxes deferred	(577,000)	(2,071,000)
<b>Net operating income</b>	<b>46,000</b>	4,604,000
Net gain on investments, less applicable income taxes	1,712,000	132,000
Equity share of net income of Guaranty Properties Limited	1,632,000	3,607,000
<b>Net income before minority interest</b>	<b>3,390,000</b>	8,343,000
Minority interest and consolidation adjustments	1,001,000	732,000
<b>Net contribution to Traders</b>	<b>\$ 2,389,000</b>	<b>\$ 7,611,000</b>

**Summary  
Balance Sheet**

December 31

	<b>1981</b>	1980
<b>Assets</b>		
Cash and securities		
Cash and bank deposit receipts	\$ 384,912,000	\$ 240,868,000
Securities and loan income due and accrued	27,198,000	22,210,000
Securities (Note 9)	112,860,000	129,862,000
	<b>524,970,000</b>	392,940,000
Loans		
Consumer	322,534,000	266,945,000
Mortgages, residential	1,157,653,000	1,170,170,000
Mortgages, commercial	197,827,000	194,028,000
Corporate	194,964,000	96,388,000
Sales finance	113,223,000	86,683,000
	<b>1,986,201,000</b>	1,814,214,000
Other		
Investment in subsidiary, Guaranty Properties Limited (Note 4)	12,471,000	10,839,000
Fixed assets	6,573,000	5,823,000
Miscellaneous assets	19,768,000	16,611,000
	<b>\$2,549,983,000</b>	<b>\$2,240,427,000</b>
<b>Liabilities</b>		
Deposits		
Savings and chequing accounts	\$ 623,000,000	\$ 570,553,000
Time deposits	316,610,000	186,589,000
Guaranteed investment certificates	1,401,094,000	1,308,777,000
	<b>2,340,704,000</b>	2,065,919,000
Other		
Interest accrued	52,097,000	36,246,000
Accounts payable	31,758,000	30,031,000
Unearned finance charges	7,401,000	5,244,000
Deferred income taxes	—	577,000
Minority interest (primarily preference shares)	14,158,000	14,889,000
Traders investment, at equity value	103,865,000	87,521,000
	<b>\$2,549,983,000</b>	<b>\$2,240,427,000</b>

Traders Group Limited  
**Financial Information  
of Subsidiaries**

**Statement of  
Income**  
Year ended December 31

**Guaranty Properties\***

<b>Gross Income</b>	<b>1981</b>	<b>1980</b>
Sales	<b>\$ 17,977,000</b>	\$ 15,561,000
Other	<b>2,651,000</b>	1,933,000
	<b>20,628,000</b>	17,494,000
 <b>Expenses</b>		
Cost of sales	<b>11,468,000</b>	6,824,000
Write-down of land inventory	<b>1,475,000</b>	—
Interest expense	<b>2,479,000</b>	1,796,000
Salaries and staff benefits	<b>918,000</b>	825,000
Premises including depreciation	<b>199,000</b>	219,000
Other expenses	<b>504,000</b>	432,000
	<b>17,043,000</b>	10,096,000
Income before income taxes	<b>3,585,000</b>	7,398,000
Income taxes—current	<b>1,804,000</b>	1,347,000
—deferred	<b>149,000</b>	2,444,000
	<b>1,953,000</b>	3,791,000
<b>Net contribution to Guaranty Trust</b>	<b>\$ 1,632,000</b>	\$ 3,607,000

**Summary  
Balance Sheet**  
December 31

<b>Assets</b>	<b>1981</b>	<b>1980</b>
Cash	<b>\$ 3,218,000</b>	\$ 875,000
Mortgages receivable and other secured receivables	<b>20,351,000</b>	21,988,000
Real estate		
Land inventory	<b>113,674,000</b>	90,411,000
Residential buildings under construction	<b>6,932,000</b>	2,884,000
Income producing property	<b>1,527,000</b>	1,538,000
	<b>122,133,000</b>	94,833,000
Other		
Fixed assets	<b>306,000</b>	90,000
Miscellaneous assets	<b>2,631,000</b>	3,223,000
	<b>\$148,639,000</b>	\$121,009,000

<b>Liabilities</b>	
Debt**	
Bank loans	<b>\$ 94,613,000</b>
Mortgages payable	<b>7,808,000</b>
	<b>102,421,000</b>
Other	
Accounts payable and accrued expenses	<b>17,326,000</b>
Advance from associated corporations	<b>6,525,000</b>
Deferred income taxes	<b>9,898,000</b>
Guaranty Trust investment, at equity value	<b>12,471,000</b>
	<b>\$148,639,000</b>

\*Consists of Guaranty Properties Limited and the following subsidiaries and joint ventures:  
Guaranty Properties (U.S.) Inc.  
Guaranty Properties (Florida) Inc.  
Albion Road Estates Limited

Traders Associates  
Verity Investments Limited  
Apple Creek Business Park  
360 Bloor Street East

\*\*Bears interest from 9% to prime plus 3/4% and matures from 1982 to 1987.

