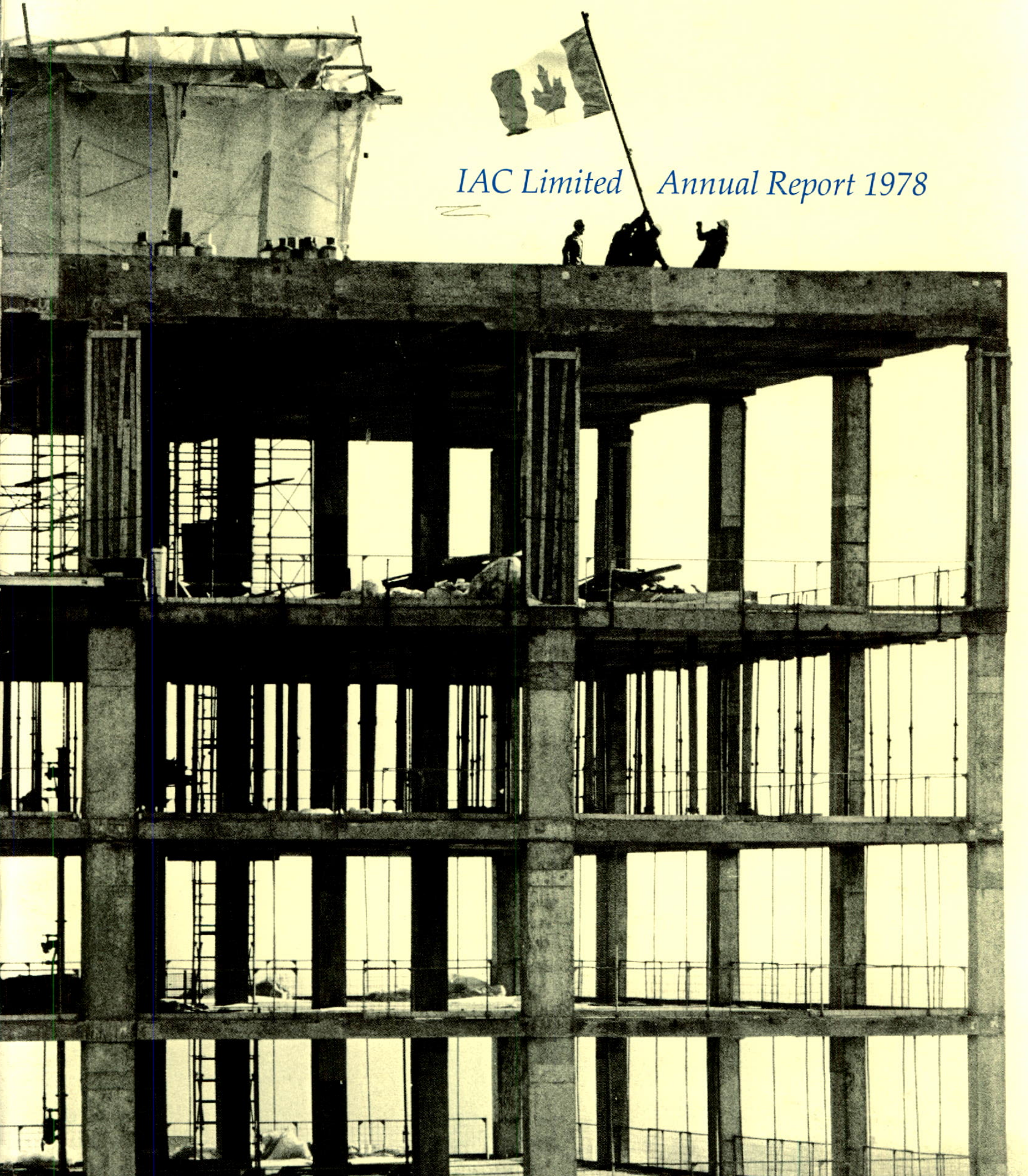
"The real friend of this country is the guy who believes in excellence, seeks for it, fights for it, defends it, and tries to produce it."
MORLEY CALLAGHAN

IAC Limited Annual Report 1978



IAC Limited

IAC Limited
Incorporated under the laws of Canada
February 7, 1925
Head Office, 45 St. Clair Avenue West, Toronto, Ontario M4V 2Y2

The IAC group of companies is a Canadian owned diversified financial organization.
Its range of service includes:
Corporate Lending
Business Loans
Purchase Credit Plans
Inventory Financing
Lease Financing
Equipment Financing
Capital Assets Leasing
Car and Truck Leasing
Commercial Mortgages
Personal Loans
Residential Mortgage Loans
Under the terms of a special Act of the Federal Parliament, the Company will open the Continental Bank of Canada on June 4, 1979.

Si vous désirez recevoir un exemplaire en français du rapport annuel de IAC, veuillez vous adresser au secrétaire, IAC Limitée, 45 ouest, avenue St. Clair, Toronto, Ontario, M4V 2Y2

Cover Photo
Construction is well under way on the new head office building for the Continental Bank of Canada at the corner of York and Adelaide Streets in Toronto.

IAC Limited

54th Annual Report 1978

for the year ended December 31, 1978

Contents

Highlights for the Year

	1978	1977	Per Cent Increase (Decrease)
Growth in assets	$ 605,153,000	$ 135,133,000	
Gross income	$ 263,221,000	$ 239,667,000	9.8
Proportion taken up by —Cost of borrowed money	64.2%	54.3%	
—General and administrative expenses	23.3%	23.9%	
Earnings applicable to common shares	$ 21,720,000	$ 27,707,000	(21.6)
Dividends paid on common shares	$ 17,646,000	$ 15,994,000	10.3
Proportion of earnings	81.2%	57.7%	
Earnings per share	$1.60	$2.05	
Dividends paid per share	$1.30	$1.18	
Return on average net assets	0.88%	1.32%	
Return on average common equity	9.16%	12.29%	

At the Year End

Total assets	$3,141,637,000	$2,536,484,000	23.9
Details:			
Sales financing	$1,289,395,000	$1,050,801,000	22.7
Personal loans	171,532,000	178,086,000	(3.7)
Residential mortgages	319,374,000	258,936,000	23.3
Commercial loans	438,156,000	277,355,000	58.0
Leasing	771,662,000	710,753,000	8.6
Other assets	151,518,000	60,553,000	150.2
Total debt	$2,242,972,000	$1,680,839,000	33.4
Short-term debt	990,670,000	642,334,000	54.2
Other term debt	1,252,302,000	1,038,505,000	20.6
Shareholders' equity	$ 254,660,000	$ 250,947,000	1.5
Number of common shareholders	12,924	11,589	11.5
—domiciled in Canada	96.7%	96.1%	
Number of common shares outstanding	13,573,943	13,573,643	0.0
—owned in Canada	97.3%	96.7%	
Book value per common share	$17.60	$17.29	1.8

Note: For purpose of comparison, 1977 figures exclude those related to insurance subsidiaries sold in November 1977.

Directors' Report to the Shareholders

Joseph S. Land,
Chairman of the Board

To compete successfully as the Continental Bank of Canada, the Company must maintain strong growth in its assets. It is particularly encouraging, therefore, to report that growth in assets during the year surpassed $600 million for the first time, bringing total assets to $3.1 billion at year end.

The record growth in assets comes at the end of a year in which considerable progress was made in our conversion to a bank. Plans were methodically and carefully reviewed to ensure that a smooth and controlled transition will be made to full banking status.

Your directors believe that the Company is well placed to maintain the growth of assets in the future. Currently, $9 of assets are being created for every $1 of capital employed compared with a ratio of 25:1 for some chartered banks. Now that the Company is governed by bank legislation it will be able to move to the higher ratio, in effect tripling assets using its present capital base.

The return on assets declined at a rate somewhat sharper than had been expected, resulting in earnings on common shares of $21.7 million compared with $33.6 million in the previous year. (It is important to note that earnings in 1977 included $5.9 million from subsidiary insurance companies, comprising $2.9 million from their operations and an extraordinary gain of $3.0 million from their sale.)

A number of factors contributed to the decline, not least of which was the need to lower lending rates to stimulate asset growth by becoming more directly competitive with the banks. As a result, the average yield on receivables was 13.2% compared with 14% in 1977.

The cost of funds, meanwhile was rising rapidly, from 8.4% in 1977 to 9% in 1978. The falling Canadian dollar further aggravated the situation by boosting the exchange rate on interest paid in U.S. funds. The decline in the value of the dollar, in a direct comparison with the previous year, reduced earnings by the equivalent of 16 cents per share.

Other factors had an adverse effect on earnings: general and administrative expenses, despite tight control of all Company costs, rose by $4 million, or 7% over the previous year, with approximately $2 million attributable directly to bank preparations. And inflation made its contribution. The result was that gross income of $263 million, 10% higher than the previous year, was insufficient to offset fully these negatives.

Nevertheless, while earnings declined, the dividend per common share was increased to $1.30 from $1.18 in 1977, thus 1978 was the forty-second consecutive year in which dividends were paid. The Company was able to pay out a higher percentage of earnings in dividends because the current high ratio of shareholders' equity to assets is more than adequate to allow for continued asset growth. There is no immediate need to maximize the build-up of retained earnings.

The management of receivables, which represent the bulk of assets, is a key measurement of Company performance. It is of considerable significance to shareholders, therefore, that during the year credit losses as a percentage of average receivables were .37% compared with .42% in 1977. Not only does this figure compare favourably with other financial institutions, but is below the Company's average loss experience over the past decade. For a detailed analysis of results for 1978, shareholders should turn to the section entitled, "Commentary on Operations."

Douglas W. Maloney,
President

The Company will begin operating as a bank on June 4, 1979, and during the year eight Full-Service Branches will open for business. Other IAC branches will become Select Service Branches of the Continental Bank of Canada and offer a wide range of bank lending services. Most of them will take term deposits.

The intention is to convert the Select Service Branches to Full Service over a period of time and on the basis of market priorities. Clearly, the complete conversion will take several years, although management will follow an active policy of opening new Bank branches in those markets which have strong potential for growth. Details of the planning and conversion program for the Bank are contained in the next section of this annual report under the title, "Preparations for the Bank".

It was announced on September 25 that Canada Permanent Mortgage Corporation and your Company had held preliminary discussions to examine the feasibility of amalgamating IAC Limited, the Continental Bank and Canada Permanent.

The complementary nature of the business of the two companies provided the basis for the initial discussions. Canada Permanent has skills and experience in retail deposit gathering and in mortgage lending, while IAC has broadly based knowledge of commercial and personal lending and leasing, as well as ready access to major capital markets.

Before any serious negotiations can take place, several other events must occur. First, there must be changes under the Bank Act because the existing Act, passed in 1967, would not permit the amalgamation. Second, IAC must merge into the Continental Bank. Third, the directors of the companies would be required to recommend the move and gain the support of a majority of their shareholders.

Stanley F. Melloy,
Executive Vice-President

There are many uncertainties and a long road between initial discussions and concrete merger proposals. Therefore, it is the intention of the Company to continue focusing its energy and attention on becoming a bank and opening successfully across Canada in June.

The results recorded in this report reflect operations during a year of transition and a year of building. They speak clearly of the enthusiasm and vigor with which IAC's staff across Canada has tackled the difficulties and handled heavy responsibilities. Times of change give people an opportunity to reach levels of achievement beyond the ordinary, and the directors wish to record their appreciation and warm thanks to all the staff for their outstanding performance.

During the year the board appointed the following new officers: John P. Barratt, Vice-President, and Donald H. Lyons, Vice-President.

The board also wishes to pay tribute to one of its members, Franklin K. Spragins who passed away in November. Mr. Spragins was elected to the board at the Annual General Meeting in April, 1978 and played an active role in its affairs before his untimely death.

