

RoyNat



*RoyNat is Canada's largest private term lender specializing in the small and medium size business sector.*

*The company has 32 offices located in major business and industrial centres across Canada, and its commitment to meeting the financial needs of small and medium size business has been constant and unconditional since 1962.*

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## President's Report

**R**oyNat's improved performance in fiscal 1984 is a reflection of the economic recovery and a healthier SMB sector, particularly in Eastern Canada. Recovery in the West is occurring at a much slower pace. Net profit increased to \$5.1 million and year-end assets were \$946 million. The ability of our staff to effectively handle our business in difficult times with vigour, intelligence, imagination and good judgement was a key factor in our success.

Loan losses, while above historic norms, were lower than last year, and non-revenue loans continued their downward trend, after peaking in the third quarter of fiscal 1983. Operating and administration costs were carefully controlled and continued to stay comfortably in line with assets.

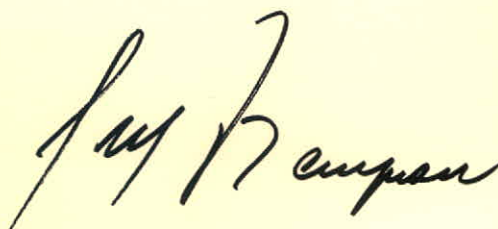
Although the volume of new business increased over the previous two years, it was not sufficiently large to show any growth in assets. Many capital spending programs continue to be deferred because of excess capacity, uncertain economic conditions and a more conservative approach to expansion and term debt.

While there is presently considerable speculation on interest rates and the extent and duration of the recovery, we feel that business generally will be healthier in the coming year. This should have a positive impact on capital expenditures, particularly where the objective is to improve productivity, — an essential step if we are to prosper in an environment of deregulation and freer trade.

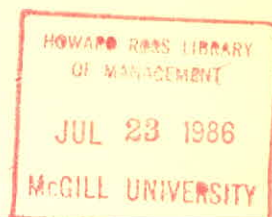
We are confident that small and medium size companies will continue to meet the challenge of the 1980s and play a key role in improving Canada's competitive position. These businesses are the innovators and the job creators. The encouragement of their growth and maturation will require a capital environment in which they are nourished, and a less regulated environment in which those who invest and take risks are rewarded.

The recent recession has been acknowledged as the most serious in the past 50 years; casualties were dangerously high. There was, however, a legacy: in the present phase of the expansion the small, medium-sized business sector is fielding a much wiser, more mature, more productive team, which bodes well for the economy as a whole. The next section in this report illustrates this in a simple way, through conversations with five representative clients.

Our Directors have provided valuable support and advice during the difficult period through which we have passed, for which I wish to express my appreciation.



*John D. Thompson*  
*President and Chief Executive Officer*





**T**he Recession punished small business severely. The "trial by fire", unpleasant and damaging though it was, has forged a business sector perhaps more competent, more disciplined than before.

RoyNat's experience suggests that companies doing well in the Recovery are those that learned the recent lessons. Excess has been trimmed away; rigorous control systems introduced; strategic planning given higher priority; marketing and marketing initiatives treated with new respect.

We sense a renewed confidence emerging in the sector. It is not yet widespread. But it is there.

For this annual report we asked clients in industry sectors across the country what lessons they had learned and how they are applying them in the Recovery. Although the answers are brief, they do provide some insights into how business attitudes have changed and are changing. Although there was space for only five, many of the comments apply to the sector as a whole.

**"...before the recession began many managers were spending stupidly, and, truthfully, were out of touch with the real world."**