Traders Group Limited  
Financial Information  
of Subsidiaries

Statement of  
Income

Year ended December 31

	1981	1980
<b>Gross income</b>		
Consumer	\$ 89,679,000	\$ 85,601,000
Commercial	34,558,000	39,610,000
Factoring	—	11,193,000
Other	1,268,000	976,000
	<b>125,505,000</b>	<b>137,380,000</b>
<b>Expenses</b>		
Interest expense—		
Secured debt	33,002,000	30,053,000
Short term	27,754,000	35,143,000
Medium and long term	10,948,000	14,321,000
Unsecured debt	1,597,000	1,632,000
Other borrowing costs	73,301,000	81,149,000
Credit losses	6,948,000	13,177,000
Salaries and staff benefits	20,672,000	22,670,000
Premises including depreciation	3,001,000	4,182,000
Other expenses	17,757,000	15,032,000
	<b>121,679,000</b>	<b>136,210,000</b>
Income before income taxes and minority interest	3,826,000	1,170,000
Income taxes (deferred 1981—\$1,994,000; 1980—\$573,000)	2,266,000	1,076,000
<b>Net operating income</b>	<b>1,560,000</b>	94,000
Minority interest in loss of finance subsidiary	—	(1,195,000)
<b>Net contribution from continuing operations</b>	<b>1,560,000</b>	1,289,000
Loss from discontinued operation	—	1,866,000
Write-down of investment in and loans to factoring subsidiary (Note 5)	(526,000)	—
Net contribution	1,034,000	(577,000)
Equity share in net income (loss) of non-finance subsidiaries:		
Guaranty Trust Company of Canada	2,389,000	7,611,000
Canadian General Insurance Group	(758,000)	2,706,000
<b>Net income for the year</b>	<b>\$ 2,665,000</b>	<b>\$ 9,740,000</b>

Summary  
Balance Sheet

December 31

\* 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

Aetna Financial Services Limited

Traders Finance S.A. and subsidiaries

Traders Finance Corporation (1976) Limited

	1981	1980
<b>Assets</b>		
Cash and money market instruments	\$ 5,146,000	\$ 8,512,000
Finance receivables (Note 11)		
Consumer	432,559,000	497,132,000
Commercial	193,450,000	286,505,000
Factoring (Note 5)	39,343,000	56,408,000
International	2,737,000	8,372,000
Loans to associated corporations	15,615,000	16,304,000
	<b>683,704,000</b>	<b>864,721,000</b>
Less: Allowance for credit losses	20,059,000	25,727,000
	<b>663,645,000</b>	<b>838,994,000</b>
Investments and advances:		
Investments in non-finance subsidiaries at equity value		
Guaranty Trust Company of Canada	103,865,000	87,521,000
Canadian General Insurance Group	29,855,000	31,900,000
Investment in associated companies and other investments	3,624,000	3,629,000
	<b>137,344,000</b>	<b>123,050,000</b>
Other		
Fixed assets	8,770,000	9,002,000
Miscellaneous assets	3,252,000	6,115,000
	<b>\$ 818,157,000</b>	<b>\$ 985,673,000</b>
<b>Liabilities</b>		
Debt (Note 2)	\$ 521,937,000	\$ 650,607,000
Unearned finance charges	72,377,000	97,366,000
Other		
Accounts payable and accrued expenses	41,451,000	45,462,000
Deferred income taxes	32,374,000	33,765,000
Minority interest in finance subsidiaries	348,000	2,961,000
Shareholders' equity	149,670,000	155,512,000
	<b>\$ 818,157,000</b>	<b>\$ 985,673,000</b>

Traders Group Limited  
**Financial Information  
of Subsidiaries**

**Statement of  
Income**  
Year ended December 31

Gross written premiums	
Reinsurance ceded	
Net written premiums	

**Canadian General  
Insurance Group\***

1981	1980
<b>\$158,502,000</b>	\$122,597,000
<b>40,142,000</b>	22,745,000
<b>\$118,360,000</b>	\$ 99,852,000

