

Guardian  
Capital Group  
Limited

Annual Report  
1982





**Guardian  
Capital Group  
Limited**

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May 10, 1983

**TO THE SHAREHOLDERS**

One of the most powerful and persistent equity bull markets in history rolled on in the first quarter of 1983. Stock and bond markets almost all around the world demonstrated great strength; business in North America has clearly started to improve; inflation rates at present remain at relatively very low levels compared with those of recent years.

Guardian's results in the first quarter of this year show the effect of rising markets on the value of total assets managed. Supplementary fees are at present running behind those earned in the first quarter of last year because in certain areas of our business it is proving hard work to keep pace with the dynamic upward movement of the indices. Both investment income and depreciation and amortization have to do mainly with our investment in The Terry Fox Story, which already is into profit on the basis of contracted sales. Realized profits on sales of investments are relatively low because in a bull market good investment procedures require one to let profits run. Similar influences affect our equity in earnings of Guardian Capital International Limited.

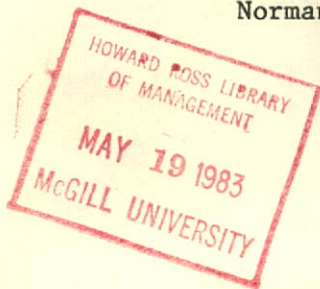
The equity bull market which began in August 1982 is only nine months old. This is quite young. While clearly values are not what they were last summer, most other relevant influences on the stock market continue to be positive. We are therefore deliberately avoiding prejudgment of the likely extent and duration of the currently strong major trend.

On behalf of the Board,

Yours sincerely,



Norman Short



**GUARDIAN CAPITAL GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF EARNINGS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 1983**

(Unaudited)

<b><u>REVENUE</u></b>	<b><u>1983</u></b>	<b><u>1982</u></b>
Management Fees - Basic	\$1,034,804	\$ 663,608
- Supplementary	111,765	338,003
Investment Income	336,180	97,693
Sales Charges (Net)	<u>8,882</u>	<u>6,543</u>
	<u>1,491,631</u>	<u>1,105,847</u>
 <b><u>EXPENSES</u></b>		
Operating Costs	737,032	672,364
Depreciation and Amortization	<u>240,808</u>	<u>80,002</u>
	<u>977,840</u>	<u>752,366</u>
Operating Profit	513,791	353,481
Profit on Sales of Investments	<u>96,455</u>	<u>273,701</u>
Earnings Before Income Taxes	<u>610,246</u>	<u>627,182</u>
Provision for Income Taxes - Current	400,542	278,979
- Deferred	<u>(116,101)</u>	<u>(37,564)</u>
	<u>284,441</u>	<u>241,415</u>
	325,805	385,767
Equity in Earnings of Other Companies	<u>49,508</u>	<u>(1,252)</u>
 <b><u>NET EARNINGS FOR THE YEAR</u></b>	 <b><u>\$ 375,313</u></b>	 <b><u>\$ 384,515</u></b>
 <b><u>NET EARNINGS PER SHARE</u></b>	 <b><u>\$0.36</u></b>	 <b><u>\$0.35</u></b>
 Average shares outstanding during the period	 <u>1,042,747</u>	 <u>1,096,941</u>

**GUARDIAN CAPITAL GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 1983**  
(Unaudited)

	<u>1983</u>	<u>1982</u>
<u>NET ASSETS AT BEGINNING OF PERIOD</u>	<u>\$13,710,706</u>	<u>\$13,535,822</u>
Increased by:		
Net earnings for the period	375,313	384,515
Decreased by:		
Acquisition of company's capital stock	<u>209</u>	<u>34,930</u>
Net increase for the period	<u>375,104</u>	<u>349,585</u>
<u>NET ASSETS AT END OF PERIOD</u>	<u>\$14,085,810</u>	<u>\$13,885,407</u>



# Guardian Capital Group Limited

## Annual Report 1982

### To the Shareholders

The year 1982 was a volatile one in the North American securities markets. The first half of the year saw mainly down-trends in evidence; these reversed in mid-summer and the last part of the year saw a forceful advance in both fixed income and equity markets in North America and in most parts of the world.