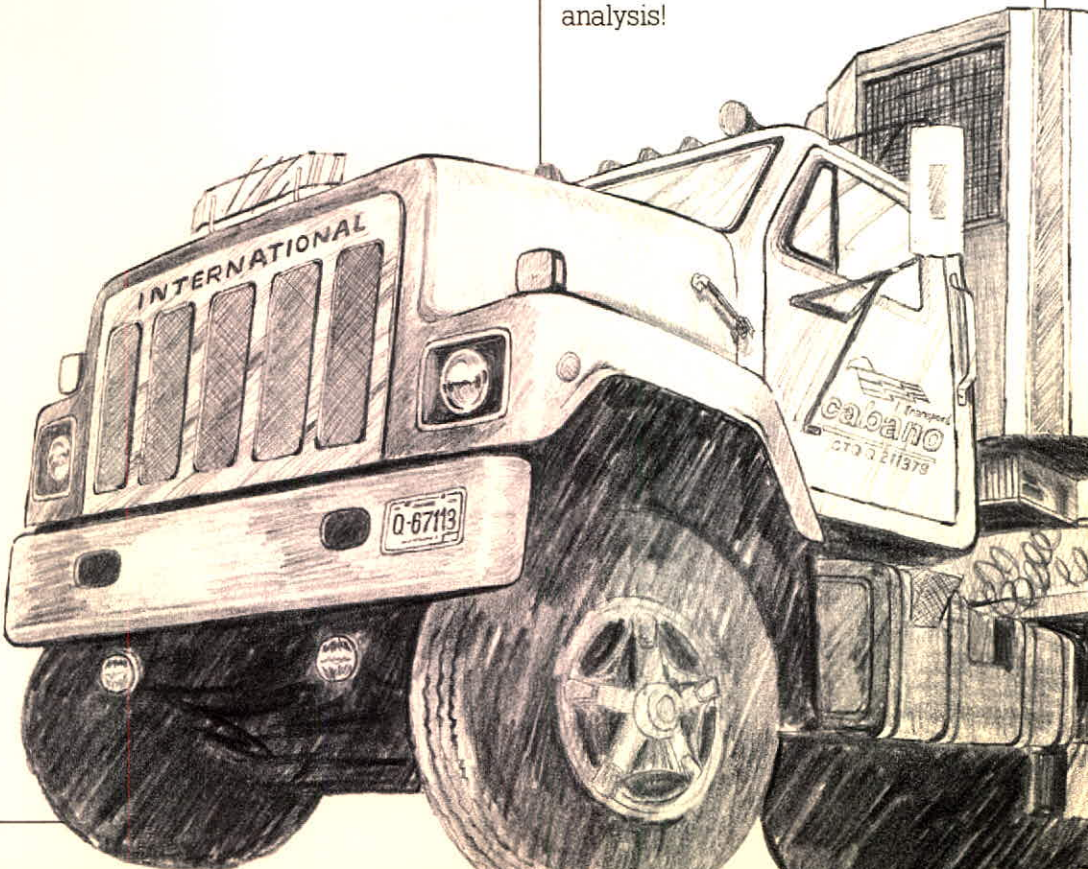
*Reno Emond*

**CABANO  
TRANSPORT  
LTD.,**

Rivière du Loup, founded in 1957 by Reno Emond, president, delivers general freight throughout Quebec and the Maritimes. The company operates a fleet of 400 tractors, trailers and single-unit trucks, employs 200 people and reported gross revenue for 1983 in excess of \$14 million.

**Changes:**

Emond: "In the period 1975-79 we were all prosperous and we became sloppy and careless. When equipment was thought to be needed, or wage demands made, we'd take the route of least resistance, pay the bill and get on with the business. No real analysis!





"That's changed. Productivity is the watchword today. During the recession we implemented planning and cost-cutting systems that have increased our productivity by 20%. We're simply getting by on less. We never, never assume the return will justify an investment. Every move is planned — we are far less impulsive than we used to be, and now when we acquire a company — as we have on a number of occasions — we are interested primarily in how the acquisition will make the whole operation more efficient. That's my principal objective today.

"I am conscious of the fact that sooner or later another recession will come along and I want to be very sure that Cabano Transport can adjust quickly to any situation and fight the competition for the business remaining."

**"...the Recession forced us to solve our market problems by becoming more aggressive, innovative and creative."**

Bob and Keith De Grace



### ATLANTIC HOST MOTOR INN and

DANNY'S MOTOR INN, Bathurst, N.B., a hospitality and catering business founded in 1947, and owned by the sons of the founder, Bob and Keith de Grace.

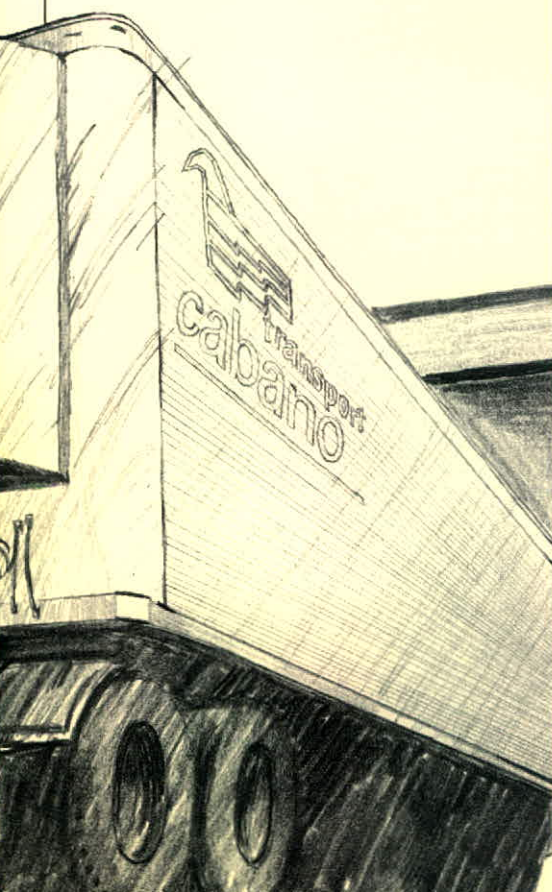
The energy crisis taught the hospitality industry some tough lessons. When the Recession developed, many in the industry were already "blooded". When the tourist business slackened and commercial business became more cost conscious, Atlantic Host took the initiative and went looking for new markets.

#### Changes:

The De Graces: "We knew we had to get more out of our plant so we developed a marketing plan to sell Atlantic Host as a year-round tourist destination. In essence, we 'packaged' winter by developing cross-country skiing and snowmobile trails. We

added services — vertically integrated, if you will — such as a travel agency that sold tours as far south as Florida for tourists who had never experienced winter. (On one occasion, the De Graces imported snow for the front of the Motor Inn so that arriving tourists would not be disappointed.) "We added car rental, built racquetball courts and put a great push behind staff training which emphasized 'down-home' friendliness.

"The Recession taught us what can happen when you really market your services creatively...adapt to change quickly...and compete aggressively for new business."





