Annual Report
Rapport annuel
1981

RoyNat

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États financiers
(Voir pochette arrière)

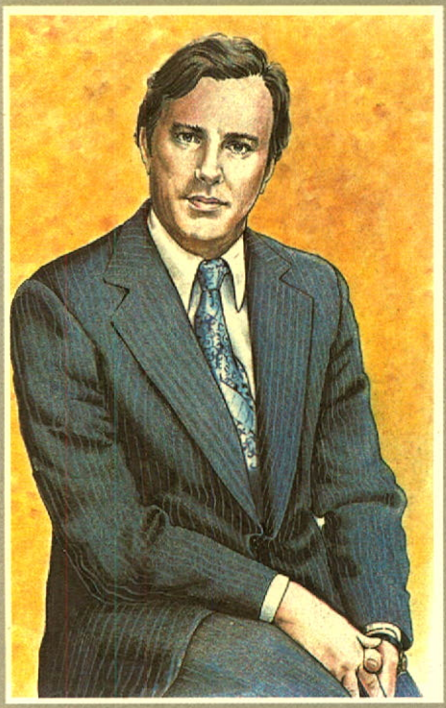
Highlights
April 30, 1981

	1981	1980	Change
Assets	**$925,459,245**	$744,279,313	24%
Net earnings	**$ 6,871,734**	$ 6,237,885	10%
New business volume:			
number	*1,259*	*818*	54%
amount	**$345,339,000**	$245,019,000	41%
Number of clients	*3,310*	*2,880*	15%
Average commitment	**$ 274,000**	$ 300,000	(9%)
District offices	*32*	*29*	10%

Faits saillants
30 avril 1981

	1981	1980	Variation
Actif	**$ 925 459 245**	$ 744 279 313	24%
Bénéfice net	**$ 6 871 734**	$ 6 237 885	10%
Affaires nouvelles:			
nombre	*1 259*	*818*	54%
montant	**$ 345 339 000**	$ 245 019 000	41%
Nombre de clients	*3 310*	*2 880*	15%
Engagement moyen	**$ 274 000**	$ 300 000	(9%)
Succursales	*32*	*29*	10%

President's Report



The year ended April 30, 1981 was an excellent one. The Small Business Development Bonds' program provided a substantial portion of the increase in new business and was a boon to small business, carrying, as it has, the heavy burden of high interest rates. The federal government is to be commended for this initiative. RoyNat can also take some credit for the fact that it was the first company in Canada to implement the program.

It is with pride in the quality of our staff and the services we provide that I report the year brought us close to the one-billion dollar mark in assets. Certainly, as we begin the new fiscal year — our twentieth in business — we will pass that milestone.

Decentralization has been a cornerstone of RoyNat's marketing policy since inception. Through the regional offices, our staff has been able to remain in closer touch with local needs and provide faster service. To further enhance these advantages, we have reorganized the existing five regions to bring their total to eight.

Our shareholders demonstrated their confidence in RoyNat's future by investing an additional $7.5 million in the form of preferred shares. This additional capital has increased our borrowing base.

My sincere thanks to the Directors for the contributions they have made to a successful year.

Rapport du président

L'exercice terminé le 30 avril 1981 a été excellent. Une bonne part de l'augmentation des affaires nouvelles est imputable aux Obligations pour le Développement de la Petite Entreprise (ODPE), qui se sont révélées une aubaine pour la PME qui était spécialement affectée par la lourde charge des taux d'intérêt élevés. L'administration fédérale mérite des félicitations pour cette initiative. Un certain mérite revient également à RoyNat pour avoir été la première société au Canada à offrir des ODPE.

C'est avec la fierté que justifie la qualité de notre personnel et de nos services que je peux annoncer que l'année écoulée nous a amenés au seuil du milliard de dollars d'actif. Au cours de l'exercice qui débute, notre vingtième, nous allons franchir ce niveau.

Depuis nos débuts, nous avons fait de la décentralisation la clé de voûte de notre marketing. Nos bureaux régionaux nous ont permis de garder un contact plus étroit avec les besoins locaux et d'offrir un service encore plus rapide, avantages que nous avons consolidés par une réorganisation qui a porté à huit les cinq régions originales.

Nos actionnaires ont montré leur confiance dans l'avenir de leur société en investissant $ 7,5 millions de plus, sous forme d'actions privilégiées. Cette augmentation de capital a élargi nos possibilités d'emprunt.

En terminant, je voudrais remercier les membres du conseil d'administration pour leur participation au succès de cette année.

1. Cullen Detroit Diesel, with 14 branches in B.C., provides parts and service for GM diesel engines.

1. Cullen Detroit Diesel a 14 succursales en Colombie britannique pour l'entretien des moteurs Diesel de GM.

R. J. Cullen, President, Cullen Detroit Diesel Allison Ltd., Vancouver, B.C.

"We needed a multi-million dollar loan to begin expanding our service depots throughout the province. I called RoyNat direct because I knew their rates were competitive.

"Our relationship with them is an old one, and comfortable. Like an old shoe!"

"Nous avions besoin de plusieurs millions de dollars pour commencer à agrandir nos dépôts dans la province. J'ai contacté RoyNat directement parce que je savais que leurs taux étaient compétitifs.

"Nous les connaissons depuis longtemps, et nous nous sentons vraiment à l'aise avec eux."

2. House of Hay Ltd. operates 24 Kentucky Fried Chicken outlets in New Brunswick and Nova Scotia.

3. Coca-Cola bottling plant, Quebec.

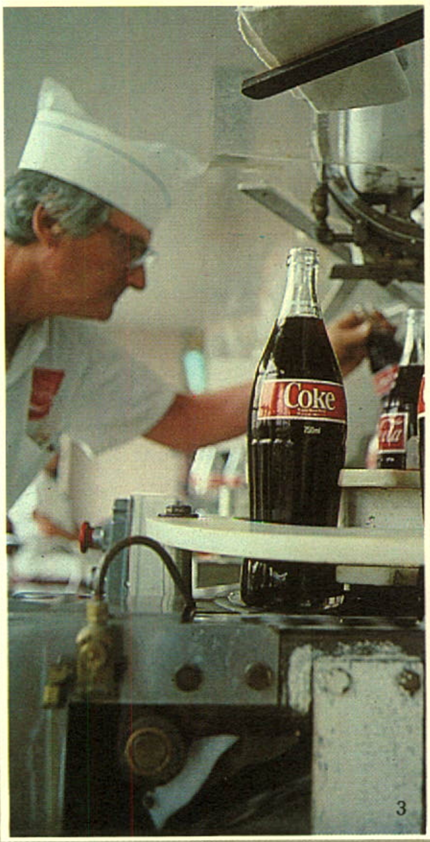
2. House of Hay Ltd. exploite 24 restaurants Kentucky Fried Chicken au Nouveau-Brunswick et en Nouvelle-Écosse.

3. L'usine d'embouteillage de Coca-Cola à Québec

Business Financing

Financement d'entreprises

2



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Long-term funds are available for a variety of commercial and industrial purposes: to build, expand or modernize a plant or other facility, for working capital, to acquire a business or start a new one, to purchase new equipment, or to refinance existing debt.

RoyNat financing differs from that of conventional lenders, such as banks. The term usually is longer, rate is either fixed or floating and the loan is not on a demand basis.

Loans range between $25,000 and $10 million.

Clients are served through branches across the country: these in turn, are administered by eight regional offices able to assess and approve substantial loans without delay.

Nous offrons aux entreprises commerciales et industrielles des prêts à long terme pouvant répondre à des besoins de toutes sortes : construction, expansion ou modernisation d'installations, fonds de roulement, acquisitions ou lancement d'entreprises, achat d'équipement et refinancements.

Nos prêts diffèrent de ceux des sources conventionnelles comme les banques. La durée est généralement plus longue, le taux est ou bien fixe ou bien variable et le remboursement ne peut être exigé qu'à la date prévue.