The outlook for the Canadian economy for the year ahead is not especially encouraging. Despite that, this company carries a strong forward momentum as it starts an exciting new venture, confident of the long term future.

On behalf of the Board

Chairman

President

February 28, 1979

Preparations for the Bank

Planning

The careful planning of past years moved into a more intense phase during 1978. There was an acute awareness in the Company that what was achieved during the year would affect directly, even critically, the success of the Continental Bank as it took its place as the new entry in the market place.

Management Integration

One of the first tasks in the planning process started in 1976. A management structure suitable for the Bank had to be created from a diverse and separate group of companies operating under the IAC umbrella. Each had its own management and operated with a high degree of autonomy. Each had a national branch network and its own supervisory personnel.

Gradually, the integration of the IAC and Niagara companies at all management levels began. During 1978, this integration was completed. All companies were unified for operating purposes into one effective and balanced organization under a single corporate executive.

Branch Rationalization

In tandem with the integration planning, divisional and head office personnel evaluated the market and branch requirements.

Unification had left the Company holding a number of small branch units that did not meet the performance criteria for the Bank, and during 1978 many of these were consolidated into larger neighbouring branches.

Decisions have been planned by a critical path technique.

By June 4—Bank Day—the Company will have approximately 140 branches across Canada in market areas where there is an above-average growth potential.

Corporate Strengths

The Continental Bank must fit into a banking community in which there are 11 chartered banks, each with its own strengths, as well as a number of foreign bank subsidiaries.

The identity of the Bank, certainly in the initial period, will reflect the character and past experiences of the Company, which has been providing a wide range of financial services for more than half a century. In recent years, the strong competition for IAC's traditional lines of business has honed the skills required for aggressive business development, and these will stand the Bank in good stead.

Long experience in business financing and support of small and medium-sized companies, has developed skills in the management of credit risks that are, perhaps, without peer in the financial community. Above all, IAC has built strong links with customers and, as a bank, will be able to strengthen these further by offering a total business and personal financial service.

Continental Bank will grow from these roots cautiously, yet confidently.

Major building developments have progressed on schedule under the guidance of experienced project managers.

Representatives of the Company's main departments have been meeting throughout 1978 in bank planning groups.


Foreign Exchange - Sale
Foreign Exchange - Purchase
SMILE

Branch Organization

Statutory Requirements
The special Act establishing the bank requires that all eligible IAC business be handled by the Continental Bank as of June 4. On that date, all Company offices must become branches of the Bank.

It would be economically unsound, indeed imprudent, to attempt to open a fully staffed, fully operational branch network on Bank Day. Therefore, no branch will offer full banking services until its staff is fully trained, its security adequate and its ability to provide superior service to its customers assured. It is essential that the Continental Bank not create expectations it is unable to fulfil.

For that reason, there will be two types of branches: Select Service Branches and Full Service Branches.

Select Service Branches
All but eight of the Company's offices will open as Select Service Branches providing, in most respects, the broad range of personal, mortgage and business loans and leasing service they do now. Their most significant new activity will be taking term deposits from individual and business customers.

Select Service Branches will be a new concept in Canadian banking, acting as lending centres in the communities in which they are located. While they will offer a select list of services, the staffs will be operating well within their range of experience and able to offer first-class service to customers.

The intention is to convert most Select Service Branches to Full Service in due course.

Intensive training sessions are preparing the staff for Bank Day.

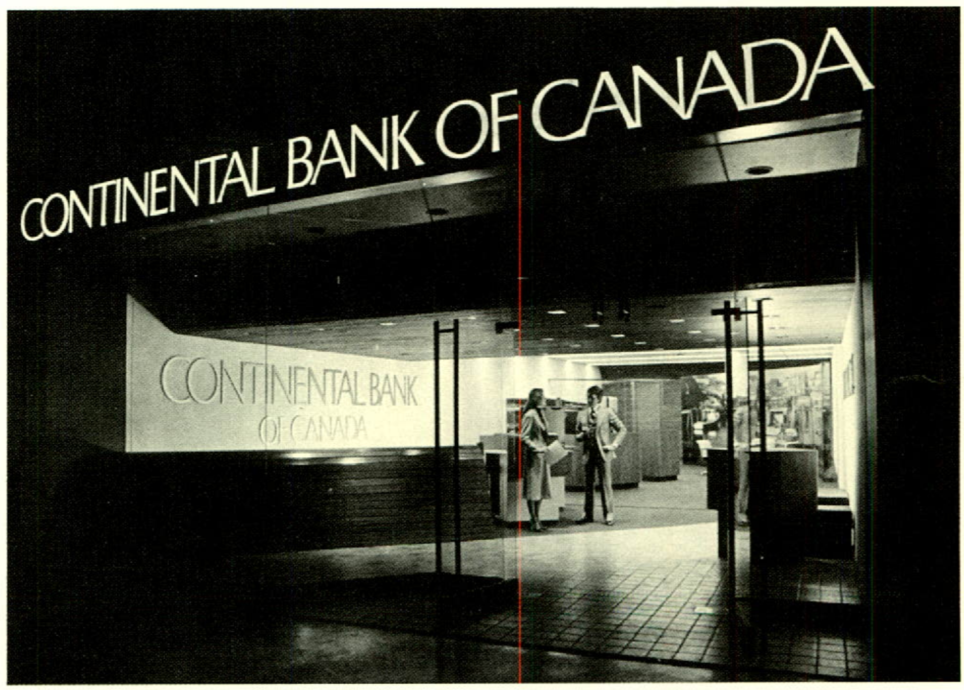
The first eight Full Service Branches will be located in markets across Canada.

Full Service Branches
Eight Full Service Branches will open before the end of 1979. These will be in:

Halifax	Mississauga
Montreal	Hamilton
Toronto	Calgary and
Scarborough	Vancouver

They will offer a full range of banking services, including deposit services for individual and business customers. The staff will be our most experienced, and managers will have support teams of business development, credit and administration and training officers. Where considered necessary, bank trained administrators have been hired to supplement the skills of existing IAC personnel. From Bank Day on, all Full Service Branches will run efficiently, and have two principal functions:

—To develop and service business
—To act as training centres for staff who will move on to convert the Select Service Branches.



Full Service Branches will project an image of confidence for the Continental Bank.


CONTINENTAL BANK
OF CANADA

Banking Concepts

In organization and business emphasis, the Continental Bank will not be conventional. It will implement concepts that are new to the Company and, in some cases, new to banking.

Customer Service

IAC's great strength, and the principal reason for its growth over the years, has been its ability to develop business based upon an understanding of a client's financial needs. As a full service bank, that function is going to become a much more important one, and on a daily basis.

Therefore, a new category of specialist is being trained to provide a focused client service for each commercial and retail customer. The benefits are two fold: customers will receive a high level of personal service; and business development officers will be free to concentrate on asset growth without being burdened with time-consuming administrative work in their branches.

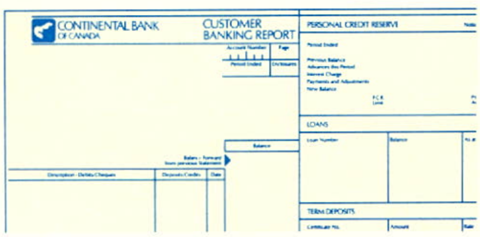
Signs carrying the new corporate identity will appear on all branches.

A distinctive physical conversion program has been initiated for branch premises.

The Company has been working with IBM to utilize the latest advances in computer technology for banking.

Systems

The introduction of computer technology to bookkeeping has brought a virtual revolution to bank administration. It has allowed banks to service customers in innovative ways that were beyond them in the days when accounts were processed manually. It is no longer necessary for example, to go to a particular branch to conduct business: any branch that is on line to a computer can draw information on all accounts, and it is possible to provide customers with monthly statements which report all their dealings in a simple, straightforward way.



The Customer Banking Report will provide a complete statement of each customer's monthly banking activities.

Many banks in Canada and the United States already are taking advantage of the opportunities offered by the computer to treat a customer simply as a customer, and not as a series of unrelated account numbers. To give the Continental Bank similar advantages, the Company has been working with IBM to develop and install an on-line computer system that will be ready for the opening of the Full Service Branches, and will adapt the latest advances in computer banking technology to provide the best possible customer services.

Premises

There will be a considerable investment in premises in becoming a bank, and all of the Company's 140 branches will require some physical changes to make them suitable.

While it is important to have attractive premises, both for customers and for staff, it is also evident the Company cannot indulge in extravagant and wasteful physical conversions. Therefore, a code of design principles has been adopted for Full Service Branches, and a model branch has been constructed in a warehouse in Toronto.

The purpose of the model is to test materials, develop furniture and find ways of standardizing designs and fixtures, while at the same time maintaining some individual branch identity.

By studying and learning from the building programs of successful retail companies, it is expected that the Company will be able to convert its premises tastefully, economically, and at the same time project an appropriate image through its branches.

People

At its simplest, banking is a business where people can make a difference, and the personal relationship between banker and customer is at the core of good banking service.

IAC's staff has been trained to find innovative ways to service clients, and the new scope of activities in the Bank will give them many opportunities to expand their customer service skills, experience greater personal growth in their careers, and be involved in the activities of an exciting new venture.

Ultimately, the success of the Continental Bank will depend on the evident enthusiasm and skill with which IAC's people are already approaching their new responsibilities.

Commentary on Operations

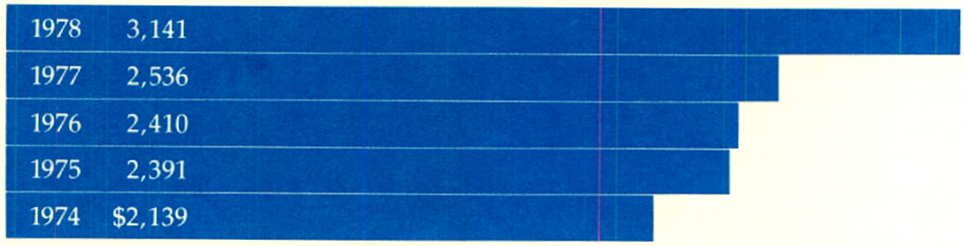
Because of the changing nature of the Company's business this commentary is designed to facilitate comparisons of performance with the chartered banks. Revenue and expense items are expressed as a percentage of average assets. This measure can be thought of as how much was earned and how much was spent for every $100 of assets in place.

Summary

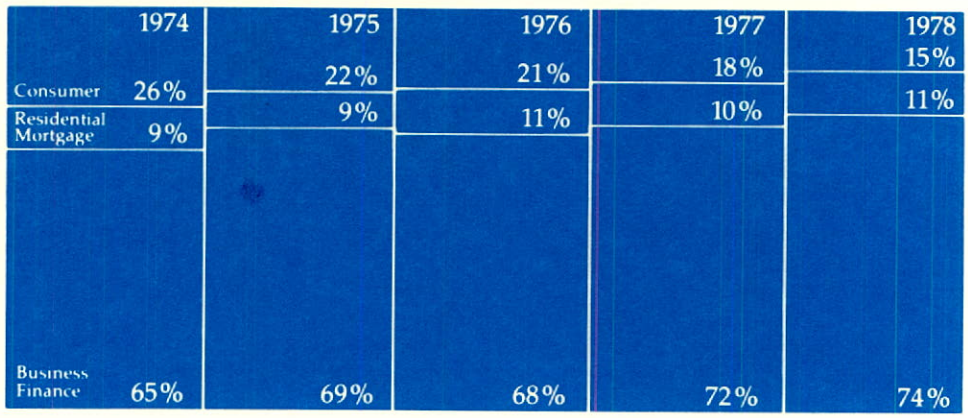
In 1978 the Company recorded the largest annual growth in assets in its history. At year end, assets had passed $3 billion.