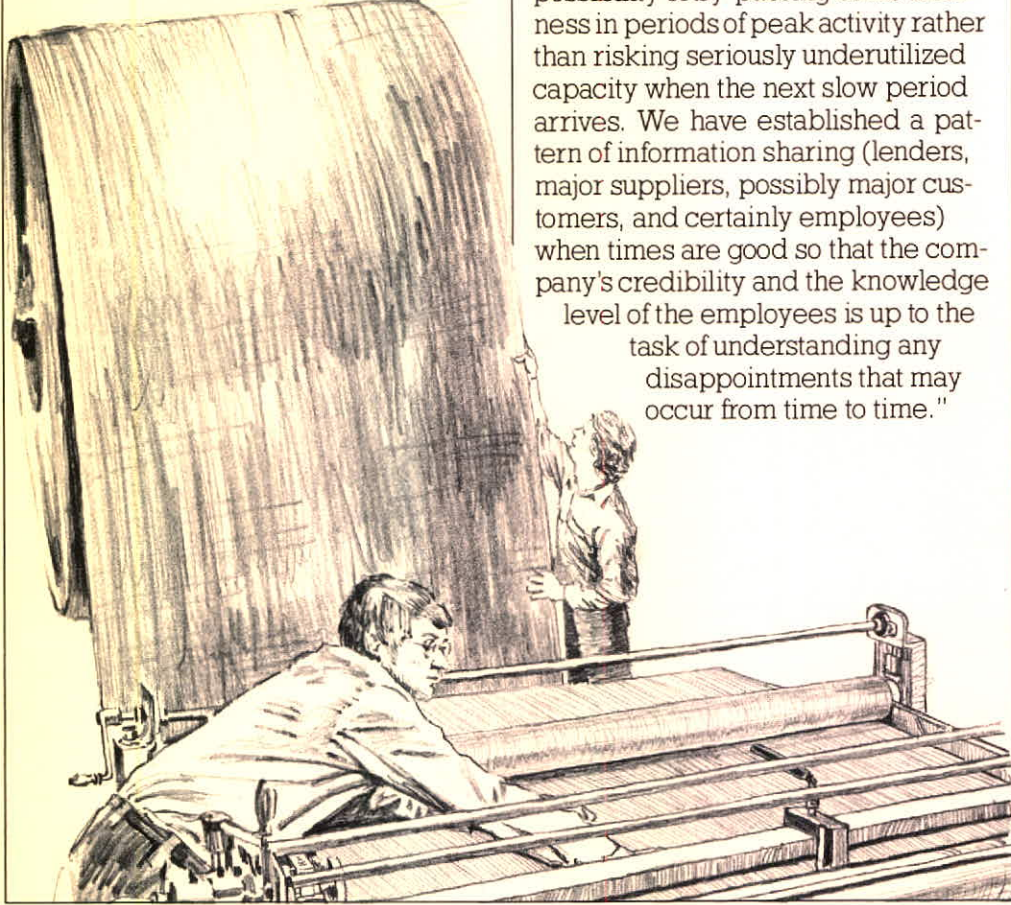
**“...sales volume is only a means to an end, which is, bottom-line profit; therefore, there should be as much or more attention to gross margins and control of fixed overheads than to sales, per se.”**

L. Grant Burton

# STARCAN CORPORATION,

Toronto, a holding company established ten years ago by L. Grant Burton, a graduate in business administration and former management consultant, owns five manufacturing and distribution businesses, employs 250 people and has total sales in excess of \$35 million.

The Recession did not alter Burton's basic business management philosophy. It reinforced it. Decentralization; meticulous financial planning and re-



porting at all levels; staff and executive incentive programs; and strong internal communications (“...everyone likes to know the main factors affecting their livelihood”).

## Changes:

However, there were changes: Burton: “Tough or unpleasant decisions are now made sooner rather than later. Putting them off never seems to result in a different outcome.

“When employees are not performing up to standard, action is taken promptly to correct the situation after a fair notice period. We never procrastinate in this area. We do not justify a substantial investment in people or capital equipment on an ‘assumed’ increase in total market size. Instead, we take a conservative view only of the likely market share changes that could result.

“We predicate growth plans on the possibility of by-passing some business in periods of peak activity rather than risking seriously underutilized capacity when the next slow period arrives. We have established a pattern of information sharing (lenders, major suppliers, possibly major customers, and certainly employees) when times are good so that the company's credibility and the knowledge level of the employees is up to the task of understanding any disappointments that may occur from time to time.”

**“...our state of mind today is such that we believe we cannot afford to relax...that we must get across to our people that we have to keep fighting...to maintain our prosperity and market share.”**

W. W. Gillis

# MILL & TIMBER PRODUCTS LTD.,

Surrey, B.C., operates a cedar remanufacturing plant in Burnaby and a cedar sawmill in Surrey. Founded in 1951, it employs 235 people, making west red cedar siding and interior panelling as well as rough cedar lumber for building. More than half of its production goes to the U.S. housing market, the balance in Canada and off-shore.

Bill Gillis, president, commented: “We were already running lean when we entered the Recession of 1980-82.” Lean became leaner.