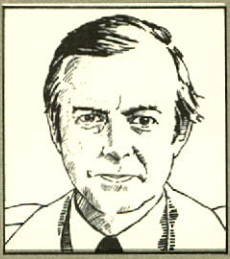
Nos prêts vont de $ 25 000 à $ 10 millions.

Nos succursales sont au service de la clientèle dans tout le pays. Elles dépendent de huit bureaux régionaux qui sont en mesure d'étudier et d'accepter rapidement des demandes de prêts importants.

Guy H. Mainville
Président
Les Boissons Gazeuses
Guy H. Mainville Inc.
Québec, Québec

"Lorsque Coca-Cola Ltée a décidé de vendre son usine d'embouteillage de Québec, j'ai fait une offre d'achat. RoyNat et Coca-Cola Ltée ont accordé une grande importance à mes vingt ans d'expérience dans l'Industrie, et c'est ça surtout qui a rendu l'acquisition possible."

"When Coca-Cola Ltd. decided to sell its Quebec City bottling operation, I applied to buy the assets. Both RoyNat and Coca-Cola Ltd. gave great weight to my 20-years' experience in the industry. That, perhaps more than anything else, made the acquisition possible."



J. Robert Winters, Q.C.,
Chairman,
House of Hay Ltd.,
Truro, Nova Scotia.

"They tend to look on business from the inside out – saying to businessmen, how can we tailor the dollars we have to lend, to your needs. Too often the approach is reversed and you find yourself having to adapt your business practices to a stereotype financial proposal."

"Ils voient les choses du point de vue du client, lui demandent en somme de quelle façon ils pourraient adapter à ses propres besoins les fonds qu'ils ont à prêter. Alors que trop souvent c'est le client qui doit s'adapter à une formule stéréotypée."

Experience

Expérience

2. Balzer's equipment at Poplar River Dam, Coronach, Sask.

1. 3. 4. Tackama's integrated logging, sawmill and veneer operation at Fort Nelson.

5. A Roll'n Well drill rig in the field in Alberta.

2. Du matériel Balzer au barrage de Poplar River, à Coronach, Saskatchewan.

1. 3. 4. A Fort Nelson, Tackama possède une exploitation intégrée d'abattage, de sciage et de placage.

RoyNat is a specialized lender serving every business and industry sector.

Each is different; each complex in its way; each with special needs. Therefore, more is required of a term lender than just the mechanics of credit and financial analysis.

RoyNat has more than 20 years' experience of all types of financing, which means that a client doesn't have to begin a relationship by teaching us the rudiments of his business. That saves time and energy.

The staff, graduates in business or finance, receives additional training and is able to offer flexibility by structuring financings to the needs of a client rather than the other way around.

Acquisitions are a case in point. Frequently, the financial arrangements are complicated and require from the lender more than a conventional approach. It is significant that in recent years more than 25% of RoyNat's annual volume has been used to finance acquisitions where speed and flexibility are essential.

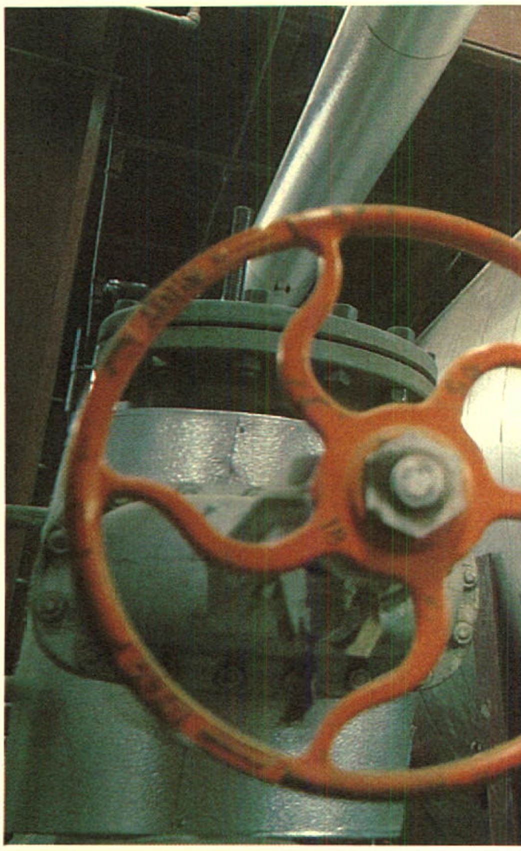
RoyNat est un prêteur spécialisé, au service des entreprises commerciales et industrielles.

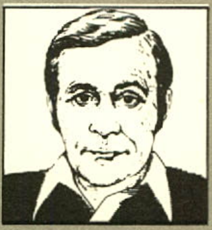
Chacune de ces entreprises est différente; chacune est complexe à sa manière; chacune a ses besoins propres. Le prêteur à terme doit donc offrir plus qu'une simple analyse de solvabilité et de crédit.

RoyNat a plus de vingt ans d'expérience dans les financements en tous genres. Le client n'a donc pas à commencer par nous apprendre les rudiments de son secteur d'activité. D'où une économie de temps et de travail.

Notre personnel, constitué de diplômés en gestion ou en finance, reçoit une formation complémentaire et offre toute la souplesse voulue pour structurer le financement aux besoins du client, et non pas le contraire.

Les acquisitions en sont un bon exemple. Les modalités financières sont souvent complexes et exigent du prêteur une approche qui sorte de l'ordinaire. Ce n'est d'ailleurs pas sans raison que, depuis quelques années, plus de 25% de notre volume annuel représente des financements d'acquisitions, où rapidité et souplesse sont essentielles.



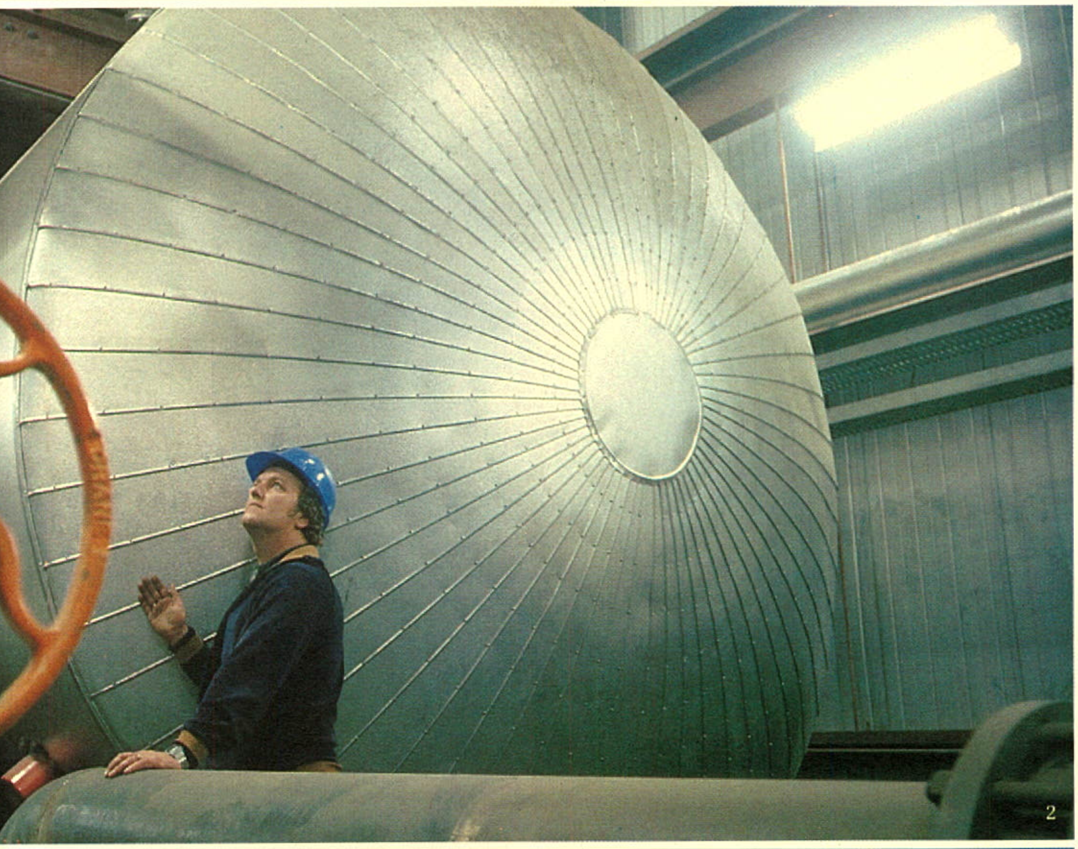


Willard Abrahamson,
President,
Balzer's Mechanical (1978) Ltd.,
Regina,
Saskatchewan.