Guardian's businesses benefitted, by and large, from these trends. In the first part of the year we were quite defensive in our overall investment posture, and thus managed in most areas to avoid much decline in asset values. By mid-June, as reported at the time, we were looking for conditions to improve; when the turn came, therefore, we were relatively quick to adjust our portfolios.

During the year, as a result of portfolio performance, cash flow, and the acquisition of some new business in the U.S. and international areas, assets under management increased significantly to about \$900 million. Owned assets also rose, and at year-end 1982 were about \$13½ million or \$13.25 per share.

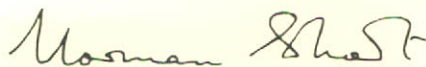
The income statement for 1982 demonstrates the effect, for a full fiscal year, of the management fee and performance bonus changes which came into effect in mid-1981. The lower basic fee narrows basic profit margins somewhat, but if above average performance is achieved, as it was in 1982, then significant performance bonuses or supplementary management fees are earned.

The income statement and the balance sheet both show the effect of the significant investment in The Terry Fox Story. Investment in films, net of amortization, rose from \$426,600 in 1981 to \$2,047,767; the film related debt rose from \$80,737 to \$1,708,775. The income statement effect in calendar 1982 was to increase depreciation and amortization, to increase deferred taxes, and to reduce current taxes. The Terry Fox Story opens on Home Box Office television in the U.S. and in a large number of Canadian theatres in May 1983; clearly we wish the film well.

The largest single item in our balance sheet, on the asset side, is "Companies - at equity". This is now one company, Guardian Capital International Limited (GCIL). In addition to a cash dividend of \$0.50 paid in April 1982, Guardian paid, in August 1982, a dividend of one share of Guardian Capital International Limited for each share of Guardian owned. As a result of this dividend transaction, about 80% of the common equity ownership of GCIL was transferred directly to Guardian's shareholders. The balance of the common equity, and the holding of GCIL's First and Second Preferred, with paid-up capital of \$7,310,000 U.S., continues to be part of Guardian's assets. We will equity account our share of GCIL's earnings, and GCIL will report regularly to its shareholders.

The gloom of the summer of 1982 has now been replaced by a state of energetic cheerfulness in investment circles. Eventually enthusiasm will be carried too far, and with it security prices. We do not believe that this point has been reached yet; indeed we think that there is a good chance that the future will unfold favourably, as many of the adverse trends and governmental actions of the 1970's are reversed in the 1980's.

On behalf of the Board,  
Yours sincerely,



Norman Short

April 20, 1983

# Guardian Capital Group Limited and Subsidiary Companies

## Financial Highlights

December 31st:	1978	1979	1980	1981	1982
Year-end shares outstanding	1,049,845	1,017,490	1,142,090	1,099,449	1,042,767
<b>Value of Fiduciary Assets Managed</b> (\$ Millions)	337.1	421.7	564.2	616.1	917.4
<b>Value of Company's Owned Assets</b> (\$ Millions)	7.7	9.8	12.4	11.7	13.8
Per share outstanding	\$ 7.30	\$ 9.61	\$ 10.85	\$ 10.66	\$ 13.25
<b>Revenues and Earnings</b>					
Gross revenues	\$2,453,551	\$2,528,250	\$3,522,912	\$4,045,247	\$5,145,564
Operating earnings	719,108	671,835	1,266,394	1,406,927	1,586,536
Net gain on investments	644,768	1,357,773	2,303,098	450,672	470,304
Earnings before tax and equity in other companies	1,363,876	2,029,608	3,569,492	1,857,599	2,056,840
Net earnings	1,219,175	1,789,221	3,003,572	1,714,478	1,397,634
Net earnings per average share outstanding	\$ 1.15	\$ 1.73	\$ 2.76	\$ 1.52	\$ 1.30
Dividends paid per share outstanding	\$ 0.30	\$ 0.50	\$ 0.70	\$ 0.50	\$ 0.62