## Changes:

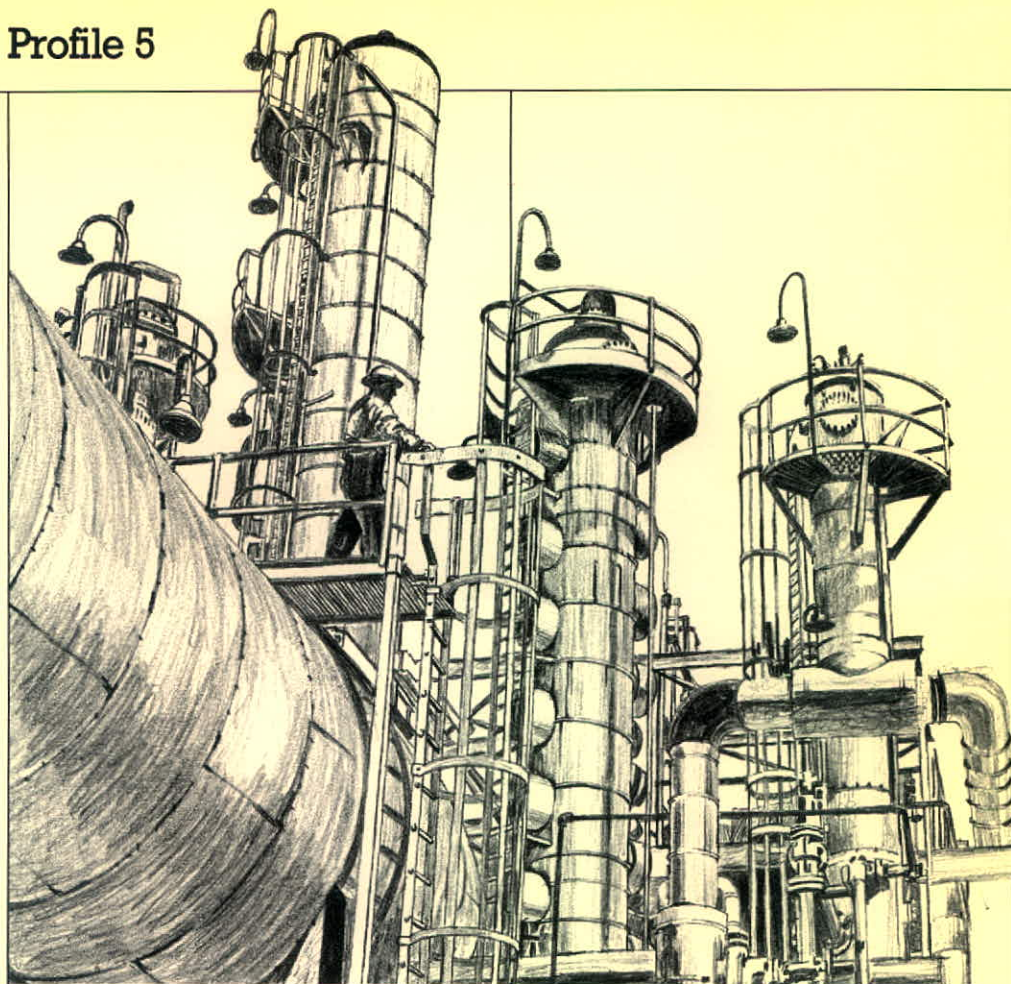
Gillis: "We conducted intensive studies of our operations. We analyzed every product line, every piece of lumber and cut all but our most profitable. Lines that were marginally profitable were discarded.

"We reduced staff, while maintaining output and service. We cut overtime and clean-up time through better supervision and planning. We improved the yield from a log by reducing sawdust waste; this we did by purchasing blades that gave a finer cut.

"Marketing has always been a strong point with us — today, we just don't let up. We're looking seriously at new foreign markets for our lines.

"But most important — we're seeing real change in the attitude of our employees — they're far more interested in the success of the company, more interested in their work. Everyone's view of working life has become much more realistic in my view.

"And that's good for the country."



***"...the actions we took to counteract the combined effects of the world-wide Recession and the damage inflicted on the oil and gas industry by the National Energy Program, permitted us to survive the most serious downturn in the Province's history since the great Depression, and will enable us to take advantage of the upturn when it finally comes to western Canada."***

H. Peter Simon

**FOSTER RESEARCH**, Calgary, a consulting partnership established in 1960, specializing in energy-related economic analysis and planning studies for a wide range of industry and government clients in Canada and the United States.

H. Peter Simon, treasurer and partner, says that the Recession produced much greater awareness of the need to promote the firm's services and maintain its reputation for quality work.

## Changes:

Simon: "The number of staff and consultants was cut by about 50%. This is a people intensive business and we had, regretfully, no option but to reduce. Salaries of the remaining personnel, including partners, were decreased by 20%-25%.

"All other expenses were analyzed and reductions made in subscriptions, insurance and all non-essential promotional expenses.

"A more extensive system of financial forecasting and cost control was introduced.

"But perhaps the most important change was the additional time spent on promotion and on the writing of study proposals. In the present environment there is no room for missed opportunities or marginal quality in work. In the West, the energy industry is still walking a tight-rope."