"I wanted people who would be interested in more than money. RoyNat was our choice because they had expertise and knowledge they were willing to share – and, most important, they really seemed to care. I didn't find that with other lenders."

"Je voulais des gens qui voient autre chose que l'argent. Nous avons choisi RoyNat parce qu'ils étaient prêts à nous faire profiter de leur compétence et de leurs connaissances, et surtout parce qu'ils s'intéressaient vraiment à notre affaire, ce qui n'était pas le cas chez les autres."

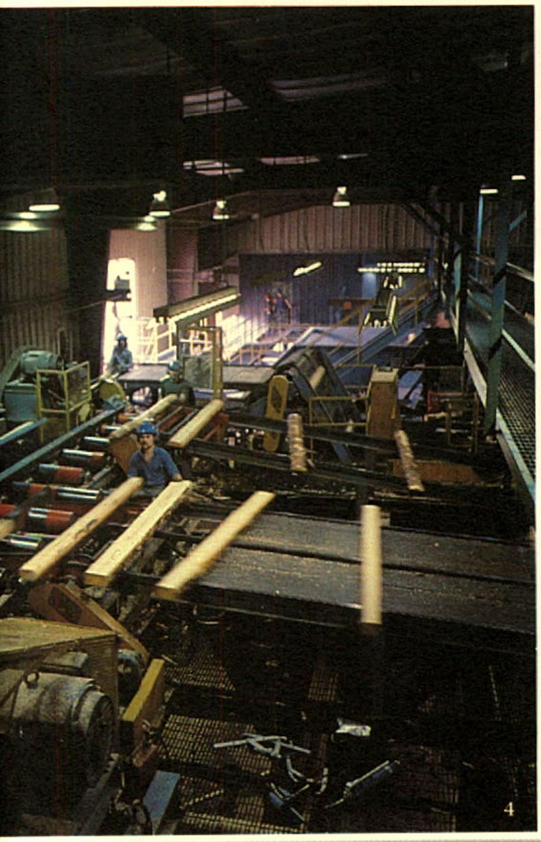
5. *Un derrick de la société Roll'n Well en Alberta.*

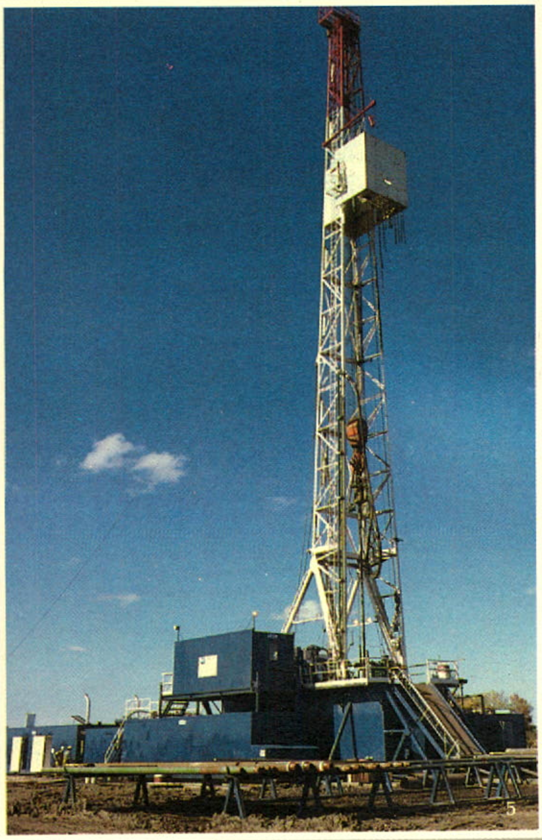


"A deal for new rigs was approved by other lenders, but RoyNat got it because I felt they brought something extra – they know the business, and their people are capable of handling in-depth financing with an understanding of the special problems we face in the oil industry."

"Bien que d'autres prêteurs aient accepté de financer l'achat de nouveaux derricks, nous avons pris RoyNat pour ce qu'ils offraient de plus, leur connaissance de notre industrie et leur capacité à se charger d'un financement complexe en comprenant les problèmes propres au secteur pétrolier."

James Albach, C.A.,
President,
Roll'n Well
Servicing Ltd.,
Red Deer, Alberta.





"There are lots of fair-weather lenders around. It's when you run into foul weather – our mill burned down, for example – that you find out whether you have a quality lending institution with you."

"Il n'est jamais difficile de trouver des prêteurs quand tout va bien. Mais c'est quand les choses vont mal – comme ce fut notre cas lors de l'incendie de notre scierie – que l'on s'aperçoit de la solidité du prêteur que l'on a choisi."

Curt Garland,
President,
Tackama Forest
Products Ltd.,
Fort Nelson, B.C.

Competitive Rates

Compétitivité

1. 2. Tappenden repairs, rebuilds and designs heavy offroad equipment for the mining industry in Alberta.

3. 4. Aluminum Reduction, one of the largest secondary smelters in Canada producing aluminum and zinc alloys.

5. Karhu-Titan supplies over 50% of the Canadian cross-country ski market.

1

The cost of borrowed funds is the initial concern of every treasurer, especially in a volatile period. Therefore, any financial corporation expecting to be successful, must offer competitive rates.

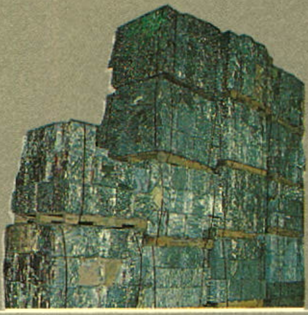
For the lender, providing competitive rates depends on the ability to enter the money markets with the backing of a sound corporate rating. In turn, the rating is a function of a corporation's maturity, reputation and performance.

RoyNat provides clients with competitive rates, and that's why we confidently invite clients to shop around, and why more than 65% return for additional financing within five years.

Le coût des emprunts constitue la première préoccupation des trésoriers, surtout en période d'instabilité. La réussite d'une société financière dépendra donc de la compétitivité de ses taux d'intérêt.

Le prêteur ne pourra être compétitif à ce niveau que s'il est capable de se présenter sur les marchés financiers avec une solide cote. Cette cote dépend elle-même de la maturité, de la réputation et des performances de l'entreprise.

RoyNat offre des taux compétitifs à ses clients et n'hésite pas à les inviter à se renseigner sur ceux de la concurrence. Malgré cela plus de 65% reviennent nous voir dans les cinq ans pour de nouveaux emprunts.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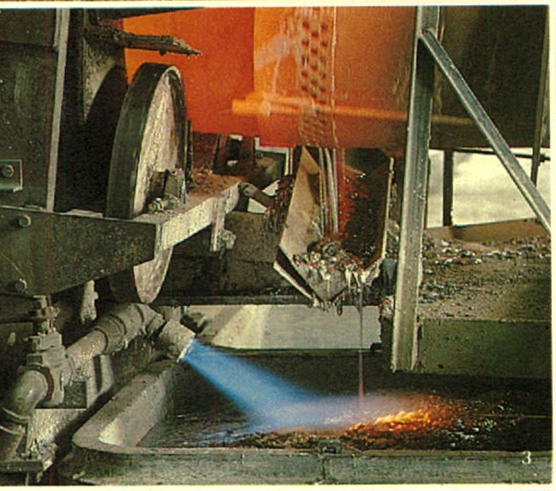
1. 2. Tappenden répare, refait et conçoit du matériel lourd pour l'industrie minière en Alberta.