While a decline in return on assets had been expected, the sharpness of the decline was somewhat greater than anticipated, due mainly to abrupt increases in the cost of money and to a continuing loss of value of the Canadian dollar.

Earnings applicable to common shares declined to $21.7 million in the current year from $27.7 million last year, excluding earnings from insurance subsidiaries and gain on their sale in 1977. This resulted in earnings per common share from financial operations of $1.60 in 1978 compared with $2.05 in 1977.



Assets ($ Billions)



Asset Mix

Asset Growth and Asset Mix

The successful introduction of lending programs with bank competitive interest rates produced strong asset growth in 1978. These programs include the Continental Plan, a new dealer financing plan, Continental Plus, a new personal loans plan, and more competitively priced existing services.

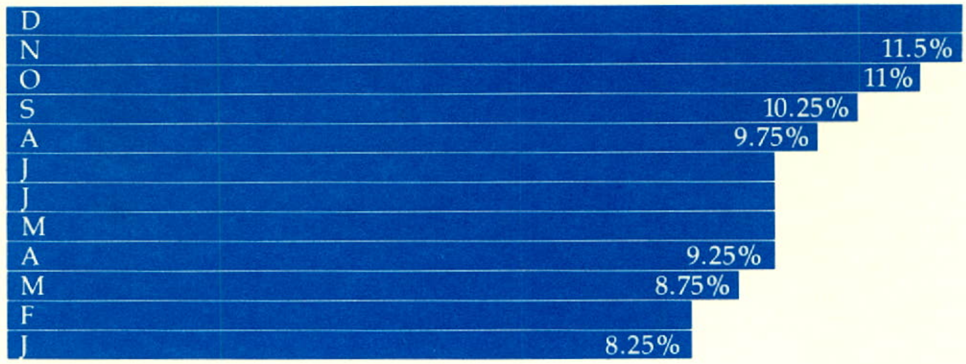
As at December 31, 1978 assets were $3.1 billion compared with $2.5 billion a year earlier, which represents a 24% increase in assets during the year.

Asset mix is changing as bank conversion approaches. Consumer loans have declined as a percentage of overall outstandings from 26% in 1974 to 15% today. Most of this decrease has taken place in the small loans category. At the same time, business financing has increased in importance from 65% in 1974 to 74% in 1978.

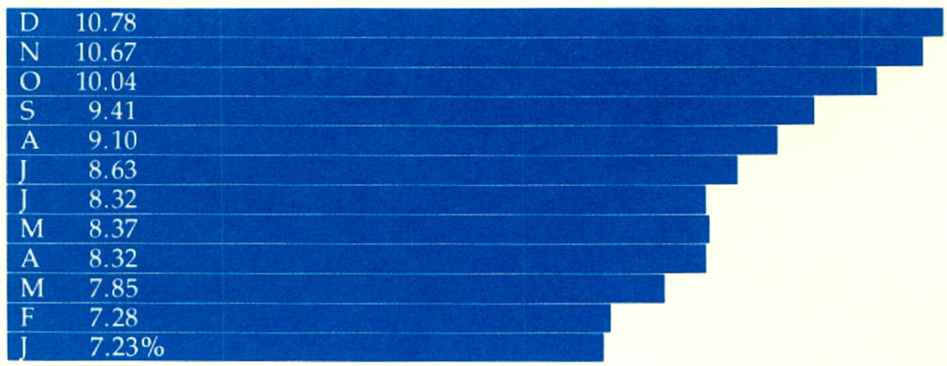
Asset mix will continue to change as the Bank starts to offer traditional short term bank lending against receivables and inventory.

Interest Rates

1978 was a year of rapidly rising short term interest rates. The prime rate moved up six times during the year, from 8¼% in January to 11½% in December. In response, the short term cost of funds increased sharply. Finance paper yielded close to 7% at the beginning of the year and had reached 10½% by year end.



Prime Rate 1978



90-Day Finance Paper

Commentary on Operations

(continued)

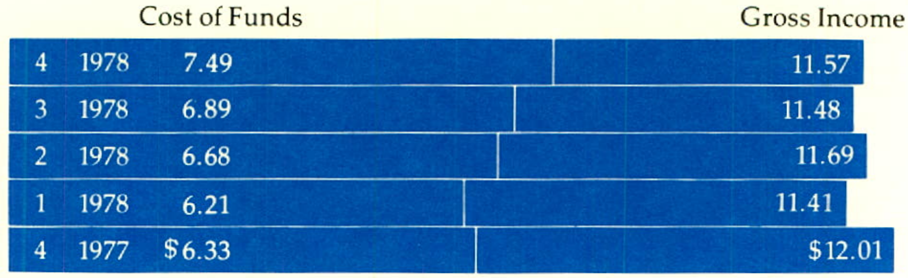
Net Interest Earnings

A rapid rise in short term money costs has an effect that is temporarily detrimental to net interest earnings. As a large percentage of assets are at fixed interest rates, the increase in the cost of money used to fund these assets cannot be offset until the assets mature and are replaced at a higher rate. In the meantime net interest earnings or margins are squeezed. Of course the reverse is true in a period of declining short term rates, when margins benefit accordingly.

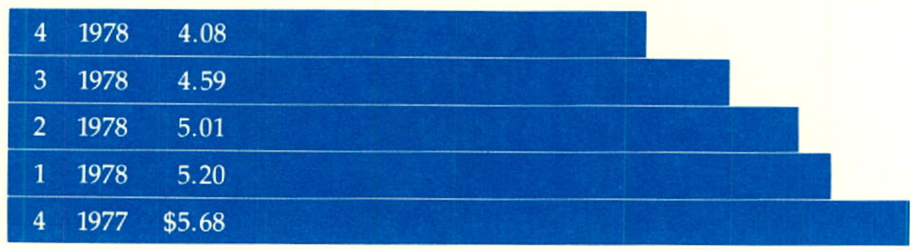
In addition, the continued decline of the Canadian dollar added to money cost because of U.S. dollar debt service requirements.

In the fourth quarter of 1977, gross income (before provision for doubtful receivables) was $12.01 for every $100 of average assets in place. The cost of money on the same basis was $6.33, leaving a margin of $5.68. By the fourth quarter of 1978 gross income was $11.57 for every $100 of assets in place while the cost of money had increased to $7.49, leaving a margin of $4.08.

For the full year the margin was $4.68 which was $1.23 less than the $5.91 earned for every $100 of average assets in place in 1977.



Income/Expense per $100 Assets in Fiscal Quarters

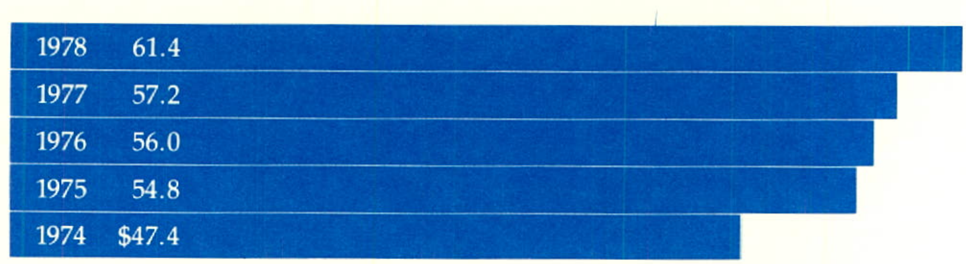


Margin per $100 Assets in Fiscal Quarters

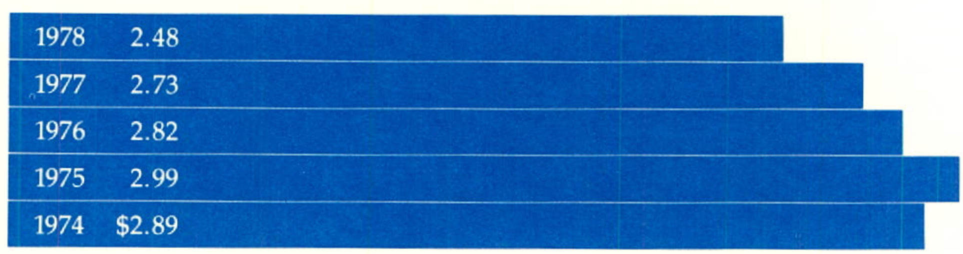
Administrative Expenses

Administrative expenses were $61.4 million in 1978, 7% higher than in 1977, but a relatively small increase considering that substantial start-up costs for the Bank were absorbed this year.

Expressed as a percentage of average assets, administrative expenses were $2.48 for every $100 of assets in 1978, compared with $2.73 in 1977. This improvement can be attributed to good control of expenses and rapid growth in assets.



Administrative Expense ($ Millions)



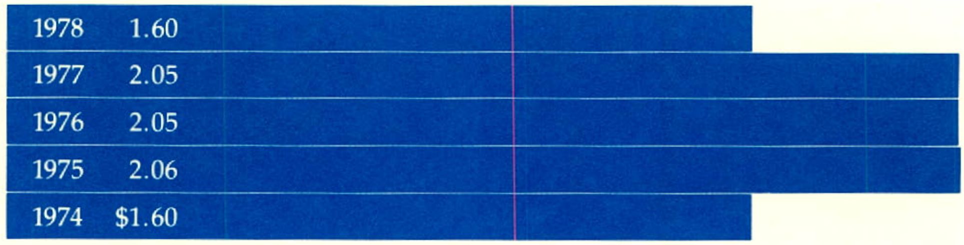
Administrative Expense per $100 Assets

Earnings and Return on Assets

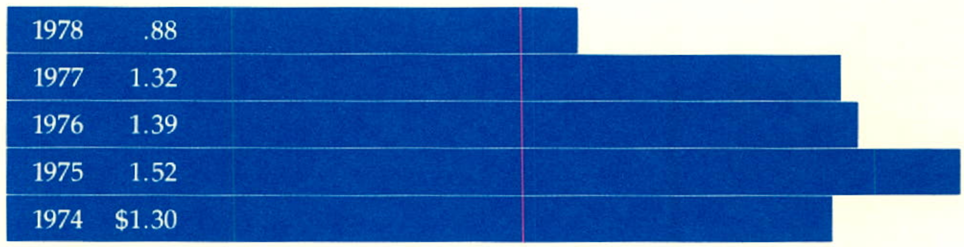
The rapid growth in assets and the modest growth in administrative expenses were not enough to offset the large decline in margins, a decline brought about primarily by high interest rates and depreciation of the dollar. Consequently, earnings were lower.

Earnings per share on financial operations (i.e. excluding insurance operations in 1977) fell from $2.05 in 1977 to $1.60 in 1978.

The measurement of after-tax earnings on financial operations expressed as a percentage of assets, or return on assets, shows a decline from 1.32% in 1977 to 0.88% in 1978. The rate of decline in return on assets experienced in 1978 was more attributable to the economic environment than to Bank start-up costs, and it will slow when interest rates decline.