# Consolidated Balance Sheet

as at December 31, 1982

	1982	1981
<b>Assets</b>		
Investments —		
Companies — at equity (Note 2)	\$ 7,141,535	\$ 7,333,160
Portfolio — at cost	2,369,847	2,347,922
Tax shelters —		
Films — at cost, less accumulated amortization	2,047,767	426,600
Oil and gas — at cost	110,000	82,500
Cash and short-term deposits	1,647,665	1,120,002
Receivables	1,358,928	907,219
Prepaid expenses	52,740	55,906
Fixed assets (Note 3)	337,344	282,544
Goodwill — at cost	2,759,736	2,759,736
	<b>\$17,825,562</b>	<b>\$15,315,589</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 823,696	\$ 496,093
Income taxes —		
Currently payable	280,498	227,287
Deferred	1,146,120	725,228
Deferred gains	155,767	250,422
Long-term debt (Note 4)	1,708,775	80,737
	<b>4,114,856</b>	<b>1,779,767</b>
<b>Shareholders' Equity</b>		
Capital stock (Note 5)		
Authorized —		
2,346,281 shares without par value;		
(1981 — 2,399,762 shares)		
Issued and fully paid —		
1,088,409 shares;		
(1981 — 1,141,890 shares)	5,690,052	5,969,758
Contributed surplus	210,775	467,711
Retained earnings	8,266,298	7,539,641
	<b>14,167,125</b>	<b>13,977,110</b>
Less: 45,642 shares owned by the Company		
(1981 — 42,441 shares)	456,419	441,288
	<b>13,710,706</b>	<b>13,535,822</b>
	<b>\$17,825,562</b>	<b>\$15,315,589</b>

The accompanying notes are an integral part of this financial statement.

Signed on behalf of the Board

Norman J. Short, Director  
Gurston I. Rosenfeld, Director

Guardian  
Capital Group  
Limited  
and Subsidiary  
Companies

Consolidated  
Statement  
of Earnings

for the year ended  
December 31, 1982

	1982	1981
<b>Income</b>		
Basic management fees	\$3,021,634	\$2,810,759
Supplementary management fees	1,673,659	693,357
Interest, dividends and other	450,271	541,131
	<u>5,145,564</u>	<u>4,045,247</u>
<b>Operating expenses</b>		
Expenses exclusive of undernoted items	2,985,071	2,356,693
Depreciation and amortization	501,840	281,627
Interest on long-term debt	72,117	—
	<u>3,559,028</u>	<u>2,638,320</u>
	<u>1,586,536</u>	<u>1,406,927</u>
<b>Net gain on investments</b>	470,304	450,672
	<u>2,056,840</u>	<u>1,857,599</u>
<b>Income taxes</b>		
Current	538,843	804,098
Deferred	382,628	9,443
	<u>921,471</u>	<u>813,541</u>
	<u>1,135,369</u>	<u>1,044,058</u>
<b>Equity in net earnings of other companies</b>	262,265	670,420
<b>Net earnings for the year</b>	<u>\$1,397,634</u>	<u>\$1,714,478</u>
<b>Net earnings per share</b> (Note 6)	<u>\$1.30</u>	<u>\$1.52</u>

The accompanying notes are an integral part of this financial statement.

Consolidated  
Statement  
of Retained  
Earnings

for the year ended  
December 31, 1982

	1982	1981
<b>Balance — Beginning of year</b>	\$7,539,641	\$6,396,208
Add:		
Net earnings for the year	1,397,634	1,714,478
	<u>8,937,275</u>	<u>8,110,686</u>
Deduct:		
Cash dividends	544,232	571,045
Distribution of shares of subsidiary to shareholders (Note 2)	126,745	—
	<u>670,977</u>	<u>571,045</u>
<b>Balance — End of year</b>	<u>\$8,266,298</u>	<u>\$7,539,641</u>

The accompanying notes are an integral part of this financial statement.