3. 4. Aluminum Reduction, l'une des plus grosses fonderies secondaires au Canada, produit des alliages d'aluminium et de zinc.

5. Karhu-Titan fournit plus de 50% du marché canadien du ski de fond.


2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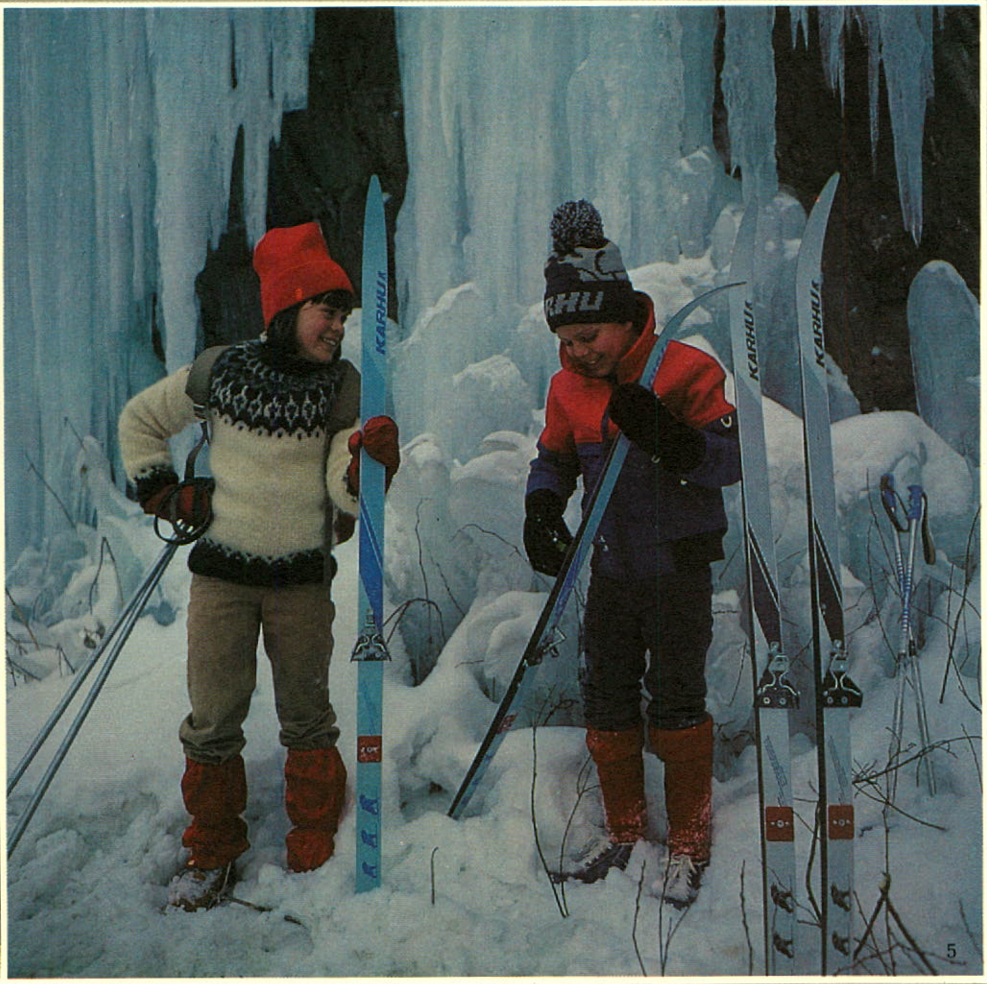

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"When we first began to expand our facilities RoyNat provided the most flexible, competitive package we could get. We've been back many times since. I'd describe them as a long-haul lender."

Alan Tappenden,
President,
Fred S. Tappenden Ltd.,
Edmonton, Alberta.

"Lorsque nous avons commencé à agrandir nos installations, RoyNat nous a offert la solution la plus souple et la plus compétitive. Nous sommes souvent retournés les voir depuis. Je dirais que ce sont des gens qui font beaucoup de chemin avec leurs clients."

"When we went shopping for funds to expand our plant, rate was important, of course, but RoyNat got the business mainly because I got the feeling they were business-minded people. That was an important difference for me."

Irving Lissack,
President,
Aluminum Reduction Company,
Toronto, Ontario.

"Lorsque nous avons commencé à chercher des fonds, nous avons bien sûr tenu compte des taux; mais nous avons choisi RoyNat surtout parce qu'ils m'ont fait voir qu'ils étaient sérieux. Pour moi, c'était là un élément très important."

"Nos comptables agréés nous ont recommandé RoyNat, un nom dans lequel on pouvait avoir confiance. Ils avaient parfaitement raison. Les gens de RoyNat ont vite compris les possibilités qui s'offraient à nous; ce sont d'excellents analystes."

Maurice Oberson
Président
Karhu-Titan Canada Ltée
Cowansville, Québec

"Our chartered accountants recommended RoyNat, saying they had a name we could rely on. That proved to be correct. Their people quickly saw the opportunity we had in the industry; excellent business analysts."

Jean-Yves Leblanc
Président
Sométal Atlantic Ltée
Rimouski, Québec

"Nous avons connu trois grandes phases d'expansion au cours des dernières années. Après avoir vu les concurrents, nous sommes restés avec RoyNat à cause des rapports personnels que nous avions établis et de la rapidité du service. Leurs réponses ne se font pas attendre. Ils ont fait preuve d'une souplesse vraiment remarquable."

"We have undertaken three major expansions in recent years. We shopped around then stayed with RoyNat because of the personal relationship that was established and the speed of service. When you ask them, the answer comes back very quickly. And I think they have been very flexible with us."

Douglas Russell,
President,
Terra Nova
Motors Limited,
St. John's, Nfld.

"Ours was an acquisition: RoyNat was not only fast, but they demonstrated an understanding of our business and its cycles, that was important to our future success. For example, they suggested we only pay interest in the first year so that we could build a strong working capital base. That made a great difference."

"Pour nous, il s'agissait d'une acquisition. RoyNat a non seulement été rapide, mais a également fait preuve d'une bonne compréhension de notre secteur et de ses cycles, très importante pour notre réussite. Par exemple, ils nous ont suggéré de ne payer que les intérêts la première année de manière à pouvoir bâtir un solide fonds de roulement. Toute la différence était là."

Speed of Service

A business needs to know:

- How quickly its application will be approved and,
- How soon the funds will be disbursed.

To provide speed of service, a financial corporation requires a strong branch network and a decentralized structure.

RoyNat has 33 branches and several more are planned for the future. This means virtually every business in Canada is now within easy reach of a branch.

Decentralization of approval gives local managers substantial powers and avoids a cumbersome and bureaucratic system. Managers are backed by regional vice-presidents who are empowered to approve all but the most exceptional requirements.

More than 80% of loans are approved at the regional or district office.

Rapidité

Les entreprises ont besoin de savoir si leur demande va être acceptée rapidement et dans quels délais les fonds seront débloqués.

La rapidité du service que peut offrir une société de financement dépend de l'importance de son réseau de succursales et de la décentralisation de son organisation.

RoyNat dispose actuellement de trente-trois succursales, et plusieurs autres sont prévues pour l'avenir. Il n'existe donc pratiquement pas d'entreprise au Canada qui ne soit pas proche de l'une de nos succursales.

La décentralisation du pouvoir décisionnel donne aux directeurs locaux une autorité assez étendue et permet d'éviter la lourdeur des systèmes bureaucratiques. Les directeurs sont appuyés par des vice-présidents régionaux, qui peuvent accepter pratiquement toutes les demandes sauf les plus exceptionnelles.

Plus de 80% des prêts sont accordés au niveau régional ou local.