Earnings per Share (from Financial Operations)



Return on Assets (After-tax Earnings per $100 Assets)

IAC Limited

Consolidated Statement of Earnings

for the year ended December 31, 1978

		1978 $000's		1977 $000's
Gross Income (note 2)		263,221		239,667
Expenditure				
Cost of borrowed money—				
Short-term debt	64,028		51,251	
Other term debt	105,082		78,912	
	169,110		130,163	
General and administrative	61,443	230,553	57,179	187,342
		32,668		52,325
Provision for Income Taxes				
Current	1,648		5,737	
Deferred	8,428	10,076	17,981	23,718
		22,592		28,607
Earnings from Insurance Operations (notes 3 and 4)		—		2,898
Earnings Before Extraordinary Item		22,592		31,505
Extraordinary Item				
Gain on sale of subsidiaries (note 3)		—		3,023
Earnings for the Year		22,592		34,528

IAC Limited

Consolidated Statement of Retained Earnings

for the year ended December 31, 1978

	1978 $000's	1977 $000's
Earnings for the year	22,592	34,528
Dividends on preferred shares	872	900
Earnings Applicable to Common Shares	21,720	33,628
Dividends on common shares at $1.30 per share (1977—$1.18)	17,646	15,994
Earnings retained in the business	4,074	17,634
Gain on preferred shares purchased for cancellation	80	65
Reassessment of capital taxes for the years 1972 to 1976 net of income taxes of $405,000	—	(581)
Increase in retained earnings for the year	4,154	17,118
Retained earnings at beginning of year	183,228	166,110
Retained earnings at end of year (note 5)	187,382	183,228

	1978	1977
Common Stock Earnings per Share—		
Calculated on daily average of common shares outstanding— 13,573,901; 1977—13,551,871 (note 6)		
(a) Before extraordinary item	$1.60	$2.26
(b) After extraordinary item	$1.60	$2.48

IAC Limited

Consolidated Balance Sheet

as at December 31, 1978

Assets	1978 $000's	1977 $000's
Cash and Short-Term Deposits	58,557	7,012
Marketable Securities—at cost, plus accrued income (market value 1978—$9,282,000; 1977—$24,691,000)	9,318	24,822
Receivables		
Sales financing (note 7)	1,289,395	1,050,801
Personal loans (note 14)	171,532	178,086
Residential mortgages	319,374	258,936
Commercial loans	438,156	277,355
Leasing	771,662	710,753
Other	17,814	5,203
	3,007,933	2,481,134
Allowance for doubtful receivables (note 14)	23,523	25,284
	2,984,410	2,455,850
Investments in other Companies—at cost	11,852	9,651
Other Assets and Deferred Charges		
Income taxes recoverable	2,589	153
Leasehold improvements, prepaid expenses and deferred acquisition costs	7,109	2,493
Unamortized debt discount and expense	18,883	13,251
Unrealized foreign exchange losses	45,004	19,127
Premises and equipment—at cost, less accumulated depreciation of $6,418,000 (1977—$6,200,000)	3,915	4,125
	77,500	39,149
	3,141,637	2,536,484

Signed on behalf of the Board J.S. Land, Director D.W. Maloney, Director

Liabilities	1978 $000's	1977 $000's
Secured Short-Term Notes	965,670	642,334
Unsecured Short-Term Notes	25,000	—
Secured Term Notes (Schedule A and note 10)	1,120,812	900,520
Debentures (Schedule B and note 10)	93,154	98,927
Subordinated Debentures (Schedule C and notes 10 and 13)	33,701	33,956
Unsecured Term Notes (note 9)	4,635	5,102
	2,242,972	1,680,839
Payables		
Accounts payable and accrued liabilities	106,231	106,269
Income taxes	164	1,698
	106,395	107,967
Unearned Income (note 11)	363,534	331,083
Deferred Income Taxes (note 12)	174,076	165,648
	2,886,977	2,285,537

Shareholders' Equity		
Capital Stock (Schedule D)		
Preferred shares	15,821	16,268
Common shares (note 13)	51,457	51,451
	67,278	67,719
Retained Earnings (note 5)	187,382	183,228
	254,660	250,947
	3,141,637	2,536,484

IAC Limited

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1978

	1978 $000's	1977 $000's
Sources of Funds		
Operations—		
Earnings before extraordinary item	**22,592**	31,505
Amortization of debt discount and expense	**2,272**	1,699
Amortization and depreciation of fixed assets	**1,589**	1,645
Provision for deferred income taxes	**8,428**	17,815
Contribution to earnings of unconsolidated subsidiary and mortgage insurance company	**—**	(1,398)
	34,881	51,266
Borrowings—		
Short-term debt—issues, less redemptions	**340,886**	23,883
Other term debt—		
Proceeds from new borrowings	**265,594**	192,983
Redemptions	**82,217**	104,681
	183,377	88,302
	524,263	112,185
Funds received on sale of subsidiaries	**—**	22,067
Less: Cost of assets sold	**—**	9,578
	—	12,489
Other—		
Net increase in payables	**2,521**	3,024
Decrease in marketable securities	**15,504**	8,709
	577,169	187,673
Uses of Funds		
Increase (decrease) in operating assets—		
Receivables—		
Sales financing	**238,594**	(1,643)
Personal loans	**(6,554)**	(25,623)
Residential mortgages	**60,438**	10,056
Commercial loans	**160,801**	193,765
Leasing	**60,909**	536
	514,188	177,091
Decrease (increase) in unearned income	**(32,451)**	44,505
Decrease (increase) in allowance for doubtful receivables	**1,761**	(1,227)
	483,498	220,369
Capital Stock—		
Common shares—proceeds of issue	**(6)**	(423)
Preferred shares—cost of redemptions	**367**	290
	361	(133)
Investments in other companies	**2,201**	1,268
Dividends paid on common and preferred shares	**18,518**	16,894
Reassessment of prior years' capital tax	**—**	581
Other—		
Net increase (decrease) in other assets including other receivables	**21,046**	(544)
Increase (decrease) in cash and short-term deposits	**51,545**	(50,762)
	577,169	187,673

Notes to Consolidated Financial Statements

for the year ended December 31, 1978

1. Significant Accounting Policies

(a) Principles of consolidation
The statements consolidate the accounts of the company and its subsidiaries.

(b) Recognition of revenue
Precomputed charges on sales financing retail receivables for terms for less than forty-eight months and on personal loan receivables are taken into income using the sum-of-the-digits method on an account by account basis. Because this method does not maintain the original yield over longer terms, on sales financing retail contracts written for terms in excess of forty-eight months, unearned income is taken into earnings on the actuarial yield basis.

Discount on residential mortgages purchased is brought into income over the remaining term of the mortgage using the actuarial yield method.

Leasing transactions are reported in accordance with the financing method of accounting. The excess of aggregate rentals over the cost of the leased asset is recorded as unearned income at the time of the transaction. Income is taken up over the term of the lease pro rata to the declining balance of the investment. Gains arising from residual values of leased assets are reflected in earnings only when realized. Contractual disposal proceeds negotiated at the inception of the lease are included in unearned income and taken up as described above.

(c) Allowance for doubtful receivables
For residential mortgage receivables, the allowance is set up as a percentage of such receivables. For all other receivables such allowance is established by evaluating individual accounts. After collection possibilities have been exhausted, any balance remaining on an account is written off.

(d) Translation of foreign currencies
Unhedged assets and liabilities are translated to Canadian funds at current exchange rates. Foreign currency borrowings which are covered by forward exchange contracts are recorded at exchange rates established under the terms of such contracts. Exchange gains and losses on current assets and liabilities are considered to be realized and are reflected in the statement of earnings for the current fiscal year. Net unrealized exchange losses or gains resulting from the difference between the current exchange rate and the exchange rate at the date the proceeds of unhedged borrowings were received or the date of purchase of unhedged assets are deferred and carried in "Unrealized foreign exchange losses" or "Unrealized foreign exchange gains" respectively, in the balance sheet.

(e) Amortization of debt discount and expense
Debt discount and expense is amortized over the term of the related debt instrument. If the debt is prepayable or exchangeable at the holder's option, the amortization is calculated to the first optional maturity date. When a debt obligation is redeemed prior to maturity, the related unamortized charges are written off at the time of redemption.

(f) Methods of depreciation
Buildings are depreciated on a straight-line basis at the rate of 2.5% per annum. All other assets are depreciated at the maximum rates allowed by the regulations of the Canadian Income Tax Act for claiming capital cost allowances.

Leasehold improvements are amortized over the term of the respective leases.

(g) Amortization of acquisition costs
Acquisition costs for certain of the sales financing retail receivables are deferred and amortized over the term of the contract using the sum-of-the-digits method.

2. Gross Income

	1978 $000's	1977 $000's	Increase (decrease) $000's	%
Sales financing	**136,341**	122,279	14,062	11.5
Personal loans	**25,207**	29,459	(4,252)	(14.4)
Residential mortgages	**36,764**	36,387	377	1.0
Commercial loans	**29,531**	17,244	12,287	71.3
Leasing	**47,726**	46,342	1,384	3.0
	275,569	251,711	23,858	9.5
Provision for doubtful receivables	**(11,206)**	(11,159)	(47)	0.4
Acquisition costs	**(4,111)**	(1,363)	(2,748)	201.6
	260,252	239,189	21,063	8.8
Investment income	**2,969**	478	2,491	521.1
	263,221	239,667	23,554	9.8

3. Sale of Subsidiary Companies

On November 15, 1977, the company sold all of its shares of its subsidiaries, The Sovereign Life Assurance Company of Canada and The Sovereign General Insurance Company.

The company previously recorded its investment in The Sovereign Life Assurance Company of Canada at cost plus the company's portion of increase in unassigned surplus of the subsidiary since acquisition. Included in earnings for 1977 was the company's portion of the increase in the unassigned surplus of the subsidiary in the amount of $851,000.

The results of operations of The Sovereign General Insurance Company for 1977, which were consolidated amounted to net earnings after tax of $1,500,000. This amount is included in "earnings from insurance operations" in the statement of earnings.

Notes to Consolidated Financial Statements

for the year ended December 31, 1978 (continued)

4. Sale of The Sovereign Mortgage Insurance Company

On December 19, 1977, the company exchanged its investment in 40% of the common shares and $2,468,000 of the preferred shares of The Sovereign Mortgage Insurance Company for 17% of the common shares and $2,468,000 of the preferred shares of Insmor Holdings Limited.

The investment in The Sovereign Mortgage Insurance Company was accounted for on the equity method. Included in earnings for 1977 was the company's share of earnings of The Sovereign Mortgage Insurance Company in the amount of $547,000. The investment in shares of Insmor Holdings Limited is accounted for on the cost basis and is included in "Investments in other companies" on the balance sheet.

5. Retained Earnings—Statutory Appropriation

As at December 31, 1978, an amount of $9,179,000 equal to the par value of preferred shares purchased for cancellation, had been set aside in the accounts out of retained earnings (1977—$8,732,000).

6. Fully Diluted Common Stock Earnings per Share

Assuming that all conversion rights outstanding at December 31, 1978 had actually been exercised at the beginning of the year, fully diluted earnings per common share for the year ended December 31, 1978 would have been:

	1978 **$**	1977 $
(1) Before extraordinary item	**1.55**	2.16
(2) After extraordinary item	**1.55**	2.36

The calculation assumes that earnings applicable to common shares were increased by $1,180,000 representing the elimination of interest, net of income taxes, attributable to the 9½% convertible subordinated debentures.

7. Sales Financing Receivables

Sales financing receivables comprise:

	1978 **$000's**	1977 $000's
Wholesale receivables	**395,694**	349,162
Retail receivables	**893,701**	701,639
	1,289,395	1,050,801

8. Maturities of Gross Receivables and Borrowings

(In millions of dollars)

	1 year	2 years	3 years	4 years	5 years	6-10 years	Over 10 years	Total
Receivables								
Sales financing	816.6	276.8	144.3	36.7	10.8	4.2	—	1,289.4
Personal loans	78.3	56.5	28.3	7.0	1.4	—	—	171.5
Residential mortgages	34.0	44.1	51.6	59.4	104.7	12.6	13.0	319.4
Commercial loans	26.2	24.4	19.4	40.0	101.7	192.6	33.8	438.1
Leasing	126.6	117.6	100.9	82.0	68.5	205.1	71.0	771.7
Other receivables	17.8	—	—	—	—	—	—	17.8
	1,099.5	519.4	344.5	225.1	287.1	414.5	117.8	3,007.9
Borrowings*	1,063.2	89.7	58.1	96.0	290.8	514.5	130.6	2,242.9
Excess of Receivables (Borrowings)	36.3	429.7	286.4	129.1	(3.7)	(100.0)	(12.8)	765.0

All receivables have been allocated on the basis of contractual terms.