## Consolidated Statement of Changes in Net Assets

for the year ended  
December 31, 1982

	1982	1981
<b>Net assets — Beginning of year</b>	<b>\$13,535,822</b>	<b>\$12,835,727</b>
Increased by —		
Net earnings for the year	<b>1,397,634</b>	1,714,478
Decreased by —		
Acquisition of Company's capital stock (Note 5)	<b>551,773</b>	443,338
Cash dividends	<b>544,232</b>	571,045
Distribution of shares of subsidiary to shareholders (Note 2)	<b>126,745</b>	—
	<b>1,222,750</b>	1,014,383
	<b>174,884</b>	700,095
<b>Net assets — End of year</b>	<b>\$13,710,706</b>	<b>\$13,535,822</b>

The accompanying notes are an integral part of this financial statement.

## Consolidated Statement of Contributed Surplus

for the year ended  
December 31, 1982

	1982	1981
<b>Balance — Beginning of year</b>	<b>\$467,711</b>	<b>\$477,024</b>
Deduct:		
Loss on cancellation of Company's capital stock acquired from shareholders (Note 5)	<b>256,936</b>	9,313
<b>Balance — End of year</b>	<b>\$210,775</b>	<b>\$467,711</b>

The accompanying notes are an integral part of this financial statement.

Guardian  
Capital Group  
Limited  
and Subsidiary  
Companies

Consolidated  
Statement  
of Portfolio  
Investments

as at December 31, 1982

	Number of Shares or Units	Cost	Market Value
<b>Securities having a quoted market value</b>			
Tyndall — Guardian Wall Street Fund Ltd.	15,563	\$ 366,710	\$ 420,341
Avatar Holdings Inc. — 8% Senior Debentures due 01/10/2000	\$424,700	248,052	266,154
— Common	15,738	172,350	232,066
Lescarden Ltd.	47,000	89,809	238,234
GAC Liquidating Trust — Units of Beneficial Interest	33,869	114,416	150,866
GAC Units of Stub Interest	41,720	164,986	140,980
Tyndall — Guardian Commodity Fund Ltd.	5,284	120,050	136,482
Geocrude Energy Inc.	52,900	112,332	128,018
Institutional Networks Corporation	2,650	—	81,408
Ram Petroleums Ltd.	10,000	156,566	50,000
Oil Company of Australia	100,000	97,871	46,000
Sceptre Resources Limited	7,336	91,700	44,016
Cambridge Royalty Company — 6% convertible preferred	3,200	33,812	26,051
Geddes Resources Limited — Common	10,000	22,500	26,000
— Warrants	10,000	—	7,000
Chancellor Energy Resources Inc.	6,500	6,303	7,475
		<b>1,797,457</b>	<b>\$2,001,091</b>
<b>Securities not having a quoted market value</b>			
Magna International Inc. — 7% convertible preferred	10,000	250,000	
Barrick Petroleum Corporation 'A'	150,000	150,000	
Cooper Rosenfeld Productions Inc. (23.75%)	50	150,000	
Barrick Petroleum Corp. — Common	150	150	
Miscellaneous		22,240	
		<b>572,390</b>	
		<b>\$2,369,847</b>	

The accompanying notes are an integral part of this financial statement.

Auditors' Report  
to the  
Shareholders of  
Guardian Capital  
Group Limited

We have examined the consolidated balance sheet and the consolidated statement of portfolio investments of Guardian Capital Group Limited as at December 31, 1982 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Smith, Nixon & Co.  
Chartered Accountants

Toronto, March 7, 1983

# Notes to Consolidated Financial Statements

for the year ended  
December 31, 1982

## 1. Summary of significant accounting policies

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

### (b) Investments

Investments in companies in which the Company has significant influence are accounted for by the equity method.