# RoyNat Inc., 1984 Annual Report

## Five-Year Highlights

	1984	1983	1982	1981	1980*
<b>Balance Sheet</b>					
Total Assets	\$ 945,843,000	\$ 978,717,000	\$ 997,049,000	\$ 925,459,000	\$ 744,279,000
Average Finance Assets	945,393,000	968,790,000	945,930,000	825,807,000	674,346,000
Provision for Losses					
— Specific	13,246,000	14,279,000	8,227,000	6,165,000	4,274,000
— General	6,610,000	5,745,000	4,560,000	4,129,000	3,287,000
Short Term Borrowings	76,857,000	64,529,000	66,964,000	22,789,000	33,207,000
Long Term Debt	774,661,000	819,073,000	836,111,000	799,122,000	622,838,000
Capital — Preferred Shares	18,500,000	18,500,000	18,500,000	18,500,000	11,000,000
— Common Shares	26,000,000	26,000,000	11,000,000	11,000,000	11,000,000
Retained Earnings	38,670,000	35,502,000	35,161,000	33,455,000	29,663,000
<b>Operations</b>					
Gross Revenue — Taxable	107,995,000	122,236,000	137,830,000	114,191,000	88,535,000
— Non-Taxable	8,132,000	12,293,000	16,137,000	3,950,000	1,004,000
Total Gross Revenue	116,127,000	134,529,000	153,967,000	118,141,000	89,539,000
Cost of Funds Borrowed	93,239,000	118,234,000	141,782,000	94,442,000	66,509,000
Staff Costs	6,978,000	6,914,000	6,831,000	6,117,000	5,099,000
Other Operating Costs	4,882,000	5,238,000	5,306,000	4,751,000	4,168,000
Net Losses on Specific Loans	8,800,000	11,193,000	4,450,000	2,568,000	1,971,000
General Provision For Losses	865,000	1,185,000	431,000	842,000	705,000
Taxes on Income (Recovery)	(3,695,000)	(10,312,000)	(10,574,000)	2,549,000	4,849,000
<b>Net Earnings</b>	<b>5,058,000</b>	<b>2,076,000</b>	<b>5,741,000</b>	<b>6,872,000</b>	<b>6,238,000</b>
<b>Dividends</b> — Preferred Shares	<b>1,370,000</b>	<b>1,515,000</b>	<b>1,670,000</b>	<b>880,000</b>	<b>880,000</b>
— Common Shares	<b>520,000</b>	<b>220,000</b>	<b>2,365,000</b>	<b>2,200,000</b>	<b>1,815,000</b>
<b>Business Volume</b>					
New Business Written	201,653,000	155,787,000	146,155,000	345,339,000	245,019,000
Disbursements	200,716,000	158,901,000	206,515,000	316,381,000	237,506,000
Commitments at End of Year	53,985,000	53,048,000	56,162,000	118,380,000	91,309,000
Number of Clients	2,860	3,121	3,246	3,310	2,880
Average Amount Committed During the Year	382,000	293,000	360,000	274,000	300,000

\* Restated



# RoyNat Inc., 1984 Annual Report

## Financial Review

### New Business Volume

RoyNat wrote \$202 million of new business in 1984 compared with \$156 million in 1983. This increased level of new business, however, was not adequate to offset the repayments on the asset portfolio. As a result, assets declined from \$979 million at April 30, 1983 to \$946 million at April 30, 1984.

<b>TABLE 1 (\$ millions)</b>	1984	1983	1982	1981	1980
Year-end assets	946	979	997	925	744
Business volume	202	156	146	345*	245

\*1981 Business volume included \$143 million of business written under the Small Business Development Bond program which was of a one-year duration.

### Operating Results

1984 was a period of recovery for the Canadian Economy. This was reflected in RoyNat's results as net earnings increased from \$2.1 million in 1983 to \$5.1 million in 1984. The major factors in this \$3 million improvement were lower Loan Losses and an improved Net Margin due to lower costs of carrying non-producing accounts. The lower carrying costs resulted from a lower level of non-producing accounts as well as lower interest rates in 1984 as compared to 1983.

RoyNat also continued to maintain tight cost controls as total Administrative and Operating Costs remained at 1.25% of average assets and were actually down in dollar terms by \$300,000.

<b>TABLE 2 (% of Average Finance Assets)</b>	1984	1983	1982	1981	1980
Net margin*	3.17	2.76	2.74	3.21	3.42
Administration and Operating expenses	1.25	1.25	1.28	1.32	1.37
Net losses on specific loans	.93	1.16	.47	.31	.29

\*Tax equivalent basis

### TABLE 3 (\$ millions)

	1984	1983	1982	1981	1980
Loan losses	8.8	11.2	4.5	2.6	2.0

The recovery in Canada remains fragile and certain industrial and geographic sectors have not experienced any noticeable improvements. Accordingly, we expect 1985 to show only modest improvement in demand for credit. We do expect to see continued improvement in loan losses along with a reduction in non-producing accounts. These factors should lead to continued improvement in RoyNat's Operating Performance.

# RoyNat Inc., 1984 Annual Report

## Consolidated Balance Sheet

April 30, 1984  
with comparative figures  
for 1983


### Assets

	1984	1983
Financing extended to Canadian corporations at cost (note 1)	\$908,056,000	927,679,000
Receivable under lease contracts less unearned income of \$7,320,000 (1983 — \$10,069,000) (note 2)	21,516,000	32,312,000
Estimated residual value of assets under lease and assets held for realization	666,000	851,000
Accrued interest	11,000,000	13,667,000
	941,238,000	974,509,000
Provision for losses	19,856,000	20,024,000
	921,382,000	954,485,000
Cash and short term deposits	12,972,000	11,380,000
Fixed assets, at cost less depreciation of \$2,375,000 (1983 — \$2,228,000)	1,376,000	1,490,000
Unamortized debt discount and expense	1,400,000	1,977,000
Income taxes recoverable	—	898,000
Other	8,713,000	8,487,000
	\$945,843,000	978,717,000

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

On behalf of the Board:

 Director

 Director



# RoyNat Inc., 1984 Annual Report

## Liabilities and Shareholders' Equity

April 30, 1984  
with comparative figures  
for 1983

	1984	1983
Short term notes (note 3)	\$ 76,857,000	64,529,000
Accounts payable and accrued liabilities	384,000	423,000
Accrued interest payable	9,442,000	9,915,000
Income tax payable	445,000	—
Deferred investment tax credits	—	175,000
Lease rentals received in advance	67,000	227,000
Deferred income taxes	817,000	4,373,000
Secured notes and non-cancellable term credits (note 3)	720,452,000	764,033,000
Debentures (note 4)	54,209,000	55,040,000
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	7,500,000
Class A common shares, issued 110,000 shares	11,000,000	11,000,000
Class B non-voting common shares, issued 150,000 shares	15,000,000	15,000,000
Retained earnings	38,670,000	35,502,000
	<b>\$945,843,000</b>	<b>978,717,000</b>

## Auditors' Report

To the Directors  
RoyNat Inc.