<b>Gross income</b>	
Net earned premiums	
Investment income	
Gain on sale of securities	

<b>\$113,615,000</b>	\$ 99,075,000
<b>14,925,000</b>	13,013,000
<b>128,540,000</b>	112,088,000
<b>511,000</b>	1,429,000
<b>129,051,000</b>	113,517,000

<b>Expenses</b>	
Claims	
Commissions and premium taxes	
Salaries and staff benefits	
Premises including depreciation	
Other expenses	
Income (loss) before income taxes	
Income taxes—current	
—deferred	
Net income (loss) before minority interest	
Minority interest	
<b>Net contribution to Traders</b>	

<b>101,559,000</b>	79,225,000
<b>18,375,000</b>	17,998,000
<b>9,132,000</b>	8,120,000
<b>1,485,000</b>	1,360,000
<b>4,883,000</b>	4,312,000
<b>135,434,000</b>	111,015,000
<b>(6,383,000)</b>	2,502,000
<b>(260,000)</b>	(196,000)
<b>(5,381,000)</b>	(45,000)
<b>(5,641,000)</b>	(241,000)
<b>(742,000)</b>	2,743,000
<b>16,000</b>	37,000
<b>\$ (758,000)</b>	\$ 2,706,000

**Summary  
Balance Sheet**  
December 31

<b>Assets</b>	
Cash and short term investments	
Bonds (market value 1981—\$54,647,000; 1980—\$62,341,000)	
Stocks (market value 1981—\$29,643,000; 1980—\$32,925,000)	
Mortgages	
Premiums receivable from agents and policyholders	
Deferred acquisition costs	
Fixed assets	
Miscellaneous assets	

1981	1980
<b>\$ 41,275,000</b>	\$ 25,891,000
<b>60,777,000</b>	68,319,000
<b>32,369,000</b>	29,886,000
<b>16,746,000</b>	19,264,000
<b>151,167,000</b>	143,360,000
<b>23,026,000</b>	18,278,000
<b>8,148,000</b>	6,220,000
<b>2,552,000</b>	2,158,000
<b>13,393,000</b>	7,072,000
<b>\$198,286,000</b>	\$177,088,000

<b>Liabilities</b>	
Claims in course of settlement	
Unearned insurance premiums	
Provision for policy obligations	
Accounts payable and accrued expenses	
Deferred income taxes	
Minority interest	
Traders investment, at equity value	

<b>\$ 90,539,000</b>	\$ 76,397,000
<b>49,491,000</b>	44,020,000
<b>15,018,000</b>	11,400,000
<b>15,458,000</b>	9,509,000
<b>(2,412,000)</b>	3,500,000
<b>337,000</b>	362,000
<b>29,855,000</b>	31,900,000
<b>\$198,286,000</b>	\$177,088,000

<sup>a</sup>Includes the following subsidiary companies:  
Canadian General Insurance Company  
Toronto General Insurance Company  
Traders General Insurance Company  
Canadian General Life Insurance Company

# Traders Group Limited

## 1. Summary of accounting policies:

The summary of accounting policies followed by the Corporation and its subsidiaries as outlined on page F15 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 F12, F13 and F14.

## 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, 1981 is greater than the Canadian funds received at date of issue, indicating a contingent future foreign exchange loss of approximately \$11,400,000. Foreign exchange conditions in the future could alter this position materially.

## 4. Related party transactions:

### (i) Acquisition of Guaranty Trust Company of Canada shares:

During the year the Corporation acquired 1,875,000 common shares of Guaranty Trust Company of Canada for a cash consideration of \$15,000,000.

The Corporation on December 31, 1981 sold its \$12,471,000 interest in Guaranty Properties Limited to Guaranty Trust Company of Canada. As consideration the Corporation acquired 1,558,855 common shares of Guaranty Trust Company of Canada.

### (ii) Other:

The Finance Group sold \$28,966,000 of consumer mortgages and \$17,275,000 of other finance receivables at fair market value to Guaranty Trust Company of Canada.

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. Write-down of investment in and loans to factoring subsidiary:

As a result of continuing high losses from commercial finance operations and based upon an extensive review by management, the Corporation's investment in its factoring subsidiary was written down (net of applicable income taxes) to a nominal value in the third quarter of 1981. The Corporation's share of the factoring subsidiary's assets and liabilities are included in the Corporation's balance sheet as the factoring operations are undergoing a major restructuring to return them to a profitable level.

