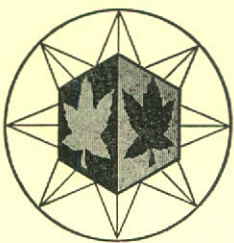


C Stark

N

needs
box



W

E

S

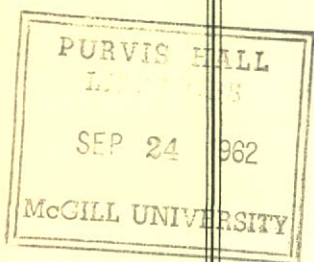
EXPORT FINANCE CORPORATION

OF CANADA, LTD.

ANNUAL REPORT

YEAR ENDED 30th APRIL

1962



EXPORT FINANCE CORPORATION OF CANADA, LTD.

SUITE 1314 PRUDENTIAL BUILDING

4 KING STREET WEST

TORONTO, CANADA

DIRECTORS

A. F. MAYNE, *President*

T. A. BOYLES, *Vice-President*

T. L. AVISON

J. W. AYLWARD

C. B. CLARK

W. M. CURRIE

J. J. DENISON

E. R. ERNST

J. N. GOSSELIN

F. S. HARRISON

A. LACASSE

L. LAVOIE

A. F. LUCAS

R. M. MACINTOSH

R. PRIMEAU

M. VISSER

GENERAL MANAGER

H. DUKE SCOTT

SECRETARY-TREASURER

M. R. JENNINGS

Pres. Export Finance Corp. of Canada Ltd., Sept 24/62

EXPORT FINANCE CORPORATION OF CANADA, LTD.

PRESIDENT'S REPORT

I have pleasure in submitting to the shareholders the Annual Report of the Corporation for the first full year of its operations.

It will be recalled that discussions between the Government and Chartered Banks something over a year ago resulted in the setting-up of the Corporation by the Banks for the purpose of financing what is normally called medium-term export paper, i.e., one to five years, and the Government agreed that on their part and through an amendment to the Export Credits Insurance Act, facilities would be provided for large capital projects, payment for which would be made over periods longer than five years. In addition to the provision of adequate finance for exporters, an important function of the Corporation is to ensure that the cost of financing medium-term paper compares favourably with costs in other countries and we can safely say, without fear of contradiction, that this has been achieved. Therefore, this new Corporation has proven to be an important link in the chain which helps to make more jobs for Canadians through the sale of Canadian products abroad. Despite the progress made during the year under review, however, the volume of paper handled has been somewhat disappointing. Over recent years there had been great agitation for the establishment of an export bank and, because of this, we expected more demand for the facilities which this Corporation has to offer.

The General Manager will report in more detail upon our business and he will comment on the operating results for the year. As all the bills held in the Corporation's portfolio are insured under policies issued by the Export Credits Insurance Corporation and are in addition endorsed with full recourse to the respective Chartered Bank for which they were rediscounted, the necessity for establishing large reserves for capital losses is eliminated. Notwithstanding this, however, we believe it is advisable to accumulate some surplus now to provide for short-term money rate fluctuations and other contingencies. Therefore no dividend has been declared.

I am told that the policy of the Export Credits Insurance Corporation has been to reduce rates progressively and this policy, in combination with the reasonable rates quoted by the Banks for medium-term financing and the arrangements for direct Government financing of long-term projects under Section 21A of the Export Credits Insurance Act, has encouraged the exporter of capital projects to put every possible effort into this field. It is a satisfaction to me that the Government's efforts have been so fully supported by the Chartered Banks. I cannot stress too strongly that manufacturers, whether Canadian or foreign controlled, of capital goods and equipment should use all their resources to develop export business—in the words of the Minister of Trade and Commerce, the manufacturer must “get off his chair” and actively seek such orders. There are undoubtedly a number of projects both for medium and long-term finance at present under negotiation and I hope that many of these may come to fruition in the coming months and that our next Annual Report will indicate a still greater use of our facilities.

Our staff consists of three persons, the General Manager, the Secretary-Treasurer and a stenographer-secretary, and I would like to express to them my own and the Directors' thanks for their work during our first year. We are also, of course, indebted to the individual Chartered Banks for their co-operation in placing at the disposal of the Corporation their full banking facilities which undoubtedly has enabled the Corporation to operate on an economical basis.

A. F. MAYNE,
President.

May 31, 1962.