We have examined the consolidated balance sheet of RoyNat Inc. as at April 30, 1984 and the consolidated statement of earnings, retained earnings and changes in finance assets for the year ended April 30, 1984. 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 company as at April 30, 1984 and the results of its operations and the changes in its finance 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 31, 1984



# RoyNat Inc., 1984 Annual Report

## Consolidated Statement of Earnings

*Year ended April 30, 1984  
with comparative figures  
for 1983*

	1984	1983
Gross revenue from operations	\$116,127,000	134,529,000
Expenses:		
Interest	92,555,000	117,166,000
Discounts, expenses and other debt related costs	684,000	1,068,000
Salaries, pension contributions and staff benefits	6,978,000	6,914,000
Premises expenses	1,668,000	1,545,000
Provision for losses, less recoveries	9,665,000	12,379,000
Other operating expenses	3,214,000	3,693,000
	114,764,000	142,765,000
Earnings (losses) before income taxes	1,363,000	(8,236,000)
Income tax recovery (note 5)	3,695,000	10,312,000
Net earnings for the year	\$ 5,058,000	2,076,000

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

## Consolidated Statement of Retained Earnings

*Year ended April 30, 1984  
with comparative figures  
for 1983*

	1984	1983
Balance at beginning of year	\$ 35,502,000	35,161,000
Net earnings for year	5,058,000	2,076,000
	40,560,000	37,237,000
Dividends paid:		
Preferred shares	1,370,000	1,515,000
Common shares	520,000	220,000
	1,890,000	1,735,000
Balance at end of year	\$ 38,670,000	35,502,000

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



# RoyNat Inc., 1984 Annual Report

## Consolidated Statement of Changes in Finance Assets

Year ended April 30, 1984  
with comparative figures  
for 1983

	1984	1983
Net increase (decrease) in finance assets:		
Term financing	\$(22,290,000)	(2,691,000)
Leasing	(10,981,000)	(13,069,000)
	(33,271,000)	(15,760,000)
Increase (decrease) in provision for losses	(168,000)	7,237,000
	\$(33,103,000)	(22,997,000)
The net increase (decrease) in finance assets was provided by:		
Net earnings	\$ 5,058,000	2,076,000
Items charged (credited) to earnings not affecting finance assets:		
Amortization of debt discount and expense	608,000	818,000
Depreciation	353,000	376,000
Deferred income taxes	(3,556,000)	(11,176,000)
Deferred investment tax credits	(175,000)	(190,000)
Less dividends paid	2,288,000	(8,096,000)
	1,890,000	1,735,000
	398,000	(9,831,000)
Net increase (decrease) in debt:		
Net proceeds from sale of secured notes	(30,000)	49,661,000
Net increase in short term borrowings including those classified as long term debt (note 3)	72,328,000	52,565,000
Redemption of secured notes	(103,581,000)	(121,600,000)
Redemption of debentures	(831,000)	(438,000)
	(32,114,000)	(19,812,000)
Cash received on issue of common shares	—	15,000,000
Increase in cash and short term deposits	(1,592,000)	(9,346,000)
Other items — net	205,000	992,000
	\$(33,103,000)	(22,997,000)

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



# RoyNat Inc., 1984 Annual Report

## Notes to Consolidated Financial Statements

April 30, 1984

RoyNat Inc., ("RoyNat") is incorporated under the Canada Business Corporations Act and is in the business of providing term financing to Canadian businesses. RoyNat's subsidiary, RoyNat Guarantee Corporation ("RGC") is licensed to write credit insurance in Canada. RGC has not commenced carrying on business and it is not presently intended to do so.

### *Basis of presentation:*

The accompanying consolidated financial statements include the accounts of RoyNat and its subsidiary and are prepared on the basis of generally accepted accounting principles in Canada and conform in all material respects to International Accounting Standards.

### *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.

### *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 \$219,100,000 of term financing matures during the next twelve months. RoyNat holds preferred and common shares costing \$4,500,000 (1983 — \$11,500,000), including marketable shares with a cost of \$3,000,000 (1983 — \$10,000,000) having a market value of approximately \$2,700,000 (1983 — \$10,200,000).

At April 30, 1984, RoyNat was under contract to provide further financing totalling \$54,000,000 and in addition has authorized, subject to acceptance by the applicants, a further \$8,800,000.

### **(2) Leasing:**

Of the gross amount receivable under lease contracts totalling \$28,800,000 approximately \$8,200,000 is receivable in the next twelve months.



# RoyNat Inc., 1984 Annual Report

## (3) Secured notes and non-cancellable term credits:

### Secured notes:

1984 July 12	10.60%*	\$ 15,000,000	1986 February 15	12.25%	6,000,000
1985 February 19	12.25%**	5,000,000	July 29	17.00%	26,000,000
March 1	9.50%	6,050,000	September 15	10.50%	8,974,000
March 17	10.725%*	20,000,000	September 15	11.00%	2,424,000
July 1	10.00%	8,883,000	December 15	17.25%	40,000,000
August 1	8.50%	4,422,000	1987 January 15	12.25%	10,000,000
December 15	10.75%*	5,000,000	April 15	9.25%	5,000,000
			November 15	9.50%	13,699,000
			December 1	13.00%	20,000,000
			1988 February 15	12.50%	24,000,000
			April 13	14.50%	25,000,000
			1989 April 16	9.375%**	25,000,000
			1990 April 16	10.875%**	25,000,000