*Allocation not adjusted for sinking fund, mandatory redemption and purchase fund requirements (see note 10).

9. Unsecured Term Notes

Unsecured notes comprise:

	1978 $000's	1977 $000's
Parent company—		
8% term note for U.S. $3,062,000 (1977—U.S. $3,471,000) repayable in equal semi-annual instalments until 1986	**3,624**	3,797
Niagara Finance Company Limited—		
6% term note for U.S. $852,000 (1977—U.S. $1,193,000) repayable in equal semi-annual instalments until 1981	**1,011**	1,305
	4,635	5,102

10. Sinking Fund, Mandatory Redemption and Purchase Fund Requirements

The sinking fund and mandatory redemption requirements for the five years ending December 31, 1979 to 1983 are as follows:

	$000's
1979	5,706
1980	6,024
1981	6,976
1982	10,035
1983	3,801

Certain issues have purchase fund requirements which are non-cumulative and under which the IAC companies are required to redeem only debt instruments offered to them subject to limitations as to price and aggregate annual amounts. It is not possible to predict the amounts that will be offered by holders. The maximum purchase fund requirements for the years ending December 31 are as follows:

(In millions of dollars) Years ending December 31,	
1979	17.0
1980	12.8
1981	11.7
1982	9.9
1983	6.8
1984-1987	28.3
after 1987	21.7

11. Unearned Income

Unearned income comprises:

	1978 $000's	1977 $000's
Unearned service charges relating to sales financing receivables	**121,208**	95,879
Unearned service charges relating to personal loans	**24,878**	25,319
Deferred income relating to residential mortgages	**3,782**	3,457
Deferred income relating to commercial loans	**265**	373
Unearned income relating to leasing receivables	**213,401**	206,055
	363,534	331,083

12. Deferred Income Taxes

Deferred income taxes arise from timing differences relating to the treatment for income tax purposes of income and expenses associated with the following:

	1978 $000's	1977 $000's
Commercial loans	**180**	147
Residential mortgage receivables	**1,158**	971
Unamortized debt discount and expense	**1,757**	707
Premises and equipment	**161**	171
Leasing receivables	**170,820**	163,652
	174,076	165,648

13. Common Shares

1,194,650 common shares are reserved for conversion rights exercisable until July 14, 1979 at 50 shares (equivalent to $20 per share) and thereafter, until July 14, 1984 at 46 shares (equivalent to $21.74 per share) for each $1,000 of principal of the 1974 9½% convertible subordinated debentures.

14. Sale of Receivables

Niagara Finance Company Limited sold approximately $21 million of receivables at various times during the year. These sales resulted from the consolidation of the branch network in preparation for the parent company's conversion to a bank. A net loss on these sales amounting to $2,874,000 has been charged to the allowance for doubtful receivables.

Notes to Consolidated Financial Statements

for the year ended December 31, 1978 (continued)

15. Commitments Under Leases

The company has leases on office premises used for their business, requiring rental payments as follows:

Years	Approximate annual rentals $
1979	3,650,000
1980	3,476,000
1981	2,866,000
1982	2,629,000
1983	2,419,000

The aggregate rentals for 1984 and thereafter amount to $8,333,000.

16. Remuneration of Directors and Officers

	1978 $	1977 $
Aggregate remuneration of the IAC Limited directors as directors of:		
IAC Limited	121,084	100,113
Niagara Finance Company Limited	15,787	16,500
The Sovereign General Insurance Company	—	8,150
The Sovereign Life Assurance Company of Canada	—	11,750
	136,871	136,513
Number of directors of IAC Limited	25	21
Aggregate remuneration of the IAC Limited officers as officers of IAC Limited	1,600,379	1,684,237
Aggregate remuneration of the IAC Limited officers as directors of:		
Niagara Finance Company Limited	6,885	8,400
The Sovereign General Insurance Company	—	2,650
The Sovereign Life Assurance Company of Canada	—	2,350
	6,885	13,400
Number of IAC Limited officers	25	24
Number of IAC Limited officers who were also directors	4	4

17. Contingent Liabilities

IAC and some of its subsidiaries are parties to certain litigation incidental to the kind of business conducted. In the opinion of management, the ultimate liability, if any, will not materially affect the company's consolidated financial position or results of operations.

18. Conversion to a Chartered Bank

On July 14, 1977, an Act of Parliament incorporating the Continental Bank of Canada and providing for the conversion of the company into a bank received Royal Assent. On June 15, 1978, the Governor in Council approved the application of the Continental Bank of Canada to commence business. It is planned that the Bank will commence operations on June 4, 1979.

IAC Limited

Consolidated Details of Secured Term Notes

as at December 31, 1978—Schedule A

	Year of issue		Rate %	Maturity date		1978 $000's	1977 $000's
Payable in Canadian funds—							
Parent company	1959	"T"	5¾	April 1, 1979		6,000	6,000
	1959	"V"	6½	December 1, 1979		5,000	5,000
	1960	"W"	6	August 15, 1980		7,500	7,500
	1961	"X"	5¾	November 15, 1981		8,500	8,500
	1962	"Y"	5⅖	July 2, 1982		10,000	10,000
	1964	"28"	5¾	September 15, 1984		15,000	15,000
	1965	"31"	5¾	March 1, 1985		12,500	12,500
	1965	"33"	6	December 1, 1985		5,000	5,000
	1966	"34"	6½	February 1, 1986		6,000	6,000
	1969	"37"*	8¼	May 1, 1979		200	200
	1969	"37"*	8¾	May 1, 1989		1,200	1,200
	1972	"39"*	8¾	September 1, 1991		25,193	26,914
	1976	—	9½	May 15, 1981		25,000	25,000
	1976	— *	10¼	July 30, 1983		100,000	100,000
	1977	—	9	March 1, 1984		100,000	100,000
	1978	—	9⅜	June 15, 1985		125,000	—
						452,093	328,814
Niagara Finance Company Limited	1964	"1"	5¾	April 15, 1984		10,000	10,000
	1964	"2"	5¾	May 1, 1985		10,000	10,000
	1965	"3"	5¾	May 1, 1985		10,000	10,000
	1966	"4"	7½	December 1, 1986		5,000	5,000
	1968	"5"	8¼	May 1, 1988		7,500	7,500
						42,500	42,500
Niagara Realty of Canada Limited	1970	"A"*	9¾	December 15, 1990		4,610	4,610
	1971	"B"*	7⅞	December 15, 1986		739	17,923
	1972	"C"*	8¼	August 15, 1982		12,700	12,893
	1973	"D"*	7⅞	May 15, 1988		17,479	18,376
	1974	"E"*	9	March 1, 1994		23,178	23,460
	1974	"F"*	10¼	June 18, 1981		9,733	9,834
	1974	"F"**	10⅜	December 18, 1984		11,958	12,750
	1977	"G"*	9½	January 30, 1984		49,364	50,000
	1978	"H"	9½	May 2, 1983		75,000	—
						204,761	149,846
Payable in U.S. funds					Par value U.S. $000's		
Parent company	1962	"Z"	5¼	October 1, 1982	10,000	11,867	10,940
	1963	"27"	5¼	April 1, 1988	10,000	11,867	10,940
	1964	"29"	5	October 1, 1984	10,000	11,867	10,940
	1965	"30"	5	February 15, 1985	15,000	17,800	16,410
	1965	"32"	5½	October 1, 1987	20,000	23,734	21,880
	1966	"35"	5¾	February 1, 1986	12,825	15,219	14,031
	1968	"36"*	7¾	October 15, 1986	9,800	11,630	11,542
	1969	"38"*	9½	June 1, 1990	12,725	15,101	14,112
	1974	"40"*	9¼	May 15, 1994	41,800	49,604	46,522
	1976	"41"°	9½	March 15, 1983	47,500	56,368	54,700
	1978	— °	9	March 15, 1986	25,000	29,668	—
					214,650	254,725	212,017
Niagara Finance Company Limited	1975	"6"**	10½	September 1, 1990	25,500	30,261	29,538

Holders of "37" notes due in 1979 have an option to exchange these notes at maturity for either 8½% 1984 notes or 8¾% 1989 notes.

Holders of "38" notes have the right to prepayment on June 1, 1980 or 1985.

Holders of "A" notes have the right to prepayment on December 15, 1980 or 1985.

Holders of "D" notes have the right to prepayment on May 15, 1980.

Holders of "E" notes have the right to prepayment on March 1, 1980.

The 9% notes due March 1, 1984 are redeemable after March 1, 1983, and prior to maturity, at their principal amount.

The parent company has guaranteed secured notes of Niagara Realty of Canada Limited as to principal, interest and redemption premiums, if any.

*These notes have purchase fund provisions (note 10).

**These notes have sinking fund provisions (note 10).

°These notes have mandatory redemption provisions (note 10).

Consolidated Details of Secured Term Notes

as at December 31, 1978—Schedule A (continued)

	Year of maturity	Par value U.S. $000's	1978 $000's	1977 $000's
Notes issued at rates of interest varying from 7.875% to 10.25% Payable in Canadian funds—				
Parent company	1978		—	46,505
	1979		37,671	27,090
	1980		13,037	2,515
	1981		5,221	—
	1982		577	—
	1983		10,369	—
	1984		5,000	—
			71,875	76,110
Niagara Finance Company Limited	1978		—	172
	1979		15	15
	1980		20	20
	1982		5	5
			40	212
Payable in U.S. funds				
Parent company	1978	—	—	1,969
	1979	1,800	2,136	1,969
	1980	1,800	2,136	1,969
	1981	1,800	2,136	1,970
	1982	35,000	41,535	38,290
	1983	10,000	11,867	10,940
		50,400	59,810	57,107
Niagara Finance Company Limited	1982	1,000	1,187	1,094
	1983	1,000	1,187	1,094
	1984	1,000	1,187	1,094
	1985	1,000	1,186	1,094
		4,000	4,747	4,376
			1,120,812	900,520

All notes payable in U.S. funds have been converted at current exchange rates (note 1(d)).

Consolidated Details of Debentures

as at December 31, 1978—Schedule B

	Year of issue	Rate %	Maturity date	Amount authorized and issued $000's	**Outstanding 1978 $000's**	Outstanding 1977 $000's
Payable in Canadian funds—						
Parent company	1958	5½**	February 1, 1978	6,000	**—**	2,952
	1959	6 **	June 15, 1979	10,000	**5,626**	6,150
	1960	6¾**	February 1, 1980	10,000	**5,715**	6,386
	1961	5¾**	July 2, 1981	10,000	**6,899**	7,289
	1962	5¾**	February 15, 1982 ...	10,000	**6,126**	6,543
	1965	6½*	December 15, 1983 ..	10,000	**5,727**	5,974
	1966	7½*	December 15, 1986 ..	10,000	**6,351**	6,566
	1970	9½°	October 15, 1992	15,000	**11,496**	11,793
	1975	9¾°°	March 25, 1995	30,000	**29,785**	29,785
					77,725	83,438
Niagara Finance Company Limited	1972	8 **	April 17, 1992	15,000	**429**	489
	1974	11½°°°	October 15, 1994	15,000	**15,000**	15,000
					15,429	15,489
					93,154	98,927

*Sinking fund debentures (note 10).
**These debentures have purchase fund provisions (note 10).
°These debentures have purchase fund provisions until October 15, 1982 and sinking fund provisions thereafter. Holders have the right to prepayment on October 15, 1982 (note 10).
°°These debentures have purchase fund provisions until March 25, 1983 and sinking fund provisions thereafter. Holders have the right to prepayment on March 25, 1983 (note 10).
°°°These debentures have purchase fund provisions and the holders have the right to prepayment on October 15, 1979, 1984 and 1989 (note 10).