## 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, 1981 is as follows:

### (i) Guaranty Trust:

At December 31, 1981 income tax recoveries on the Company's 1981 tax loss of \$3,100,000 comprised of profit for the year less tax-exempt income have not been recorded in the accounts due to uncertainty of future taxable earnings. As a result of this and by claiming timing differences as explained above, the Company has a tax filing loss carry forward position of \$16,900,000.

### (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 \$18,700,000. Losses carried forward on a filing basis and recognized in the financial statements amount to \$8,800,000 of which \$3,300,000 expire in 1984 and \$5,500,000 in 1986.

### (iii) Finance Group:

Deferred income tax liabilities arising principally from direct financing lease contracts are reflected in the financial statements in the amount of \$32,000,000.

### (iv) Canadian General Insurance Group:

Tax losses within the companies comprising this group amounting to \$2,412,000 have been recognized in the financial statements. Of this amount, \$520,000 will expire in 1986.

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**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 December 31, 1980 and showed a surplus which is available to offset future pension costs.

**8. Commitments and contingencies:**

The Corporation and 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 \$29,700,000 at December 31, 1981.

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.

**Trust Company**

**9. Securities:**

	1981	1980
Government of Canada and Provinces of Canada . . . . .	<b>\$ 54,709,000</b>	\$ 45,294,000
Other securities:		
Municipal . . . . .	1,079,000	1,667,000
Corporation bonds and debentures. . . . .	5,811,000	6,545,000
Stocks . . . . .	51,261,000	76,356,000
(Market value 1981—\$50,415,000; 1980—\$79,485,000) . . . . .	<b>58,151,000</b>	84,568,000
	<b>\$112,860,000</b>	\$129,862,000

**10. Guaranteed trust account:**

Included in the balance sheet are assets and liabilities of the guaranteed trust account of \$2,428,289,000 (1980—\$2,137,599,000).

**Finance**

**11. Finance receivables:**

(i) Maturities:

Finance receivables due within one year are \$300,000,000 (1980—\$373,640,000).

(ii) Direct financing lease contracts:

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

	1981	1980
Commercial receivables		
Aggregate rentals receivable . . . . .	<b>\$101,373,000</b>	\$118,662,000
Residuals on expiry of leases		
Contractual. . . . .	815,000	1,403,000
Non-contractual. . . . .	1,792,000	1,796,000
	<b>103,980,000</b>	121,861,000
	<b>26,517,000</b>	32,758,000
Unearned income . . . . .	<b>\$ 77,463,000</b>	\$ 89,103,000

# Traders Group Limited

## Finance Group Debt

	Due within one year	Due beyond one year	Total
<b>Summary</b>			
Secured Debt			
Senior Secured Debt			
Short term notes—in Canadian funds . . . . .	\$135,763,000	\$—	\$135,763,000
—in U.S. funds at current or forward exchange rates . . . . .	19,270,000	—	19,270,000
Medium term notes . . . . .	29,935,000	275,000	30,210,000
Long term notes . . . . .	39,034,000	185,149,000	224,183,000
Other Secured Debt . . . . .	1,745,000	14,524,000	16,269,000
	<u>225,747,000</u>	<u>199,948,000</u>	<u>425,695,000</u>
Unsecured Debt			
Debentures . . . . .	19,459,000	66,554,000	86,013,000
Other . . . . .	10,229,000	—	10,229,000
	<u>\$255,435,000</u>	<u>\$266,502,000</u>	<u>\$521,937,000</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
9 3/4% AS	March 15, 1982	\$—	\$ 18,688,000
5 1/4% Z	April 15, 1983	250,000	6,381,000
5 1/4% AA (i)	May 15, 1983	298,000	9,677,000
9 1/4% AU	August 15, 1983	600,000	25,463,000
5 3/4% AB	May 1, 1984	250,000	5,810,000
9 1/2% AT	June 15, 1984	600,000	24,974,000
5 3/4% AC	September 15, 1984	375,000	8,366,000
5 3/4% AD	April 15, 1985	375,000	8,528,000
6 1/4% AE (i)	April 1, 1986	—	13,457,000
7 3/4% AH	December 1, 1986	79,000	1,652,000
7 1/4% AI (i)	July 1, 1987	—	19,034,000
7 3/4% AJ	September 15, 1987	125,000	3,364,000
8% AK (i)	December 1, 1988	891,000	11,539,000
8 3/4% AL	December 15, 1988	8,000	224,000
9 3/4% AM	December 15, 1989	29,000	1,033,000
9 1/2% AN	May 15, 1990	5,000	213,000
10 1/2% AO (i)	October 15, 1990	1,088,000	11,355,000
9% AP	February 15, 1991	625,000	16,859,000
10 7/8% AR (i)	March 15, 1991	1,787,000	18,203,000
11 1/4% AQ	January 6, 1995	181,000	19,363,000
		<u>\$7,566,000</u>	<u>\$224,183,000</u>

(i) U.S. dollar issues.