Total secured notes	295,452,000
Short term notes and bankers' acceptances	425,000,000
	<u>\$720,452,000</u>

\*The interest rates are adjusted periodically based on certain prescribed rates and at April 30, 1984 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, 1984 such credits amounted to \$425,000,000 with \$55,000,000, \$50,000,000, \$15,000,000, \$75,000,000, \$50,000,000, \$15,000,000, \$10,000,000, \$135,000,000 and \$20,000,000 expiring December 15, 1985, May 1, 1986, July 3, 1986, August 1, 1986, September 30, 1986, March 30, 1987, July 10, 1988, September 30, 1988, October 19, 1988 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 maturities of secured notes and non-cancellable term credits over the next five years are detailed below:

	Maximum Purchase Fund Requirements	Maturities	Total
Year ending April 30, 1985	\$644,000	71,050,000	\$ 71,694,000
Year ending April 30, 1986	556,000	79,094,000	79,650,000
Year ending April 30, 1987	300,000	296,942,000	297,242,000
Year ending April 30, 1988	—	56,866,000	56,866,000
Year ending April 30, 1989	—	190,000,000	190,000,000

The short term notes and bankers' acceptances described above are included in the year in which the non-cancellable term credits expire. The April 13, 1988 secured note which is subject to early maturity has been included in the maturities for the year ending April 30, 1985. Substantially all the assets of RoyNat are pledged as security for secured notes.

Interest expense on the above instruments amounted to \$79,141,000, (1983 — \$102,323,000).



# RoyNat Inc., 1984 Annual Report

## Notes to Consolidated Financial Statements

(continued)

<b>(4) Debentures:</b>			
1996 April 15	10.75% (April 15, 1986)*		\$22,405,000
1997 September 1	9.625% (September 1, 1987)*		13,301,000
1999 September 14	10.75% (September 14, 1989)*		18,503,000
			<b>\$54,209,000</b>

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

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

	<i>Maximum Purchase Fund Requirements</i>	<i>Maturities</i>	<i>Total</i>
Year ending April 30, 1985	\$ 273,000	—	\$ 273,000
Year ending April 30, 1986	1,200,000	21,667,000	22,867,000
Year ending April 30, 1987	700,000	—	700,000
Year ending April 30, 1988	400,000	12,666,000	13,066,000
Year ending April 30, 1989	400,000	—	400,000

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.

Interest expense on debentures amounted to \$5,728,000 (1983 — \$5,806,000).

<b>(5) Income taxes:</b>			
Income tax recovery is made up as follows:	<b>1984</b>		1983
Earnings (loss) before income taxes	<b>\$ 1,363,000</b>		(8,236,000)
Add (deduct):			
Non-taxable revenue from Small Business			
Development Bonds	<b>(7,633,000)</b>		11,320,000
Non-taxable dividends	<b>(499,000)</b>		973,000
Miscellaneous	<b>40,000</b>		(47,000)
Loss for purposes of income tax computation	<b>\$(6,729,000)</b>		(20,482,000)
Income tax recovery	<b>\$ 3,695,000</b>		10,312,000

### **(6) 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:	<b>1984</b>	<b>1983</b>
Interest on secured notes	<b>\$5,334,000</b>	<b>6,951,000</b>
Standby fees	<b>844,000</b>	<b>818,000</b>
Trustee, transfer agent and registrar fees	<b>73,000</b>	<b>250,000</b>
Other interest and charges	<b>66,000</b>	<b>115,000</b>