Details of Subordinated Debentures

as at December 31, 1978—Schedule C

	Year of issue	Rate %	Maturity date	Amount authorized and issued $000's	**Outstanding 1978 $000's**	Outstanding 1977 $000's
Payable in Canadian funds—						
Parent company	1966	6¾*	August 15, 1984	15,000	**9,658**	9,888
	1967	7 *	November 1, 1985 ...	10,000	**150**	169
	1974	9½**°	July 15, 1994	24,000	**23,893**	23,899
					33,701	33,956

*These debentures have sinking fund provisions (note 10).
**Convertible debentures (note 13).
°These debentures have purchase fund provisions (note 10).

Consolidated Details of Capital Stock

as at December 31, 1978—Schedule D

	1978 Shares	1978 Amount $000's	1977 Shares	1977 Amount $000's
Preferred Shares				
Authorized and issued—				
4½% cumulative shares of $100 each redeemable at $101	100,000	10,000	100,000	10,000
Purchased for cancellation	62,734	6,273	61,824	6,182
	37,266	3,727	38,176	3,818
5¾% cumulative shares of $25 each redeemable at $26, declining to $25.25 at May 15, 1981	600,000	15,000	600,000	15,000
Purchased for cancellation	116,233	2,906	101,983	2,550
	483,767	12,094	498,017	12,450
		15,821		16,268
Common Shares				
Authorized without nominal or par value (note 13)	20,000,000		20,000,000	
Issued and fully paid—				
Beginning of year	13,573,643	51,451	13,544,033	51,028
Issued during the year—				
On conversion of 1967 7% convertible subordinated debentures	—	—	29,610	423
On conversion of 1974 9½% convertible subordinated debentures	300	6	—	—
	300	6	29,610	423
End of year	13,573,943	51,457	13,573,643	51,451

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of IAC Limited as at December 31, 1978 and the consolidated statements of earnings, 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 company as at December 31, 1978 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.

February 23, 1979

Coopers & Lybrand

Chartered Accountants

Policies and Other Data

Accounting Policies
Accounting policies relating to the principles of consolidation, recognition of revenue, allowance for doubtful receivables, translation of foreign currencies, amortization of debt discount and expense, methods of depreciation and amortization of acquisition costs are presented in note 1 of the notes to the consolidated financial statements, page 19.

Bank Lines of Credit
The IAC companies maintain lines of credit with nine Canadian banks and directly or through their affiliates with twenty-five U.S. banks (including the ten largest banks). These bank lines are maintained to facilitate the short-term borrowing operations of the IAC companies. In accordance with general practice, bank lines of credit are subject to periodic review and may be terminated or reduced at the discretion of the bank. The total of all credit lines amounted to $742.4 million at December 31, 1978.

Borrowing Operations
IAC and its subsidiary, Niagara Finance Company Limited, borrow in the short, medium, and long-term markets in both the U.S.A. and in Canada. Another subsidiary, Niagara Realty of Canada Limited, has issued series of long-term secured notes. These notes are guaranteed by the parent company.

Branch Organization
The activities of the IAC companies are carried on in all provinces of Canada. The branches are under the overall direction of Regional Managers. Regional Managers are accountable to the Division General Managers. There are four geographic divisions headquartered in Halifax, Montreal, Toronto and Vancouver. The Capital Funds Division, because of its specialized functions, is headquartered in Toronto and has a different branch network. This organization structure continues to be revised in anticipation of the opening of the Continental Bank of Canada on June 4, 1979. The number of branches at that date will be approximately 140.

Delinquencies
Delinquent accounts are those of which the lesser of $25 or half of an instalment is past due one month or more.

Renewed accounts are analyzed on the basis of the current payment schedule and extended accounts on the basis of the extended schedule. "Renewal" is a new contract entered into before the expiry of the old for the purpose of reducing the amount of the instalments originally agreed to by the customer. An "extension" means the postponement of all or a part of a current instalment.

The prerequisites for granting renewals or extensions are strictly determined and renewed or extended accounts are carefully controlled. Partial payments, no matter how recent, will not remove an account from delinquent status. The Supplement to this Annual Report contains detailed information.

Intercompany Borrowing
IAC, the parent company, does not borrow from subsidiaries. Subsidiaries are not permitted to invest in IAC securities either by way of debt instruments or of preferred or common stock.

Pension Fund
IAC has a contributory pension plan (based on retirement at age 62) covering all permanent employees aged 27 and over with more than one year of service. The pension plan is based on the highest average remuneration received over a period of five consecutive years prior to retirement. The company's contribution for 1978 amounted to $1,461,000 (1977: $1,476,000). In addition the company contributed $385,000 (1977: $376,000) to various government pension plans.

Write-Offs
Net credit losses written off during the year totalled $10,093,000 or 0.37% of average receivables (1977: $9,932,000 or 0.42% of average receivables).

IAC Limited

Ten Year Operating and Statistical Summary

	1978		1977		1976	
Assets and Liabilities ($000's)						
Total assets	3,141,637		2,536,484		2,409,966	
Total receivables	3,007,933		2,481,134		2,305,514	
Details:						
Sales financing—wholesale	395,694		349,162		287,670	
—retail	893,701		701,639		764,774	
Personal loans	171,532		178,086		203,709	
Residential mortgages	319,374		258,936		248,880	
Commercial loans	438,156		277,355		83,590	
Leasing	771,662		710,753		710,217	
Other receivables	17,814		5,203		6,674	
Total debt	2,242,972		1,680,839		1,545,947	
Total equity	254,660		250,947		233,761	
Debt to equity ratio: times	8.81		6.70		6.61	
Operating Highlights ($000's) (% of gross income)						
Gross income	263,221		239,667		248,341	
Cost of borrowed money	169,110	64.2	130,163	54.3	135,265	54.5
General expenses	61,443	23.3	57,179	23.9	55,995	22.5
Earnings	22,592	8.6	34,528	13.3	32,267	12.0
Preferred dividends	872	.3	900	.3	926	.4
Earnings applicable to common shares	21,720	8.3	33,628	12.9	31,341	11.6
Average cost of borrowed money %	9.0		8.4		8.9	
Common Stock Facts						
Earnings per share outstanding—daily average	$1.60		$2.48		$2.31	
Per cent return on average equity	9.2		14.9		15.0	
Dividends paid per share	$1.30		$1.18		$1.14	
Number of shareholders	12,924		11,589		11,307	
Number of shares outstanding						
—year end	13,573,943		13,573,643		13,544,033	
—daily average	13,573,901		13,551,871		13,543,285	
—owned in Canada—year end %	97.3		96.7		96.5	
Book value per share	$17.60		$17.29		$16.03	

For purpose of comparison, some of the figures for previous years have been restated to conform to the current presentation.

1975		1974		1973		1972		1971		1970		1969	
2,390,847		2,139,457		1,852,885		1,523,353		1,298,134		1,232,688		1,188,228	
2,298,700		2,065,068		1,779,556		1,455,635		1,206,857		1,143,403		1,111,494	
295,850		296,164		239,568		215,289		177,130		137,116		138,770	
771,584		798,840		725,232		606,912		516,973		533,823		566,407	
216,450		216,617		197,479		173,487		159,102		155,565		152,675	
202,247		175,619		127,589		94,148		75,992		62,631		52,044	
84,349		75,274		58,707		55,215		61,739		77,088		83,623	
724,840		498,701		427,499		307,813		212,812		173,089		113,567	
3,380		3,853		3,482		2,771		3,109		4,091		4,408	
1,540,203		1,407,572		1,203,673		974,080		850,844		841,506		843,284	
218,822		203,645		188,437		179,520		160,882		150,628		143,431	
7.04		6.91		6.39		5.43		5.29		5.59		5.88	
227,092		208,648		159,665		137,160		128,243		132,646		126,071	
114,265	50.3	115,847	55.5	73,280	45.9	55,919	40.8	52,838	41.2	60,693	45.8	56,030	44.4
54,776	24.1	47,415	22.7	42,839	26.8	39,926	29.1	37,180	29.0	37,577	28.3	36,697	29.1
30,450	12.5	23,336	10.5	22,494	13.1	21,994	14.9	19,415	14.0	16,862	11.8	15,484	11.4
988	.4	996	.4	1,019	.6	1,034	.7	1,064	.8	1,079	.8	1,118	.8
29,462	12.1	22,340	10.1	21,475	12.5	20,960	14.2	18,351	13.2	15,783	11.0	14,366	10.5
8.3		9.0		7.2		6.6		6.7		7.4		7.1	
$2.18		$1.69		$1.65		$1.65		$1.50		$1.30		$1.19	
15.2		12.6		13.0		13.8		13.5		12.5		12.1	
$1.09		$ .98		$ .96		$ .84		$ .80		$ .72½		$ .70	
11,435		11,853		12,510		12,672		12,802		13,502		13,904	
13,541,883		13,487,698		13,006,293		12,988,399		12,306,118		12,131,720		12,060,587	
13,513,111		13,204,861		12,995,747		12,694,400		12,207,770		12,085,813		11,922,218	
96.3		96.3		95.7		96.2		95.2		94.7		94.1	
$14.84		$13.73		$13.05		$12.35		$11.50		$10.78		$10.17	

Niagara Finance Company Limited

The planned rationalization of this subsidiary's branch network continued throughout 1978, with many smaller units being consolidated into larger neighbouring branches. In addition, some receivables involving high-servicing expense were sold.

With the commencement of operations of the Continental Bank of Canada close at hand, business development efforts were directed to the building of a more appropriate personal loan portfolio comprising larger balances. As a consequence, there was an increase from the previous year of 45% in the size of the average transaction.

The combination of rate adjustments to more appropriate levels, a lower average of total receivables outstanding and increased cost of borrowed funds resulted in a reduction in earnings to $2,023,000 from $3,122,000 in the previous year.

On a more positive note, a result of the restructuring of the company's operations was a reduction of almost $1,000,000 or 8% in general and administrative expenses from the previous year.

With the commencement of operations of the Continental Bank of Canada on June 4, new personal loan business will be done by the Bank in accordance with the requirements of the special Act which created the Bank.