1. 2. *Sométal, fabricator of structural steel and hydraulic structures for major projects such as James Bay.*

3. *Terra Nova Motors, a Pontiac-Buick dealership, acquired by the son of the former owner, and five key managers.*

1. 2. *Sométal fabrique des éléments de construction en acier, notamment pour le chantier de la Baie de James.*

3. *La société Terra Nova Motors, concessionnaire Pontiac et Buick, rachetée par le fils de l'ancien propriétaire et cinq dirigeants principaux.*

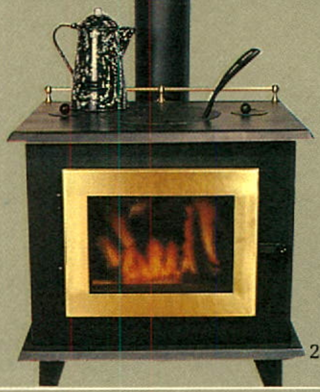
Alternative Source

Diversification

1. Anders Kallur of the Stanley Cup Champion New York Islanders ties on his Orbit skates.

1. Anders Kallur, des New York Islanders, vainqueurs de la Coupe Stanley, chausse ses patins Orbit.

1



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2. One of Carmor's classic wood burning stoves.

3. Kleysen is a Winnipeg-based group engaged in general freight, bulk commodities and contract hauling.

2. Un modèle de poële à bois classique de Carmor.

3. De Winnipeg, le groupe Kleysen fait du transport de marchandises et de matériaux.

A large proportion of new business each year comes through chartered accountants, lawyers and bankers.

These are the intermediaries: the experts who advise business management and know that putting all the financial eggs in one basket isn't prudent, who understand the special requirements when a financing is unconventional or difficult.

Term funding takes a lending organization with the resources and systems to build financial packages that provide a business with new potential while avoiding the dangers of financial overload.

RoyNat is such a lender.

Une grande partie de nos affaires nouvelles nous vient par l'entremise de comptables agréés, d'avocats et de banquiers.

Ces intermédiaires sont les spécialistes qui conseillent les chefs d'entreprises et savent qu'il n'est pas prudent de mettre tous ses oeufs dans le même panier; qui comprennent les besoins particuliers que crée un financement inhabituel ou difficile.

Les prêts à moyen ou long terme exigent une organisation possédant les ressources et les systèmes nécessaires à l'établissement de solutions financières ouvrant de nouvelles possibilités à l'emprunteur sans pour autant le surcharger.

RoyNat répond à ce signalement.

3

Normand Lefebvre
Président
Patins Orbit du Canada
Division de
La Cie de chaussure
J. P. Corbeil Ltée
Montréal, Québec

"Nous avons choisi RoyNat pour financer d'importants travaux de rénovation parce que nous voulions diversifier nos sources de fonds. Ils ont une réputation et, disons-le un nom qui ne dépare pas sur notre bilan. Cette diversification jouera en notre faveur pour toute négociation future et maximisera notre potentiel d'emprunt."

"We chose RoyNat for a major renovation because we wanted more than one source of financing. They have a reputation and a name that quite frankly looks good on our balance sheet, and having more than one source puts us in a stronger position to negotiate in the future and to maximize our borrowing potential."

Arthur J. Oakes, C.A.,
Vice-President Finance,
Kleysen Transport Ltd.,
Winnipeg, Manitoba.

"It's sometimes frustrating for me as a chartered accountant, because in our business we simply cannot plan ahead to the degree I would like. We'll bid on a $4 million construction contract and if we get it we pretty well have to acquire heavy equipment immediately, or our customers aren't going to be satisfied.

"RoyNat gives us that flexibility."

"Je suis parfois déçu en tant que comptable agréé parce que, dans notre domaine, il n'est pas possible de planifier autant que j'aimerais. Nous allons faire une soumission pour un contrat de construction de $ 4 millions et si nous l'emportons nous devrons acheter du matériel lourd pratiquement du jour au lendemain, ou nous ne pourrons pas satisfaire nos clients.

"RoyNat nous donne cette souplesse."

J. D. Hayter, C.A.,
Vice-President,
Carmor
Manufacturing Ltd.,
London, Ontario.

"We go to the bank for our short term operating credit, but we go to a term lender like RoyNat for our long term capital needs."

"Nous nous adressons à la banque pour nos besoins de crédits à court terme, mais pour nos capitaux à long terme nous nous adressons à un spécialiste comme RoyNat."

Offices/Bureaux

Atlantic Region/Région de l'Atlantique

J. R. Dick/*Vice-President*

St. John's	P. A. Saunders
Halifax	B. Taylor
Moncton	D. A. Atkinson

Région de l'Est du Québec/Eastern Quebec Region

P. Goulet/*Vice-président*
G. Potvin/*Vice-président adjoint*

Rimouski	H. Pelletier
Québec	G. Meilleur
Sherbrooke	H. Lavigueur
Drummondville	J. Tessier

Région de l'Ouest du Québec/Western Quebec Region

C. Proulx/*Vice-président*
E. M. H. Lande/*Vice-président adjoint*

Ile de Montréal	H. Plafter
Montréal Rive Sud	R. J. C. Delisle
Laval	R. J. Lavoie
Rouyn	P. C. Ouimet

Central Ontario Region/Région du Centre de l'Ontario

P. W. Walton/*Vice-President*

Oshawa	R. Fedus
Toronto	E. A. Lawson
Mississauga	B. Hunter

Southwestern Ontario Region/Région du Sud-Ouest de l'Ontario

R. R. Bell/*Vice-President*
C. Schneider/*Regional Manager*

Hamilton	P. F. Smith
Kitchener	G. W. Proke
London	P. M. Henrich
Windsor	R. N. Fields

Northern Ontario & Manitoba Region/Région du Manitoba et du Nord de l'Ontario

J. F. Boadway/*Vice-President*
K. C. Moorse/*Assistant Vice-President*

Ottawa	R. Bernier
Sudbury	N. C. Meunier
Thunder Bay	B. Vallier
Winnipeg	J. C. Thompson

Western Region/Région de l'Ouest

D. R. Swaine/*Vice-President*
J. C. Joseph/*Assistant Vice-President*

Saskatoon	M. D. Wiley
Calgary	P. K. Gaudet
Edmonton	D. J. McLauchlin
Lethbridge	G. R. McEachern
Red Deer	J. J. Albert

Pacific Region/Région du Pacifique

E. Sauvé/*Vice-President*
J. S. Timms/*Assistant Vice-President*

Kamloops	R. W. Laing
Prince George	K. Billingsley
Vancouver	B. M. McGuire
Surrey	W. G. Dance
Nanaimo	M. B. Gleig

Industries we Serve

*as at April 30, 1981**

	Number	%	Amount $('000)	%
Agriculture	76	2.30	19,157	1.85
Construction:				
General	48	1.45	8,615	0.82
Heavy	63	1.90	21,008	2.03
Special Trades	86	2.60	15,699	1.52
Manufacturing:				
Concrete Products	54	1.63	15,845	1.52
Drugs & Chemicals	25	0.76	7,143	0.69
Food & Beverages	134	4.05	41,632	4.02
Metal	333	10.06	110,684	10.71
Printing & Publishing	87	2.63	26,627	2.58
Textiles & Clothing	53	1.60	15,878	1.54
Wood Industries:				
Furniture & Fixtures	43	1.30	15,418	1.48
Forest Products	84	2.54	37,609	3.64
Mill Works	39	1.18	13,524	1.30
Paper	25	0.76	10,528	1.01
Miscellaneous	191	5.77	64,463	6.23
Natural Resources:				
Forestry, Fishing	54	1.63	14,211	1.38
Mines, Quarries, Petroleum	66	1.99	34,985	3.38
Trade:				
Retail	456	13.78	103,387	10.00
Wholesale	146	4.41	45,014	4.35
Transportation, Storage:				
Air & Water	39	1.18	20,260	1.95
Rail, Truck, Storage	187	5.65	73,176	7.08
Communications	33	1.00	19,785	1.91
Community, Business & Personal Services:				
Accommodation	232	7.01	116,112	11.21
Food Services	255	7.71	51,987	5.03
Health & Recreation	134	4.05	47,891	4.64
Other Services	367	11.06	84,126	8.13
Totals	3,310	100.00	1,034,764	100.00