## Directors

## Officers

## Head Office Departments

\* Norman Cunningham

\* René Fortier

Maurice Jodoin

Gilles Mercure

\* J. C. McMillan

\* L. W. Stoll

\*\* J. D. Thompson

R. A. Utting

\*Members of the Executive Committee

\*\*Chairman of the Executive Committee

J. D. Thompson

*President and Chief Executive Officer*

M. Boudreau

*Executive Vice-President*

L. G. Legrove

*Executive Vice-President*

R. J. Durley

*Senior Vice-President*

W. H. Rimstad, C.A.

*Secretary-Treasurer*

R. R. Bell

*Vice-President*

L. V. Boileau

*Vice-President*

J. R. Dick

*Vice-President*

P. Goulet

*Vice-President*

N. L. Henri

*Vice-President*

K. C. Moorse

*Vice-President*

D. K. Murray

*Vice-President*

C. Proulx

*Vice-President*

E. Sauvé

*Vice-President*

D. R. Swaine

*Vice-President*

P. W. Walton

*Vice-President*

### Operations

M. Boudreau

*Executive Vice-President*

\* L. G. Legrove

*Executive Vice-President*

L. V. Boileau

*Vice-President — Credit*

\* K. C. Moorse

*Vice-President — Administration*

\* D. K. Murray

*Vice-President — Credit*

C. Proulx

*Vice-President — Administration*

G. Potvin

*Assistant Vice-President — Administration*

### Finance and Planning

R. J. Durley

*Senior Vice-President*

W. H. Rimstad, C.A.

*Secretary-Treasurer*

B. Aucoin

*Director of Accounting*

G. H. Hubbell

*Manager of Systems & Data Processing*

G. Ménard

*Manager — Treasury Operations*

### Corporate Services

N. L. Henri

*Vice-President*

D. J. McRae

*Assistant Vice-President — Insurance*

H. R. Prévost

*Manager — Premises and Purchasing*

### Head Office

620 Dorchester Blvd. West

Montréal, Québec H3B 1P2

\*1 First Canadian Place

Toronto, Ontario

MSX 1B1

## Classification by Industry

As at April 30, 1984

	Number	%	Amount \$('000)	%
<b>Agriculture</b> .....	61	2.13	21,390	2.17
<b>Construction:</b>				
General .....	36	1.26	15,752	1.60
Heavy .....	46	1.61	10,513	1.07
Special Trades .....	65	2.27	13,251	1.35
<b>Manufacturing:</b>				
Concrete Products .....	39	1.36	14,502	1.47
Drugs & Chemicals .....	23	.80	7,272	.74
Food & Beverages .....	96	3.36	46,438	4.72
Metal .....	290	10.14	89,681	9.11
Printing & Publishing .....	71	2.48	20,798	2.11
Textiles & Clothing .....	38	1.33	14,575	1.48
<b>Wood Industries:</b>				
Furniture & Fixtures .....	30	1.05	12,429	1.26
Forest Products .....	66	2.31	26,619	2.70
Mill Works .....	32	1.12	12,355	1.26
Paper .....	17	.59	7,863	.80
Miscellaneous .....	151	5.28	52,076	5.30
<b>Natural Resources:</b>				
Forestry, Fishing .....	34	1.22	9,548	.97
Mines, Quarries, Petroleum .....	59	2.06	39,528	4.02
<b>Trade:</b>				
Retail .....	409	14.30	102,375	10.40
Wholesale .....	127	4.44	46,272	4.70
<b>Transportation, Storage:</b>				
Air & Water .....	28	.98	16,563	1.68
Rail, Truck, Storage .....	156	5.45	55,620	5.65
<b>Communications:</b> .....	29	1.01	28,322	2.88
<b>Community, Business &amp; Personal Services:</b>				
Accommodation .....	240	8.39	138,743	14.10
Food Services .....	229	8.00	49,019	4.98
Health & Recreation .....	123	4.30	43,527	4.42
Other Services .....	365	12.76	89,193	9.06
<b>Totals*</b>	2,860	100%	984,224	100%

## Geographical Distribution

Atlantic Provinces .....	293	10.24	85,470	8.68
Quebec .....	716	25.03	266,805	27.11
Ontario .....	966	33.78	298,619	30.34
Prairie Provinces .....	420	14.69	160,477	16.30
British Columbia, Yukon, N.W.T. ....	465	16.26	172,853	17.57
<b>Totals*</b>	2,860	100%	984,224	100%

\*Includes Outstandings and Commitments



## Regions/ district offices

### Atlantic Region

**J. R. Dick** / *Vice-President*

Halifax  
Moncton  
St. John's

B. Taylor  
D. A. Atkinson  
P. A. Saunders

### Québec Region

**P. Goulet** / *Vice-President*

**L. Charron** / *Assistant Vice-President*

Brossard  
Drummondville  
Laval  
Montréal Island  
Québec  
Rimouski  
Sherbrooke  
Trois-Rivières

R. J. C. Delisle  
J. Tessier  
P. C. Ouimet  
H. Plafier  
R. Bernier  
Y. Goineau  
H. Laviguer  
R. Théorêt

### Central/Northern Ontario Region

**P. W. Walton** / *Vice-President*

**E. M. H. Lande** / *Assistant Vice-President*

Mississauga  
Oshawa  
Ottawa  
Sudbury  
Thunder Bay  
Toronto

B. Hunter  
R. Fedus  
H. Pelletier  
N. C. Meunier  
B. Vallier  
E. A. Lawson

### South Western Ontario Region

**R. R. Bell** / *Vice-President*

**C. Schneider** / *Assistant Vice-President*

Hamilton  
Kitchener  
London  
Windsor

P. F. Smith  
M. J. Labine  
P. M. Henrich  
R. N. Fields

### Western Region

**D. R. Swaine** / *Vice-President*

**J. C. Joseph** / *Assistant Vice-President*

Calgary  
Edmonton  
Lethbridge  
Red Deer  
Saskatoon  
Winnipeg

P. K. Gaudet  
D. J. McLaughlin  
G. R. McEachern  
J. J. Albert  
J. K. Lacroix  
G. W. Proke

### Pacific Region

**E. Sauvé** / *Vice-President*

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

Kamloops  
Nanaimo  
Prince George  
Surrey  
Vancouver

R. W. Laing  
M. B. Gleig  
K. Billingsley  
W. G. Dance  
B. M. McGuire



# Regions/ district offices

## Atlantic Region

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Moncton  
St. John's  
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P. A. Saunders

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P. Goulet/Vice-President

L. Charbon/Vice-President

Brossard  
Dunsmuirville  
Laval  
Montreal Island  
Québec  
Rimouski  
Shedbrook  
Trois-Rivières  
R. Thériault  
Y. Gosselin  
R. Bernier  
H. Poirier  
P. C. Guimet  
J. Tessier  
R. I. C. Delisle

## Central/Northern Ontario Region

P. W. Walton/Vice-President

E. M. H. Lande/Vice-President

Mississauga  
Oshawa  
Ottawa  
Stouffville  
Thunder Bay  
Toronto  
E. A. Lawson  
B. Vailier  
N. C. Mennier  
H. Pelletier  
R. Fedas  
B. Hunter

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C. Schneider/Vice-President

Hamilton  
Kitchener  
London  
Windsor  
R. N. Fields  
P. M. Hennrich  
M. J. Lajane  
P. F. Smith

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Saskatoon  
Winnipeg  
G. W. Proke  
J. K. Lacroix  
J. J. Albert  
G. R. McEachern  
D. J. McLaughlin  
R. K. Gaudet

## Pacific Region

E. Samuels/Vice-President

J. S. Timmins/Vice-President

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