Selected Niagara Finance Statistics:	1978	1977	1976	1975	1974
Earnings ($ thousands)	**2,023**	3,122	6,364	5,858	5,508
Receivables ($ millions)	**303.8**	291.6	310.2	317.8	310.3

Statement of Earnings

for the year ended December 31, 1978

	1978 $000's	1977 $000's
Gross Income (note 2)	**29,636**	32,407
Expenditure		
Cost of borrowed money—Short-term debt	**5,722**	4,139
Other term debt	**8,786**	9,989
	14,508	14,128
General and administrative (note 3)	**11,495**	12,487
	26,003	26,615
	3,633	5,792
Provision for Income Taxes		
Current	**(346)**	1,312
Deferred	**1,956**	1,358
	1,610	2,670
Earnings	**2,023**	3,122

Statement of Retained Earnings

for the year ended December 31, 1978

	1978 $000's	1977 $000's
Earnings for the Year	**2,023**	3,122
Dividends		
Class A shares	**808**	1,500
Common shares	**892**	1,500
	1,700	3,000
	323	122
Reassessment of capital taxes for the years 1973 to 1976 net of income taxes of $47,000	**—**	(66)
Increase in Retained Earnings for the Year	**323**	56
Retained Earnings—Beginning of Year	**19,181**	19,125
Retained Earnings—End of Year	**19,504**	19,181

Niagara Finance Company Limited

Balance Sheet

as at December 31, 1978

Assets

	1978 $000's	1977 $000's
Cash	434	511
Receivables		
Personal loans (note 4)	187,774	200,720
Leasing	103,085	85,859
Other (note 5)	12,938	5,067
	303,797	291,646
Allowance for doubtful receivables (note 4)	2,866	5,961
	300,931	285,685
Other Assets and Deferred Charges		
Prepaid expenses	32	47
Unamortized debt discount and expense	1,057	943
Unrealized foreign exchange loss	4,443	1,894
Income taxes recoverable	990	—
	6,522	2,884
	307,887	289,080

Liabilities

	1978 $000's	1977 $000's
Secured Short-Term Notes	77,558	43,483
Secured Term Notes (notes 6 and 9)	77,548	76,626
Debentures (notes 7 and 9)	15,429	15,489
Unsecured Notes (note 8)	7,396	27,865
	177,931	163,463
Payables		
Accounts payable and accrued liabilities	4,341	5,474
Income taxes payable	—	717
	4,341	6,191
Unearned Income (note 10)	57,715	53,805
Deferred Income Taxes (note 11)	23,396	21,440
	263,383	244,899

Shareholders' Equity

	1978 $000's	1977 $000's
Capital Stock		
Authorized—150,000 5¼% non-cumulative, participating Class A shares with a par value of $100 each, redeemable at par 150,000 common shares without nominal or par value		
Issued and fully paid—125,000 Class A shares	12,500	12,500
125,000 common shares	12,500	12,500
	25,000	25,000
Retained Earnings	19,504	19,181
	44,504	44,181
	307,887	289,080

Signed on behalf of the Board L.R. Woodall, Director D.W. Maloney, Director

Niagara Finance Company Limited

Statement of Changes in Financial Position

for the year ended December 31, 1978

	1978 $000's	1977 $000's
Sources of Funds		
Operations—		
Earnings	2,023	3,122
Amortization of debt discount and expense	165	152
Provision for deferred income taxes	1,956	1,358
	4,144	4,632
Borrowings—		
Short-term debt	8,787	22,269
Other term debt—redemption	(1,981)	(34,550)
	6,806	(12,281)
	10,950	(7,649)
Uses of Funds		
Increase (decrease) in operating assets—		
Receivables—Personal loans	(12,946)	(25,280)
Leasing	17,226	2,315
	4,280	(22,965)
Decrease (increase) in allowance for doubtful receivables	3,095	(250)
Decrease (increase) in unearned income	(3,910)	8,394
	3,465	(14,821)
Dividends	1,700	3,000
Net increase in other assets including other receivables	4,303	3,027
Net decrease in payables	1,559	3,349
Reassessment of prior years' capital taxes net of income taxes	—	66
	11,027	(5,379)
Decrease in cash	(77)	(2,270)
	10,950	(7,649)

Notes to Financial Statements

for the year ended December 31, 1978

1. Significant Accounting Policies

(a) Recognition of revenue

Precomputed charges on personal loans are taken into income using the sum-of-the-digits method on an account by account basis.

Leasing transactions are reported in accordance with the financing method of accounting. The excess of aggregate rentals over the cost of the leased asset is recorded as unearned income at the time of the transaction. Income is taken up over the term of the lease pro rata to the declining balance of the investment. Gains arising from residual values of the leased assets are reflected in earnings only when realized. Contractual disposal proceeds negotiated at the inception of the lease are included in unearned income and taken up as described above.

(b) Allowance for doubtful receivables

For loans such allowance is established by evaluating individual accounts. After collection possibilities have been exhausted, any balance remaining on an account is written off.

(c) Translation of foreign currencies

Unhedged liabilities are translated to Canadian funds at current exchange rates. Foreign currency borrowings which are covered by forward exchange contracts are recorded at exchange rates established under the terms of such contracts. Exchange gains and losses on translation of current liabilities are considered to be realized and are reflected in the statement of earnings for the current fiscal year. Net unrealized exchange gains or losses, resulting from the difference between the current exchange rate and the exchange rate at the date the proceeds of unhedged term borrowings were received, are deferred and carried in the balance sheet.

(d) Amortization of debt discount and expense

Debt discount and expense is amortized over the term of the related debt instrument. If the debt is prepayable at the holder's option, the amortization is calculated to the first optional maturity date. When a debt obligation is redeemed prior to maturity, the related unamortized charges are written off at the time of redemption.

2. Gross Income

	1978 $000's	1977 $000's
Income from receivables	32,817	37,478
Less: Provision for doubtful receivables	3,181	5,071
	29,636	32,407

3. Expenditure

The affairs of the company are administered by its parent, IAC Limited. IAC Limited is reimbursed for the cost of administrative services in a manner defined in an agreement between the two companies.

The aggregate direct remuneration paid or payable to directors amounted to $32,000 (1977—$33,000). Senior officers as defined in the Business Corporations Act of Ontario were remunerated by the parent company.

4. Sale of Receivables

The company sold approximately $21 million of receivables at various times during the year. These sales resulted from the consolidation of the branch network in preparation for the parent company's conversion to a bank. A net loss on these sales amounting to $2,874,000 has been charged to the allowance for doubtful receivables.

5. Other Receivables

Under an arrangement with the parent company, the company conducts part of its banking business through a bank account administered by the parent company. Included in other receivables is $10,928,000, the amount established under the arrangement as being the company's portion of this bank account as at December 31, 1978.

6. Secured Term Notes

	Year of issue	Series	Rate %	Maturity date	1978 $000's	1977 $000's
Payable in Canadian funds—	1964	1	5¾	April 15, 1984	**10,000**	10,000
	1964	2	5¾	May 1, 1985	**10,000**	10,000
	1965	3	5¾	May 1, 1985	**10,000**	10,000
	1966	4	7½	December 1, 1986	**5,000**	5,000
	1968	5	8¼	May 1, 1988	**7,500**	7,500
				Par value U.S. $000's	**42,500**	42,500
Payable in U.S. funds (note 1(c))—	1975	6	10½	September 1, 1990 25,500	**30,261**	29,538
Series 6 notes have a sinking fund provision.					**72,761**	72,038

Notes issued at rates of interest varying from 7⅞% to 9⅜%

	Year of maturity	Par value U.S. $000's	1978 $000's	1977 $000's
Payable in Canadian funds—	1978		**—**	172
	1979		**15**	15
	1980		**20**	20
	1982		**5**	5
			40	212
Payable in U.S. funds (note 1(c))—	1982	1,000	**1,187**	1,094
	1983	1,000	**1,187**	1,094
	1984	1,000	**1,187**	1,094
	1985	1,000	**1,186**	1,094
		4,000	**4,747**	4,376
			77,548	76,626

7. Debentures

The holders of Series "C" debentures have the right to prepayment on October 15, 1979, 1984 and 1989.

Series "B" and "C" debentures have purchase fund provisions.

Year of issue	Series	Rate %	Maturity date	1978 $000's	1977 $000's
1972	"B"	8	April 17, 1992	**429**	489
1974	"C"	11½	October 15, 1994	**15,000**	15,000
				15,429	15,489

Notes to Financial Statements

for the year ended December 31, 1978 (continued)

8. Unsecured Notes—Unsecured notes comprise:

	1978 $000's	1977 $000's
Parent company—		
Interest bearing demand note	6,385	26,560
6% term note for U.S. $852,000 (1977—$1,193,000) repayable in equal semi-annual instalments until 1981	1,011	1,305
	7,396	27,865

9. Sinking Fund and Purchase Fund Requirements

The sinking fund requirements for the five years ending December 31, 1979 to 1983 are as follows:

		$000's		
1979	1980	1981	1982	1983
1,780	1,780	2,492	2,492	2,492

Series "B" and "C" debentures have purchase fund requirements which are non-cumulative and under which the company is required to redeem only debt instruments offered to it, subject to limitations as to price and aggregate annual amounts. It is not possible to predict the amounts that will be offered by holders. The maximum purchase fund requirements for the years ending December 31, 1979 and thereafter are as follows:

$000's Year ending December 31:						
1979	1980	1981	1982	1983	1984-1988	after 1988
6,005	—	—	—	—	21	44

10. Unearned Income

Unearned income comprises:

	1978 $000's	1977 $000's
Unearned service charges relating to personal loans	26,900	28,730
Unearned income relating to leasing receivables	30,815	25,075
	57,715	53,805

11. Deferred Income Taxes

Deferred income taxes arise from timing differences relating to the treatment for income tax purposes of income and expenses associated with the following:

	1978 $000's	1977 $000's
Leasing receivables	23,521	21,477
Unamortized debt discount and expense	(125)	(37)
	23,396	21,440

Auditors' Report to the Shareholders

We have examined the balance sheet of Niagara Finance Company Limited as at December 31, 1978 and the statements of earnings, 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 financial statements present fairly the financial position of the company as at December 31, 1978 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.

February 16, 1979

Coopers & Lybrand
Chartered Accountants

Board of Directors

Allan P. Bolin
Toronto, Ont.
Senior Vice-President & Senior General Manager, IAC

Roland Chagnon, C.A.
Montreal, Que.
Chairman of the Board, Lallemand Inc.

Peter Kilburn
Montreal, Que.
Honorary Chairman, Greenshields Incorporated

Salvatore S Ilaqua
Toronto, Ont.
Vice-President and Treasurer, IAC

Joseph S. Land
Toronto, Ont.
Chairman of the Board, IAC

Byron F. London
Codys, N.B.
Retired, former President

Lawrence M. Machum, Q.C.
Saint John, N.B.
Partner, McKelvey, Macaulay, Machum and Fairweather

Douglas W. Maloney
Toronto, Ont.
President, IAC

Stanley F. Melloy
Toronto, Ont.
Executive Vice-President, IAC

William Moodie
Montreal, Que.
President, Canadian Pacific Investments Limited

Lyndon E. Nichol
Rancho Santa Fe, Calif.
Retired, Director and former Chairman of the Board, IAC

L. Ronald Woodall
Toronto, Ont.
President

Niagara Realty of Canada Limited and Subsidiary

The primary activity of these companies is the providing of first and second mortgages and, additionally, the purchase of existing mortgages on an individual or portfolio basis.

Receivables overall increased during the year by $132.5 million. The average mortgage balance outstanding at year end 1978 was 35% higher than at the previous year end.

A reduction of 23% in general and administrative expenses was accomplished through the integration and rationalization of the companies' branch network.

The higher level of average receivables outstanding plus this reduction in expense offset the effect of lower yields and the increased cost of borrowed funds. As a consequence, earnings remained at about the same level as in the previous year.

The portfolio of receivables is in very sound condition.