*Includes Outstandings and Commitments

Répartition des investissements et des contrats de location

*au 30 avril 1981**

	Nombre	%	Montant $(000)	%
Agriculture	76	2,30	19 157	1,85
Construction				
Générale	48	1,45	8 615	0,82
Lourde	63	1,90	21 008	2,03
Spécialisée	86	2,60	15 699	1,52
Fabrication				
Produits de béton	54	1,63	15 845	1,52
Produits pharmaceutiques et chimiques	25	0,76	7 143	0,69
Aliments et boissons	134	4,05	41 632	4,02
Métal	333	10,06	110 684	10,71
Imprimerie et édition	87	2,63	26 627	2,58
Textiles et vêtement	53	1,60	15 878	1,54
Industries du bois				
Meubles	43	1,30	15 418	1,48
Produits forestiers	84	2,54	37 609	3,64
Scieries	39	1,18	13 524	1,30
Papier	25	0,76	10 528	1,01
Divers	191	5,77	64 463	6,23
Ressources naturelles				
Pêche et forêts	54	1,63	14 211	1,38
Mines, carrières et pétrole	66	1,99	34 985	3,38
Commerce				
Au détail	456	13,78	103 387	10,00
En gros	146	4,41	45 014	4,35
Transport, Entreposage				
Aérien et maritime	39	1,18	20 260	1,95
Ferroviaire, camionnage et entreposage	187	5,65	73 176	7,08
Communication	33	1,00	19 785	1,91
Services				
Hôtellerie	232	7,01	116 112	11,21
Alimentation	255	7,71	51 987	5,03
Divertissements et santé	134	4,05	47 891	4,64
Autres	367	11,06	84 126	8,13
Total	3 310	100,00	1 034 764	100,00

*En cours et engagements

Financial Statements 1981

RoyNat

Financial Review

Fiscal 1981 was a very successful year for RoyNat. With the introduction of Small Business Development Bonds, the company was able to generate a record volume of new business and increase its client base very significantly.
The bulk of new business was written on a floating rate basis, which helped to reduce the sensitivity of the company to the volatility of interest rates.
The existing imbalance of fixed rate loans funded by floating rate debt, however, did restrain the growth in profits to a 10.2% increase over the prior year. This imbalance is steadily reducing and will be of less significance in fiscal 1982 and future.

New business volume

$345 million of new business was written, which is a 40% increase over 1980. This consisted of $143 million of Small Business Development Bonds, $193 million of regular loans, and $9 million of equipment leases. Disbursements were $316.4 million, and the company has $118.4 million of undisbursed commitments at April 30, 1981.

Operating results

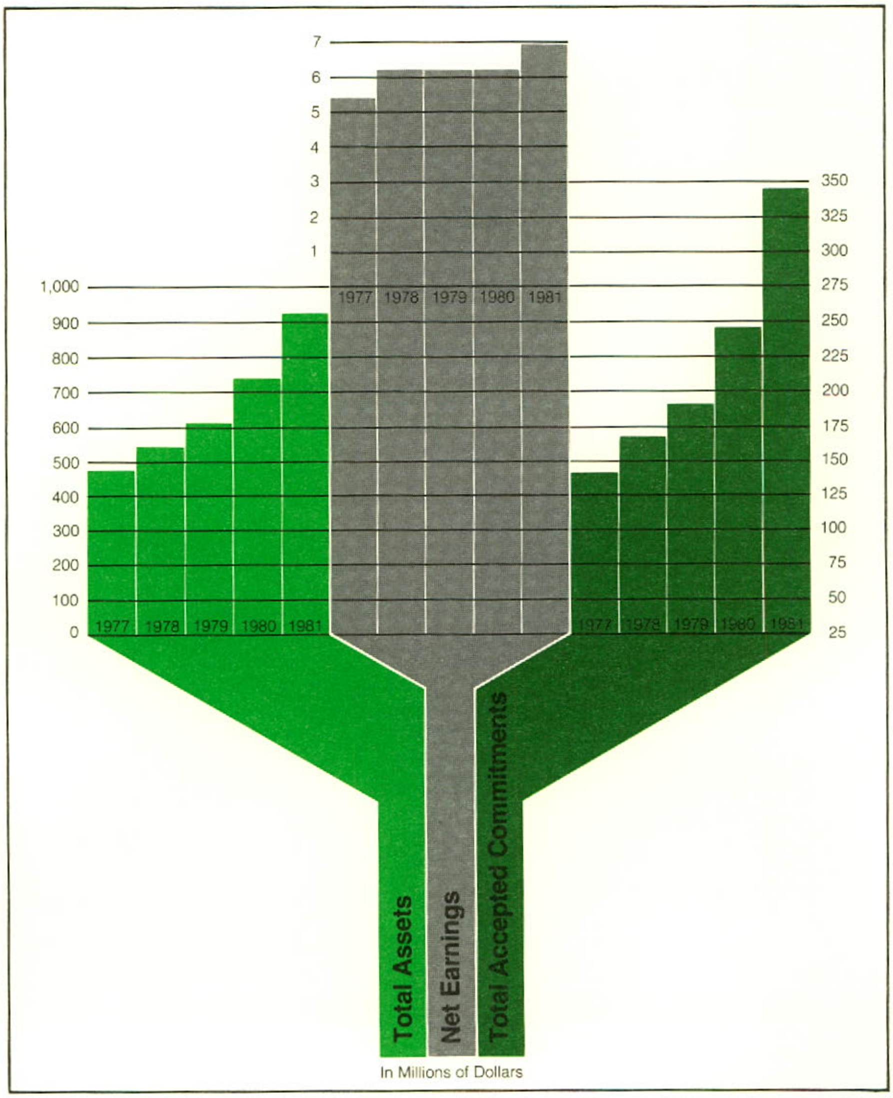
Gross Revenues from operations increased by 32% to $118.1 million. This was due, primarily, to the growth in total assets of 24% from $744.3 million at year end 1980, to $925.4 million at year end 1981. The high interest rates experienced for most of the year also contributed to the increase in gross revenue. Interest costs for the year increased by 42% to $94.4 million. Overhead expenses excluding write-offs and reserves increased by 17% over 1980 and, as a percentage of total average assets, was 1.30% against 1.36% in 1980; representing an improvement in productivity.

Loss experience

Write-offs for the year as a percentage of average assets were 0.31% against 0.29% in 1980, which remains an acceptable level.

Funding

During the year RoyNat raised $90 million of floating rate debt and $25 million of fixed rate debt through private placements of medium term secured notes. In addition, the company obtained term lines of credit for the issue of Bankers' Acceptances in the amount of $140 million. The Bankers' Acceptance Lines and the increased issue of short term paper have been used to support the growth in floating rate assets.
In April of 1981 the shareholders subscribed to an additional $7.5 million of Preferred Shares which carry a dividend based on a floating rate.