Portfolio investments are carried at cost.

Films are carried at cost less accumulated amortization. They are amortized on a straight-line basis over three years, which is the estimated period during which any significant income from them can be anticipated. Oil and gas investments are carried at cost.

### (c) Fixed Assets

The majority of the furniture and equipment is depreciated on the diminishing balance method at the rate of 20% per annum.

Computer hardware and software are depreciated on the straight-line basis at 20% per annum.

Leasehold improvements are amortized on the straight-line basis over the term of the lease.

### (d) Goodwill

Goodwill which arose prior to March 31, 1974, does not, in the opinion of management, require amortization at this time.

### (e) Income Taxes

The companies have deferred to future periods the income taxes resulting from claiming deductions for tax purposes in excess of the amounts charged in the accounts.

### (f) Deferred Gains

The Company has deferred to future periods the gains on disposition of assets to companies which are carried by the equity method. The recognition of these gains is deferred until such assets are sold to third parties.

### (g) Translation of foreign currency

Accounts in foreign currencies have been translated into Canadian dollars as follows:

- (i) cash, short-term deposits and receivables at the year-end exchange rate;
- (ii) purchases and sales of investments and income and expenses at the rate of exchange prevailing on the respective dates of such transactions; and
- (iii) equity earnings at average monthly rates.

### (h) Management Fees

The companies provide management and investment advisory services to mutual funds and investors on a contract basis in consideration for management fees.

Under some contracts the companies are entitled to earn supplementary fees if the managed portfolio outperforms certain stock market averages.

## 2. Investments

Investments in companies accounted for by the equity method are:

	1982	1981
Guardian Capital International Limited — shares		
First preferred — (100%)	\$6,197,000	\$ —
Second preferred — (100%)	607,721	—
Common — (22.26%; 1981 — 100%)	336,814	—
Tyndall-Guardian Management Limited — shares	—	1,510,171
Guardian-Ermitage Investments Limited — shares	—	1,462,511
— notes receivable	—	4,360,478
	<b>\$7,141,535</b>	<b>\$7,333,160</b>

# Guardian Capital Group Limited and Subsidiary Companies

## Notes to Consolidated Financial Statements

for the year ended  
December 31, 1982

During the year, the Company distributed 1,088,409 common shares (77.74%) of Guardian Capital International Limited (GCIL), a subsidiary, to its shareholders. The shares were distributed on the basis of one GCIL share for each Guardian Capital Group Limited common share held. The cost, which approximates fair market value of the GCIL shares in the amount of \$126,745 has been charged to retained earnings. The Company now carries its investment in GCIL by the equity method. GCIL continues to carry its 50% investment in Tyndall-Guardian Management Limited and Guardian-Ermitage Investments Limited at equity.

### 3. Fixed Assets

	1982		1981	
	Cost	Accumulated Depreciation and Amortization	Net	Net
Computer hardware and software	\$229,098	\$ 48,250	\$180,848	\$139,099
Furniture and equipment	310,485	174,059	136,426	130,080
Leasehold improvements	106,411	86,341	20,070	13,365
	\$645,994	\$308,650	\$337,344	\$282,544

### 4. Long-term debt

	Outstanding at December 31,	
	1982	1981
— 15% note payable	\$1,640,000	\$ —
— 14.25% note payable	23,984	23,984
— interest-free notes payable	44,791	56,753
	\$1,708,775	\$ 80,737

These notes payable are secured by film investments.

### 5. Capital stock

- During the year the Company acquired 56,682 of its own shares for \$551,773 cash and cancelled 53,481 shares, of which 42,441 had been acquired in 1981. Such cancellation, which reduced the number of authorized and issued shares accordingly, gave rise to a loss of \$256,936 which was charged to contributed surplus. The 45,642 shares held at December 31, 1982 have been cancelled subsequent to the year-end.
- As at December 31, 1982, 40,456 share purchase warrants were outstanding. Each warrant entitled the holder thereof to purchase one share of the Company at \$8.00 per share on or before December 31, 1983.