Selected Niagara Realty Statistics:	**1978**	1977	1976	1975	1974
Earnings ($ thousands)	**3,600**	3,643	4,046	3,388	2,202
Total receivables ($ millions)	**397.0**	264.5	249.1	202.4	176.1
Mortgage receivables ($ millions)	**319.4**	258.9	248.9	202.2	175.6
Average mortgage balance at year end (dollars)	**16,276**	12,082	10,590	8,962	7,963

Consolidated Statement of Earnings

for the year ended December 31, 1978

	1978 $000's	1977 $000's
Gross Income (note 2)	**36,575**	35,151
Expenditure		
Cost of borrowed money—Short-term debt	**6,386**	8,485
—Other term debt	**19,297**	12,230
	25,683	20,715
General and administrative (note 3)	**5,561**	7,251
	31,244	27,966
	5,331	7,185
Provision for Income Taxes		
Current	**1,067**	3,723
Deferred	**664**	(181)
	1,731	3,542
Earnings	**3,600**	3,643

Consolidated Statement of Retained Earnings

for the year ended December 31, 1978

	1978 $000's	1977 $000's
Earnings for the Year	**3,600**	3,643
Dividends		
Preferred Shares	**432**	—
Common Shares	**2,400**	2,800
	2,832	2,800
Increase in Retained Earnings for the Year	**768**	843
Retained Earnings—Beginning of Year	**8,206**	7,363
Retained Earnings—End of Year	**8,974**	8,206

Niagara Realty of Canada Limited

Consolidated Balance Sheet

as at December 31, 1978

Assets

	1978 $000's	1977 $000's
Cash	—	1
Unclosed Loans	2,049	1,223
Receivables		
Residential mortgages	319,374	258,936
Commercial loans	74,727	—
Other (note 4)	2,913	5,553
	397,014	264,489
Allowance for doubtful receivables	2,321	1,945
	394,693	262,544
Other Assets		
Prepaid expenses	25	4
Income taxes recoverable	908	—
Unamortized debt discount and expense	2,500	1,846
	3,433	1,850
	400,175	265,618

Liabilities

	1978 $000's	1977 $000's
Demand Note Payable—parent company	157,865	87,556
Secured Term Notes (notes 5 and 6)	204,761	149,846
Payables		
Accounts payable and accrued liabilities	6,369	5,488
Income taxes	—	805
	6,369	6,293
Deferred Income	3,782	3,457
Deferred Income Taxes (note 7)	924	260
	373,701	247,412

Shareholders' Equity

	1978 $000's	1977 $000's
Capital Stock		
Authorized—		
2,000,000 8% non-cumulative, redeemable preferred shares of $5 par value		
2,000,000 common shares of $5 par value		
Issued and fully paid—1,500,000 preferred shares (note 8)	7,500	—
—2,000,000 common shares	10,000	10,000
	17,500	10,000
Retained Earnings	8,974	8,206
	26,474	18,206
	400,175	265,618

Signed on behalf of the Board L.R. Woodall, Director D.W. Maloney, Director

Niagara Realty of Canada Limited

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1978

	1978 $000's	1977 $000's
Sources of Funds		
Operations—		
Earnings	3,600	3,643
Amortization of debt discount and expense	719	449
Provision for deferred income taxes	664	(181)
	4,983	3,911
Borrowings—		
Demand note payable—Parent company	70,309	(41,119)
Secured term notes—Proceeds	73,627	49,060
—Redemptions	(20,085)	(2,334)
Issue of preferred shares	7,500	—
	131,351	5,607
	136,334	9,518
Uses of Funds		
Increase in operating assets—		
Receivables—		
Residential mortgages	60,438	10,056
Commercial loans	74,727	—
Increase in allowance for doubtful receivables	(376)	(77)
Decrease (increase) in deferred income	(325)	800
	134,464	10,779
Dividends	2,832	2,800
Net increase in payables	(76)	(1,313)
Net increase (decrease) in other assets including other receivables	(1,711)	5,293
	135,509	17,559
Decrease in cash	(1)	(4,651)
Increase (decrease) in cash committed for unclosed loans	826	(3,390)
	136,334	9,518

Notes to Consolidated Financial Statements

for the year ended December 31, 1978

1. Significant Accounting Policies

(a) Principles of consolidation
The financial statements include the accounts of the company and its subsidiary, Niagara Realty Limited.

(b) Allowance for doubtful receivables
For residential mortgages the allowance is set up as a percentage of such receivables. For other receivables the allowance is established by evaluating individual accounts.

(c) Amortization of debt discount and expense
Debt discount and expense is amortized over the term of the related debt instrument. If the debt is prepayable at the holder's option, the amortization is calculated to the first optional maturity date. When a debt obligation is redeemed prior to maturity, the related unamortized charges are written off at the time of redemption.

(d) Deferred income
Deferred income arises from mortgages purchased at a discount and is taken into income over the remaining term of the mortgage on the actuarial yield method.

2. Gross Income

	1978 $000's	1977 $000's
Income from receivables	**38,461**	36,387
Less: Provision for doubtful receivables	**(1,455)**	(1,000)
Acquisition costs	**(431)**	(236)
	36,575	35,151

3. Expenditure

The affairs of the company are administered by its parent, IAC Limited. IAC Limited is reimbursed for the cost of administrative services in a manner defined in an agreement between the companies.

4. Other Receivables

Under an arrangement with the parent company and certain of its subsidiaries, the company and its subsidiary conduct a part of their banking business through a bank account administered by the parent company.

Included in other receivables is $1,947,000, the amount established under the arrangement as being the company and its subsidiary's portion of this bank account at December 31, 1978.

5. Secured Term Notes

Year of issue	Series	Rate %	Maturity date	1978 $000's	1977 $000's
1970	"A"	9¾*	December 15, 1990	**4,610**	4,610
1971	"B"	7⅞	December 15, 1986	**739**	17,923
1972	"C"	8¼	August 15, 1982	**12,700**	12,893
1973	"D"	7⅞**	May 15, 1988	**17,479**	18,376
1974	"E"	9 ***	March 1, 1994	**23,178**	23,460
1974	"F"	10¼	June 18, 1981	**9,733**	9,834
1974	"F"	10⅜	December 18, 1984	**11,958**	12,750
1977	"G"	9½	January 30, 1984	**49,364**	50,000
1978	"H"	9½	May 2, 1983	**75,000**	—
				204,761	149,846

*Holders have the right to prepayment on December 15, 1980 and 1985.

**Holders have the right to prepayment on May 15, 1980.

***Holders have the right to prepayment on March 1, 1980.

Series "A", "B", "C", "D", "E" and "G" notes and series "F" notes maturing in 1981, have purchase fund provisions.

Series "F" notes maturing in 1984 have a sinking fund provision.

IAC Limited has guaranteed all Series notes as to principal, interest and redemption premiums, if any.

6. Sinking Fund and Purchase Fund Requirements
The sinking fund requirements for the five years ending December 31, 1979 to 1983 are as follows:

	$000's
1979	708
1980	750
1981	750
1982	750
1983	750

Certain issues have purchase fund requirements which are non-cumulative and under which the company is required to redeem only debt instruments offered to it, subject to limitations as to price and aggregate annual amounts. It is not possible to predict the amounts that will be offered by holders. The maximum purchase fund requirements for the years ending December 31, 1979 and thereafter are as follows:

Years ending December 31,	$000's
1979	3,437
1980	2,253
1981	1,334
1982	1,022
1983	605
1984-1985	43

7. Deferred Income Taxes
Deferred income taxes arise from timing differences relating to the treatment for income tax purposes of income or expenses associated with the following balance sheet items:

	1978 $000's	1977 $000's
Residential mortgages	**1,158**	971
Unamortized debt discount and expense	**(234)**	(711)
	924	260

8. Capital Stock
During the year 1,500,000 preferred shares were issued for a cash consideration of $7,500,000.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Niagara Realty of Canada Limited as at December 31, 1978 and the consolidated statements of earnings, 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 company as at December 31, 1978 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.

February 16, 1979

Coopers & Lybrand
Chartered Accountants

Board of Directors

Allan P. Bolin
Toronto, Ont.
Vice-President

Robert Hémond
Montreal, Que.
Vice-President

Salvatore S Ilaqua
Toronto, Ont.
Vice-President

Joseph S. Land
Toronto, Ont.
Chairman of the Board, IAC

Douglas W. Maloney
Toronto, Ont.
President, IAC

Stanley F. Melloy
Toronto, Ont.
Executive Vice-President, IAC

L. Ronald Woodall
Toronto, Ont.
President and General Manager

Directors and Officers

Directors

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Toronto, Ont.
Chairman of the Board

*Douglas W. Maloney
Toronto, Ont.
President

*Stanley F. Melloy
Toronto, Ont.
Executive Vice-President

*Harold Corrigan, C.A.
Toronto, Ont.
President, Alcan Canada Products Limited

*Peter Kilburn
Montreal, Que.
Honorary Chairman Greenshields Incorporated

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Toronto, Ont.
President, Confederation Life Insurance Company

*C. Harry Rosier
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Executive Vice-President Noranda Mines Limited

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Montreal, Que.
President, Clarke Transport Canada Inc.

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Chairman, Inland Natural Gas Co. Ltd.

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Calgary, Alta.
Associate, McLaws & Company

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President, Pierre Des Marais Inc.

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Toronto, Ont.
President, A. E. LePage Limited

J. Peter Foster
Toronto, Ont.
President, Hugh Russel Inc.

Geno F. Francolini, F.C.A.
Tillsonburg, Ont.
President & Chief Executive Officer Livingston Industries Limited

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Toronto, Ont.
President, Shed Investments Limited

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Montreal, Que.
President & General Manager Standard Paper Box Ltd.

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Rancho Santa Fe, Calif.
Retired, former Chairman of the Board

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Toronto, Ont.
President, Eastern Construction Company Limited

L. Edmond Ricard
Montreal, Que.
President, Imperial Tobacco Limited

Struan Robertson
Halifax, N.S.
President & Chief Executive Officer Maritime Telegraph and Telephone Company Ltd.

Jacques Tétrault, Q.C.
Montreal, Que.
Partner, Courtois, Clarkson, Parsons & Tétrault

*Member of the Executive Committee of the Board as at December 31, 1978

Officers

Chairman of the Board
J. S. Land

President
D. W. Maloney

Executive Vice-President
S. F. Melloy

Senior Vice-President & Senior General Manager
A. P. Bolin

Senior Vice-President— Consumer Services and Mortgages
L. R. Woodall

Vice-Presidents

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W. P. Davidson
L. G. Gravel
R. Hémond
S. S Ilaqua—*Treasurer*
R. K. Jackson
N. V. Keyes
D. H. Lyons
E. W. McCracken
D. A. Rattee
W. Smuk
W. J. Van Wyck
K. E. Woodall

Secretary
C. R. Stewart

Comptroller
J. J. Tors

Bank Credit Lines

Established with the following Canadian banks:
The Royal Bank of Canada
Bank of Montreal
Canadian Imperial Bank of Commerce
The Toronto Dominion Bank
The Bank of Nova Scotia
Bank Canadian National
The Provincial Bank of Canada
The Mercantile Bank of Canada
Bank of British Columbia

Established directly or through their affiliates with the following U.S. banks:
Morgan Guaranty Trust Company of New York
Bank of America
Bankers Trust Company
Chemical Bank
Citibank, NA
Continental Illinois National Bank and Trust Company of Chicago
Crocker National Bank
French American Banking Corporation
Harris Trust and Savings Bank
Irving Trust Company
Manufacturers Hanover Trust Company
Marine Midland Bank—Western
Mellon Bank NA
National Bank of Detroit
National Bank of North America
Schroder Trust Company
Seattle-First National Bank
Security Pacific National Bank
The Bank of New York
The Chase Manhattan Bank NA
The First National Bank of Boston
The First National Bank of Chicago
The Northern Trust Company
United California Bank
Wells Fargo Bank NA

Transfer Agents

Common Stock
Montreal Trust Company
Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver
The Bank of New York
New York

Preferred Stock
The Royal Trust Company
Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Registrars

Common Stock
Canada Permanent Trust Company
Montreal and Toronto
The Royal Trust Company
Winnipeg, Regina, Calgary and Vancouver
The Bank of New York
New York

Preferred Stock $100 Par Value
Montreal Trust Company
Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Preferred Stock $25 Par Value
Guaranty Trust Company of Canada
Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Auditors

Coopers & Lybrand
Toronto, Chartered Accountants

Stock Listings

Montreal Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange—Common Stock only

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