EXPORT FINANCE CORPORATION

BALANCE SHEET

ASSETS

Cash	\$	6,420.87
Short term deposits		2,160,000.00
Prepaid expenses		859.80
Loans receivable	\$65,955,760.05	
Accrued interest thereon	<u>287,438.88</u>	66,243,198.93

Approved on behalf of the Board:

A. F. MAYNE, *Director.*

T. A. BOYLES, *Director.*

\$68,410,479.60

NOTE: The Corporation has equated, to the extent possible, loans receivable in United States of exchange futures. Assets in United States dollars exceed liabilities in the same currency into with banks. The remaining assets and liabilities in United States dollars have been due in varying instalments in the years 1962 to 1968. The loans payable by the Corporation maturity dates loans payable will be re-financed, as necessary, at interest rates obtainable

ATION OF CANADA, LTD.

— APRIL 30, 1962

LIABILITIES

Accounts payable and accrued expenses	\$	3,028.77
Income taxes payable		263,825.85
Loans payable	\$57,500,569.90	
Accrued interest thereon	<u>405,536.05</u>	57,906,105.95
Shareholders' equity:		
Capital stock:		
<i>Authorized:</i>		
10,000,000 shares of the par value of \$5.00 each	<u>\$50,000,000.00</u>	
<i>Issued:</i>		
2,000,000 shares	\$10,000,000.00	
Earned surplus	<u>237,519.03</u>	10,237,519.03
		<u>\$68,410,479.60</u>

dollars with loans payable in United States dollars, any excess having been covered by the sale
ncy; the excess has been converted at rates of exchange applying on forward contracts entered
n converted at the rate of Canadian \$1.08 to U.S. \$1.00. Loans made by the Corporation are
ration are for short terms and mature in the period from May, 1962 to September, 1962. At
ble at the dates of such re-financing.

EXPORT FINANCE CORPORATION OF CANADA, LTD.

Statement of Income and Expenditure and Earned Surplus Year Ended April 30, 1962

Interest earned	\$1,809,312.54
Interest expense	1,271,163.84
	<hr/>
	\$ 538,148.70
Administrative expenses:	
Salaries — officer	\$10,750.00
— other	10,628.19
Legal	5,557.72
Audit	2,125.00
Rent	3,321.36
Other	14,269.65
	<hr/>
Net profit before taxes on income	\$ 491,496.78
Taxes on income	264,500.00
	<hr/>
Net profit	\$ 226,996.78
Earned surplus at April 30, 1961	10,522.25
	<hr/>
Earned surplus at April 30, 1962	<u><u>\$ 237,519.03</u></u>

Auditors' Report to the Shareholders

We have examined the balance sheet of Export Finance Corporation of Canada, Ltd. as of April 30, 1962 and the statement of income and expenditure and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, with the explanation given in the note to the balance sheet, the accompanying balance sheet and statement of income and expenditure and earned surplus present fairly the financial position of the corporation as at April 30, 1962 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.,
Chartered Accountants.

Toronto, Ontario,
May 14, 1962.

EXPORT FINANCE CORPORATION OF CANADA, LTD.

GENERAL MANAGER'S REPORT

The operations of the Corporation for the first full year of its life have resulted in a profit of \$226,996.78 or 2.26% on the paid-up capital of \$10,000,000. This has been added to the surplus of \$10,522.25 resulting from the operations for the first broken month of April, 1961, resulting in a total surplus of \$237,519.03.

While the return reported above was substantially lower than the yield on Government securities held in portfolio by the shareholders, one objective of the Corporation and its shareholders was to provide exporters with their facilities at the lowest possible cost. In view of this I trust the shareholders will be satisfied with the result of the first full year's operations.

The total amount of rediscounts arranged during the year was approximately \$74,000,000. By April 30th, 1962 this amount had been reduced by payment of maturing bills and the average maturity length of the portfolio of the balance of some \$65,000,000 is about twenty-two months from April 30th. The outstanding portfolio consists of some \$54,000,000 bills covering exports of grain to Central Europe and some \$11,000,000 of bills representing the export of capital goods to Latin America. All bills held are covered in whole or in part (usually 85%) by policies issued by Export Credits Insurance Corporation and, in addition, bear the endorsement of a Chartered Bank.

The majority of bills held are expressed in United States dollars and to the extent that funds have been provided by the paid-up capital and financing in Canadian dollars, the exchange risk has been "hedged" in the forward exchange market. No exchange risks have, therefore, been incurred.

The short term money market has held steady during the year and has enabled us to finance with ease.

May I add my own thanks to those of the President for the excellent facilities which have been afforded to us by the Chartered Banks. The Banks would have been quite content to retain on their books a substantial part of the rediscounts offered to us and the fact that they have utilized the facilities of the Corporation for such business is an indication of their anxiety to ensure the success of the operations of the Corporation.

I would like to express my gratitude to our President, Vice-President and other Directors for their help and counsel. Their continuing interest has been a vital factor in any success we have achieved during our first full year.

H. DUKE SCOTT,
General Manager.

May 31, 1962.



HONEY PRINTING SERVICE
TORONTO