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**Other Secured Debt**

The Corporation has obligations of \$16,300,000 secured on leased property, bearing interest rates from 8.35% to 10.25% and payable from 1982 through 1990.

**Debentures**

Series	Maturity date	Annual sinking fund or maximum annual purchase fund	Outstanding
6%	October 15, 1982	\$ 225,000	\$ 4,159,000
6%	November 1, 1984	180,000	3,747,000
6%	June 1, 1985	120,000	2,681,000
14 3/4%	June 15, 1990	381,000	7,012,000
11 1/2%	November 1, 1990	238,000	4,458,000
10 3/4%	April 15, 1991 (i)	300,000	9,756,000
9 1/2%	June 15, 1991	106,000	3,054,000
9 3/4%	April 15, 1992 (i)	300,000	9,330,000
8 3/4%	October 15, 1992 (i)	—	12,500,000
10 1/4%	April 15, 1993 (i)	200,000	9,849,000
8 3/4%	May 1, 1993	375,000	9,717,000
9%	October 15, 1993	375,000	9,750,000
		<u>\$2,800,000</u>	<u>\$86,013,000</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, except the 8 3/4% debentures.

## Share Capital

## Cumulative redeemable preferred shares

	Authorized		Issued and Outstanding	
	Shares	Amount	Shares	Amount
4 1/2%, par value \$100 .....	35,000	\$ 3,500,000	35,000	\$ 3,500,000
Less: held by subsidiaries .....			5,135	513,000
			29,865	2,987,000
5%, par value \$40 .....	29,149	1,166,000	29,149	1,166,000
Less: cancelled by purchase during 1981 .....			50	2,000
			29,099	1,164,000
Shares issuable in series, par value \$30 .....	351,917	10,558,000		
Series A, 5% .....			43,713	1,311,000
Less: cancelled by purchase during 1981 .....			2,500	75,000
			41,213	1,236,000
Series B, \$2.16 .....			190,040	5,701,000
Less: cancelled by purchase during 1981 .....			2,499	75,000
			187,541	5,626,000
Shares issuable in series, par value \$10 .....	5,000,000	50,000,000		
10 1/4% preferred shares .....			745,401	7,454,000
Less: cancelled by purchase during 1981 .....			31,400	314,000
			714,001	7,140,000
7.5%, par value \$50 .....	331,100	16,555,000	303,387	15,170,000
Less: cancelled by purchase during 1981 .....			3,580	179,000
			299,807	14,991,000
				\$33,144,000

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 \$1,410,000.

## Common shares without nominal or par value

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

(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. This includes the acquisition in 1981 of 29,445 Class A shares for cash consideration of \$436,000:

Class A .....	1,723,389
Class B .....	475,884
Total common shares .....	2,199,273

**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.

Foreign cash balances of the Corporation 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 realizable value.

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.

The Finance Group holds up to 50% of the equity shares in associated corporations, which are accounted for on an equity basis.

**Insurance Accounting:**

Bonds and mortgages are stated at amortized cost. Stocks are stated at cost. Cost of investments is reduced by the amount considered to be permanently impaired and such write-down is charged to income in the year of recognition. Gains or losses are recognized in income when realized.

Unearned premiums are taken into income over the term of the policies, on a semi-monthly basis.

Commission and premium taxes which approximate 20% of premiums written are deferred. These costs are amortized over the life of the policy and are recoverable on a pro rata basis in the event of policy cancellation.

Reinsurance premiums ceded are recorded as a reduction of gross premiums. Net premiums earned are determined after deducting the reinsurance earned on a pro rata basis. Claims recoverable from reinsurers are deducted from gross claims incurred. Commissions received from reinsurers are deducted from gross commissions paid to agents. In the case of reinsurance contracts where the premium or commission rate is subject to its loss experience, the insurance subsidiary records its liability at the estimated ultimate rate.

The provision for claims in the course of settlement is based on estimates of the net loss and related expenses for investigating and settling claims. Losses incurred but not reported are determined by estimating the liability based on past results. Anticipated salvage and subrogation recoveries are not recorded until received in cash.