### 6. Earnings per share

The earnings per share calculations are based on the weighted average number of shares outstanding during the year. Fully diluted earnings per share are not materially different from basic earnings per share.

### 7. Long-term lease commitment

The minimum annual rental under a lease agreement for premises which terminates on December 31, 1986 is approximately \$69,000.

### 8. Statutory information

The aggregate remuneration of directors and senior officers for the year ended December 31, 1982 was \$1,099,897 (1981 — \$797,239).

# Notes to Consolidated Financial Statements

for the year ended December 31, 1982

## 9. Business segments

Operations and identifiable assets by industry segment for the year ended December 31, 1982 are as follows:

	1982			1981		
	Management Services	Investment Activity	Consolidated	Management Services	Investment Activity	Consolidated
<b>Income</b>	<b>\$4,695,293</b>	<b>\$450,271</b>	<b>\$ 5,145,564</b>	<b>\$3,504,116</b>	<b>\$541,131</b>	<b>\$ 4,045,247</b>
Net gain on investments	—	470,304	470,304	—	450,672	450,672
	<b>4,695,293</b>	<b>920,575</b>	<b>5,615,868</b>	<b>3,504,116</b>	<b>991,803</b>	<b>4,495,919</b>
<b>Operating Expenses</b>						
Expenses	2,856,123	35,643	2,891,766	2,199,896	81,026	2,280,922
Depreciation and amortization	73,006	428,834	501,840	23,627	258,000	281,627
Interest on long-term debt	—	72,117	72,117	—	—	—
	<b>2,929,129</b>	<b>536,594</b>	<b>3,465,723</b>	<b>2,223,523</b>	<b>339,026</b>	<b>2,562,549</b>
<b>Segment operating profit</b>	<b>\$1,766,164</b>	<b>\$383,981</b>	<b>2,150,145</b>	<b>\$1,280,593</b>	<b>\$652,777</b>	<b>1,933,370</b>
General corporate expenses			93,305			75,771
			<b>2,056,840</b>			<b>1,857,599</b>
Income taxes			921,471			813,541
			<b>1,135,369</b>			<b>1,044,058</b>
Equity in net earnings of other companies			262,265			670,420
<b>Net earnings for the year</b>			<b>\$ 1,397,634</b>			<b>\$ 1,714,478</b>
<b>Identifiable assets:</b>						
Management services			\$ 4,345,357			\$ 4,033,877
Investment activity			6,251,806			3,872,123
Corporate			86,864			76,429
Equity investments			7,141,535			7,333,160
			<b>\$17,825,562</b>			<b>\$15,315,589</b>

# Guardian Capital Group Limited

48 Yonge Street, Toronto, Ontario M5E 1H3

## **Officers and Directors**

John Bak, *Director*  
John Christodoulou, *Director*  
James F. Cole, *Director*  
William Filipiuk, *Director*  
Paul B. Helliwell, *Director*  
Robert L. Miller, *Director*  
Brian Pepperall, *Director*  
Gurston Rosenfeld, *Vice-President & Director*  
Norman J. Short, *President & Director*  
Bernice Wade, *Director*  
Donald C. Webster, *Director*  
Roger D. Wilson, *Director*  
C. Verner Christensen, *Secretary-Treasurer*  
Elinor Crighton, *Assistant Secretary*

## **Registrar and Transfer Agent**

The Canada Trust Company  
110 Yonge Street, Toronto, Ontario

## **Banker and Custodian of Securities**

The Canadian Imperial Bank of Commerce  
7 King Street East, Toronto, Ontario

## **Auditors**

Smith, Nixon & Co.  
372 Bay Street, Toronto, Ontario

## **Legal Counsel**

Day, Wilson, Campbell  
33 Yonge Street, Toronto, Ontario