Balance Sheet

April 30, 1981

Assets

	1981	1980 (note 6)
Financing extended to Canadian corporations at cost (note 1)	**$852,369,077**	665,410,218
Receivable under lease contracts less unearned income of $19,305,402 (1980 – $19,043,949) (note 2)	**61,296,514**	69,578,422
Assets purchased for lease commitments	**—**	735,960
Estimated residual value of assets under lease and assets held for realization	**1,468,690**	1,320,604
Accrued interest	**10,805,541**	7,449,878
	925,939,822	744,495,082
Provision for losses	**10,294,244**	7,560,535
	915,645,578	736,934,547
Cash and short term deposits	**1,207,207**	1,253,706
Fixed assets, at cost less depreciation of $1,730,160 (1980 – $1, 569,360)	**1,289,606**	1,094,997
Unamortized debt discount and expense	**2,465,646**	2,914,014
Other assets	**4,851,208**	2,082,049
	$925,459,245	744,279,313

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

Director

Director

Liabilities and Shareholders' Equity

	1981	1980 (note 6)
Short term notes (note 3)	**$ 22,789,000**	33,207,000
Accounts payable and accrued liabilities	**1,293,336**	1,237,419
Accrued interest payable	**12,677,628**	10,857,940
Income taxes payable	**2,425,743**	1,887,971
Deferred investment tax credits	**654,250**	937,838
Lease rentals received in advance	**239,483**	325,074
Deferred income taxes	**23,303,000**	21,325,000
Secured notes and non-cancellable term credits (note 3)	**743,445,000**	560,812,000
Debentures (note 4)	**55,677,000**	62,026,000
Capital stock:		
Series A $8 cumulative redeemable preferred shares, issued 110,000 shares	**11,000,000**	11,000,000
Series B floating rate cumulative redeemable preferred shares, issued 75,000 shares	**7,500,000**	—
Common shares, issued 110,000 shares	**11,000,000**	11,000,000
Retained earnings	**33,454,805**	29,663,071
	$925,459,245	744,279,313

Auditors' Report to the Shareholders

We have examined the balance sheet of RoyNat Inc. as at April 30, 1981 and the statements of earnings, retained earnings and changes in financing assets 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 financial statements present fairly the financial position of the company as at April 30, 1981 and the results of its operations and the changes in its financing assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants
Montreal, Canada
May 29, 1981

Statement of Earnings

Year ended April 30, 1981

	1981	1980 (note 6)
Gross revenue from operations (note 5)	**$118,140,550**	89,538,558
Expenses:		
Interest	**93,013,867**	65,092,462
Discounts, expenses and other debt related costs	**1,428,520**	1,416,463
Salaries, pension contributions and staff benefits	**6,116,457**	5,098,437
Premises expenses	**1,180,701**	1,046,736
Provision for losses, less recoveries	**3,410,264**	2,675,898
Other operating expenses	**3,570,007**	3,121,677
	108,719,816	78,451,673
Earnings before taxes	**9,420,734**	11,086,885
Taxes on income (note 5)	**2,549,000**	4,849,000
Net earnings for year	**$ 6,871,734**	6,237,885

Statement of Retained Earnings

Year ended April 30, 1981

	1981	1980 (note 6)
Balance at beginning of year:		
As previously reported	**$ 30,090,071**	26,396,186
Adjustment for tax assessments (note 6)	**427,000**	276,000
As restated	**29,663,071**	26,120,186
Net earnings for year	**6,871,734**	6,237,885
	36,534,805	32,358,071
Dividends paid:		
Preferred shares	**880,000**	880,000
Common shares	**2,200,000**	1,815,000
	3,080,000	2,695,000
Balance at end of year	**$ 33,454,805**	29,663,071

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Financing Assets

Year ended April 30, 1981

	1981	1980 (note 6)
Net increase in financing assets:		
Term financing	**$190,314,522**	125,118,769
Leasing	**(8,869,782)**	1,116,132
	181,444,740	126,234,901
Less increase in provision for losses	**2,733,709**	689,445
	$178,711,031	125,545,456
The net increase in financing assets was provided by:		
Net earnings	**$ 6,871,734**	6,237,885
Items charged (credited) to earnings not affecting financing assets:		
Amortization of debt discount and expense	**1,126,609**	1,199,301
Depreciation	**318,440**	273,565
Deferred income taxes	**1,978,000**	992,000
Deferred investment tax credits	**(381,000)**	(267,700)
	9,913,783	8,435,051
Less dividends paid	**3,080,000**	2,695,000
	6,833,783	5,740,051
Net increase in debt:		
Net proceeds from sale of secured notes	**114,366,218**	134,182,500
Net increase in short term borrowings including those classified as long term debt (note 3)	**139,582,000**	29,567,000
Redemption of secured notes	**(82,367,000)**	(42,300,000)
Redemption of debentures	**(6,349,000)**	—
	165,232,218	121,449,500
Cash received on issue of preferred shares	**7,500,000**	—
Decrease (increase) in cash and short term deposits	**46,499**	(419,757)
Other items – net	**(901,469)**	(1,224,338)
	$178,711,031	125,545,456

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

April 30, 1981

RoyNat Inc., ("RoyNat") is incorporated under the Canada Business Corporations Act and is in the business of providing term financing and equipment leasing to Canadian businesses. The financial statements are prepared on the basis of generally accepted accounting principles in Canada and conform in all material respects to international accounting standards. The most significant of the accounting policies followed by RoyNat are described below:

Income from leasing operations:
Unearned lease income representing the excess of the gross amount receivable on lease contracts over the cost of the assets leased, net of estimated residual value, is recorded when a lease is executed and taken into income in monthly amounts directly related to the declining balance of the unrecovered investment in the leased assets.

Investment tax credits:
Investment tax credits on assets acquired for leasing, and available to RoyNat to reduce income taxes, are recognized in the year in which the assets are acquired. To the extent that the investment tax credits result in a permanent reduction of income taxes payable, the reduction is recorded as deferred investment tax credits which are amortized by a credit to taxes on income in the statement of earnings over the terms of the leases on the same basis as unearned income on leases is recognized as revenue.

Provision for losses:
Financing and leasing accounts are reviewed by management on a regular basis. Estimated losses, including liquidation expenses, on accounts in liquidation or to be placed in liquidation as a result of these reviews, are provided for by a charge to expenses in the period in which they are incurred or estimated. Upon final liquidation of accounts, the asset is written off against the provision. In addition, RoyNat maintains a general provision for losses based on historical loss experience.

Fixed assets and depreciation:
Leasehold improvements to office premises rented by RoyNat are amortized by a charge against earnings on a straight-line basis over the terms of the leases. Depreciation of office furnishings and equipment at a rate of 20% and of automobiles at 30% is provided using the diminishing balance method.

Debt discount and expense:
Discounts and expenses incurred in connection with the issue of long term debt are amortized by a charge against earnings over the terms to maturity of the issues on a straight-line basis. Where debt is subject to an early maturity option, the related discount and expenses are amortized over the period to the earlier maturity date. The unamortized discounts and expenses applicable to debt retired pursuant to purchase fund requirements is charged against earnings in the period in which the debt is purchased.

1. Term financing:
Indebtedness of borrowers is generally evidenced by bonds, debentures or loan agreements secured by specific and/or floating charges and/or guarantees. The bonds and debentures are not considered to be readily marketable and generally mature over periods up to ten years. Approximately $116.3 million of term financing matures during the next twelve months. RoyNat holds preferred and common shares costing $12.7 million, including marketable shares with a cost of $11.0 million having a market value of approximately $14.9 million.

At April 30, 1981, RoyNat was under contract to provide further financing totalling $118.4 million and in addition has authorized, subject to acceptance by the applicants, a further $10.3 million.

2. Leasing:
Of the gross amount receivable under lease contracts totalling $80.6 million, approximately $19.7 million is receivable in the next twelve months. At April 30, 1981 RoyNat had no outstanding lease commitments.

3. Secured notes and non-cancellable term credits:

Secured notes:

1981 July 1	9.50%	$ 18,800,000
September 15	10.00%	23,517,000
1982 April 15	8.75%	23,445,000
May 1	8.25%	4,336,000
September 15	10.75%	22,859,000
November 15	9.00%	27,864,000
1983 April 27	18.125%*	10,000,000
October 19	18.005%*	20,000,000
October 20	17.905%*	25,000,000
1984 January 13	17.698%*	15,000,000
April 15	8.75%	3,199,000
July 12	17.875%*	15,000,000
1985 February 19	12.25%**	5,000,000
March 1	9.50%	6,475,000
March 17	18.225%*	20,000,000
April 15	18.250%*	23,000,000
July 1	10.00%	9,339,000
August 1	8.50%	4,573,000
December 15	18.131%*	75,000,000
1986 September 15	10.50%	9,112,000
September 15	11.00%	2,452,000
July 3	18.225%*	15,000,000
July 30	17.825%*	10,000,000
1987 January 15	12.25%	10,000,000
March 3	17.975%*	15,000,000
April 15	9.25%	5,000,000
November 15	9.50%	14,474,000
1988 April 13	14.50%	25,000,000
1989 April 16	15.50%**	25,000,000
1990 April 16	17.375%**	25,000,000
Total secured notes		$508,445,000
Short term notes and bankers' acceptances		235,000,000
		$743,445,000

*The interest rates are adjusted periodically based on certain prescribed rates and at April 30, 1981 were as above.

**The holder of the secured note is a shareholder of RoyNat. The interest rates on the 1989 and 1990 secured notes are adjusted periodically based on certain prescribed rates.

Short term notes and bankers' acceptances, with maturities within one year, are classified as long term debt to the extent of non-cancellable term credits arranged with RoyNat's bankers. At April 30, 1981 such credits amounted to $255 million with $50 million, $115 million, $50 million and $40 million expiring June 30, 1983, August 1, 1985, May 1, 1985 and August 1, 1986 respectively. The non-cancellable credits are supported by secured notes pledged as collateral security for any amounts which might be outstanding under these arrangements.

Maximum purchase fund requirements and sinking fund requirements and maturities of secured notes and non-cancellable term credits over the next five years are detailed below:

	Maximum Purchase Fund Requirements	Sinking Fund Requirements and Maturities	Total
Year ending April 30, 1982	$ 389,000	67,762,000	68,151,000
Year ending April 30, 1983	771,000	66,853,000	67,624,000
Year ending April 30, 1984	934,000	147,165,000	148,099,000
Year ending April 30, 1985	1,023,000	56,039,000	57,062,000
Year ending April 30, 1986	552,000	252,860,000	253,412,000

The short term notes and bankers' acceptances described above are included in the year in which the non-cancellable term credits expire. The 1988 secured note which is subject to early maturity has been included in the maturities for the year ending April 30, 1984.

Substantially all the assets of RoyNat are pledged as security for secured notes.

During the year, interest expense on the above instruments amounted to $84,005,543 (1980 – $56,612,483).

4. Debentures:

1996 April 15	10.75% (April 15, 1986)*	$23,265,000
1997 September 1	9.625% (September 1, 1987)*	13,337,000
1999 September 14	10.75% (September 14, 1989)*	19,075,000
		$55,677,000

*The holder may elect that his debenture mature on this date.

Maximum purchase fund requirements and maturities of debentures over the next five years are detailed below:

	Maximum Purchase Fund Requirements	Maturities	Total
Year ending April 30, 1982	$ —	—	—
Year ending April 30, 1983	98,000	—	98,000
Year ending April 30, 1984	775,000	—	775,000
Year ending April 30, 1985	971,000	—	971,000
Year ending April 30, 1986	1,200,000	21,667,000	22,867,000

In those cases where debentures may, upon election by the holders, mature prior to their due dates, the maturities of such debentures are included on the basis of the earlier maturity date.

During the year, interest expense on debentures amounted to $6,283,002 (1980 – $5,734,144).

5. Taxes on income:
Gross revenue from operations includes income from Small Business Development Bonds of $3,079,635 which is not taxable in the hands of RoyNat. Consequently, taxes on income differ from the marginal tax rate applied to earnings before taxes.

6. Adjustment for tax assessments:
In order to reflect recent income tax assessments in respect of prior years, retained earnings at April 30, 1980, as previously reported, have been decreased by $427,000 of which $151,000 related to the year ended April 30, 1980. The most significant matter raised in the tax assessments related to the appropriate period in which certain expenses can be claimed for income tax purposes. Accordingly, the deferred income taxes and income taxes payable balances at April 30, 1980 have been reclassified to reflect additional timing differences.

7. Related party transactions:
RoyNat is owned by five prominent Canadian financial institutions. In the ordinary course of business, RoyNat enters into contractual arrangements with shareholders regarding short term and long term borrowings, lines of credit and the provision of services as trustee under instruments securing financing assets and as transfer agent and registrar for outstanding long term debt. Management believes that these transactions are at terms and rates no more nor less favourable than with unrelated parties.

The particulars of these transactions are as follows:

	1981	1980
Interest on secured notes	**$7,491,000**	3,472,000
Standby fees	**460,000**	388,000
Trustee, transfer agent and registrar fees	**302,000**	217,000
Other interest and charges	**68,000**	105,000

Highlights – Five Years

	1981	1980*	1979*	1978*	1977*
Total assets	**$925,459,245**	$744,279,313	$618,314,588	$555,054,989	$478,695,771
Short term borrowings	**22,789,000**	33,207,000	18,640,000	—	39,987,000
Long term debt	**799,122,000**	622,838,000	515,138,000	471,160,000	367,384,000
Capital — Preferred shares	**18,500,000**	11,000,000	11,000,000	11,000,000	11,000,000
— Common shares	**11,000,000**	11,000,000	11,000,000	11,000,000	11,000,000
Retained earnings	**33,454,805**	29,663,071	26,120,186	22,571,954	18,865,101
Gross revenue	**118,140,550**	89,538,558	70,587,297	63,088,363	54,795,212
Cost of funds borrowed	**94,442,387**	66,508,925	48,120,188	40,277,446	35,379,594
Staff cost	**6,116,457**	5,098,437	4,690,999	4,128,794	3,597,456
Provision for losses	**3,410,264**	2,675,898	2,530,791	3,185,556	2,303,514
Other expenses	**4,750,708**	4,168,413	3,984,087	3,772,714	3,002,298
Taxes on income	**2,549,000**	4,849,000	5,073,000	5,542,000	5,088,000
Net earnings	**6,871,734**	6,237,885	6,188,232	6,181,853	5,424,350
Dividends on preferred shares	**880,000**	880,000	880,000	880,000	880,000
Dividends on common shares	**2,200,000**	1,815,000	1,760,000	1,595,000	1,430,000
Term Financing and equipment leasing					
Disbursements	**316,381,000**	237,506,000	160,364,000	178,963,000	141,747,000
Commitments at end of year	**118,380,000**	91,309,000	80,700,000	52,754,000	63,619,000
Number of clients at end of year	***3,310***	*2,880*	*2,732*	*2,575*	*2,414*
Average amount committed during the year	**274,000**	300,000	255,000	260,000	201,000

*Restated

Directors

Louis Archambault
*Norman Cunningham
*René Fortier
Gilles Mercure
*J. C. McMillan
*L. W. Stoll
**J. D. Thompson
R. A. Utting

**Members of the Executive Committee*
***Chairman of the Executive Committee*

Officers

J. D. Thompson
President and Chief Executive Officer

Marcel Boudreau
Executive Vice-President

L. G. Legrove
Executive Vice-President

R. J. Durley
Senior Vice-President

R. R. Bell
Vice-President

J. F. Boadway
Vice-President

L. V. Boileau
Vice-President

J. R. Dick
Vice-President

Paul Goulet
Vice-President

N. L. Henri
Vice-President

D. K. Murray
Vice-President

C. Proulx
Vice-President

E. Sauvé
Vice-President

J. R. Scopick
Vice-President

D. R. Swaine
Vice-President

P. W. Walton
Vice-President

W. H. Rimstad, C.A.
Secretary-Treasurer

Head Office Services

Regional Operations

Marcel Boudreau
Executive Vice-President

L. G. Legrove
Executive Vice-President

L. V. Boileau
Vice-President – Credit

D. K. Murray
Vice-President – Credit

M. Labine
Executive Assistant

Finance and Planning

R. J. Durley
Senior Vice-President

W. H. Rimstad, C.A.
Secretary-Treasurer

J. R. Scopick
Vice-President – Corporate Planning and Development

B. Aucoin
Director of Accounting

G. H. Hubbell
Manager of Systems & Data Processing

G. Ménard
Treasury Officer

Corporate Services

N. L. Henri
Vice-President

P. Bruneau
Assistant Vice-President – Marketing

D. J. McRae
Assistant Vice-President – Insurance

J. Ross
Manager – Personnel

A. R. Garneau, Q.C.
General Counsel

P. McCann
Manager Investment Procedures and Operations

H. R. Prévost
Manager Premises and Purchasing

Head Office

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