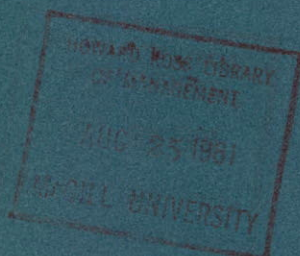


Guardian
Capital Group
Limited

Annual Report
1980



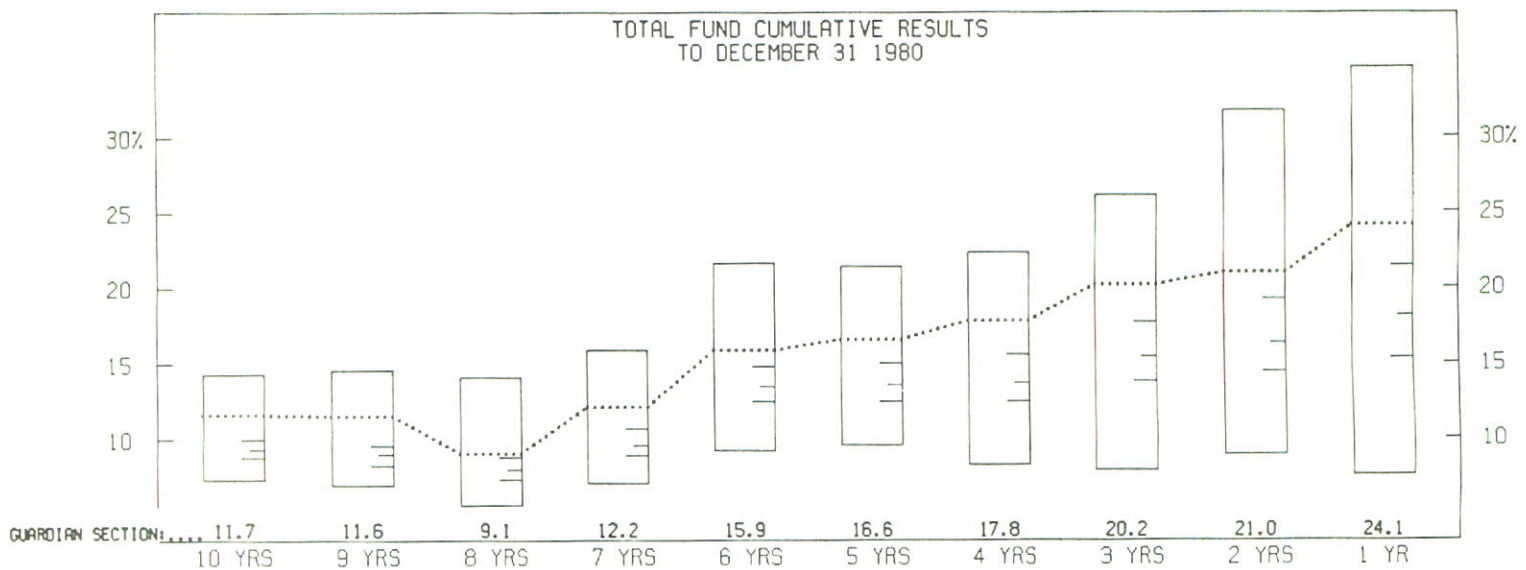
To the Shareholders

The year 1980 was a record one for Guardian in nearly all aspects of our business. The value of clients' assets under management increased substantially and reached a new high level at year-end of more than \$560 million. This growth in the value of assets managed arose out of portfolio performance, and from a substantial net cash inflow into clients' accounts. (A normal pension fund in a growing company increases about 10% per annum from net new cash inflow, quite apart from any return on portfolio assets).

In performance terms also we had a good year both absolutely and relatively. In absolute terms equity funds were, of course, greatly aided by the bullish trends of the stock markets. In relative terms we had a successful

year, as measured by independent third parties such as Wood Gundy Performance Measurement (for pension fund portfolios) and by the Financial Times (for equity and fixed income mutual funds).

Our pension fund results were greatly helped by our heavy proportionate concentration of assets in equities, and by our relative avoidance of bonds. A typical Wood Gundy chart of total fund cumulative performance is reproduced below. These charts and the numbers which go to make them up are the meat and drink of actuaries, pension fund consultants and pension fund trustees. While seeming to be somewhat obscure, they are in fact (when one is used to them) most revealing of what was done, and how it was done.



Our equity funds also did well both relatively and absolutely. The statistics for one year returns are tabulated below.

Guardian Growth Fund Limited	+39.6%
Guardian North American Fund	+35.1%
Grouped Income Shares Limited	+37.4%
Mutual Accumulating Fund	+34.8%
Guardian Enterprise Fund of Canada	+38.0%
The Guardian World Equity Fund	+61.1%

In the fixed income area our small but excellent Guardian Security Income Fund had a return of 12.1%. Pure bond portfolios last year had a total return, including income, of 2.5%.

In the "owned assets" department, perusal of the balance sheet will demonstrate that a shift in emphasis occurred during the year. In recent years, the company's owned assets have grown significantly. During the course of 1980, an opportunity arose to take a portion of these assets and with them enter into a joint venture with two European based groups. The objectives of this new joint venture are three-fold. In the first place, we hope that the company's return on assets will be improved in comparison with the effective return we would have achieved on our own; secondly, the augmentation of total assets that occurs as a result of the joint venture adds further activity and revenue to our long-standing partnership with the Tyndall Group of the UK; finally, we hope that good results achieved by this new activity will draw the attention of substantial European and other clients who could become clients of Guardian in the future in one way or another. The trend of money from all parts of the world towards Canada and the U.S. is well underway and is likely to grow further. We regard this sort of substantial private client

business as an excellent counterpart to our existing pension fund and mutual fund businesses, and we wish to develop it further as opportunity permits.

The money shown as invested in "Companies — at equity" is all indirectly invested in liquid marketable securities or in short-term paper. The smaller portion of assets shown in the balance sheet as "Portfolio — at cost" is at present proportionately somewhat less liquid than it was last year. Several components of the list of "Securities not having a quoted market value" are expected, however, to develop both a quoted value and significant liquidity within the next twelve months or less. In a volatile and rather unpredictable world we value liquidity no less than we have done — but we also recognize the strong underlying up-trend in force in North American equity markets, and the need to maintain our participation in it.

On behalf of the Board,
Yours sincerely,



Norman Short

April 29, 1981

Financial Highlights

December 31st:	1976	1977	1978	1979	1980
Year-end shares outstanding	1,123,662	1,070,490	1,049,845	1,017,490	1,142,090
Value of Fiduciary Assets Managed (\$ Millions)	199.6	226.4	337.1	421.7	564.2
Value of Company's Owned Assets (\$ Millions)	5.3	6.4	7.7	9.8	12.4
Per share outstanding	\$ 4.72	\$ 5.98	\$ 7.30	\$ 9.61	\$ 10.85
Revenues and Earnings					
Gross revenues	\$1,790,475	\$1,988,420	\$2,453,551	\$2,528,250	\$3,522,912
Operating earnings	511,480	482,858	719,108	671,835	1,266,394
Net gain on investments	45,662	440,492	644,768	1,357,773	2,303,098
Earnings before tax and equity in other companies	557,142	923,350	1,363,876	2,029,608	3,569,492
Net earnings	331,568	681,430	1,219,175	1,789,221	3,003,572
Net earnings per average Guardian share outstanding	\$ 0.27	\$ 0.61	\$ 1.15	\$ 1.73	\$ 2.76

Guardian
Capital Group
Limited
and Subsidiary
Companies

Consolidated
Balance Sheet

as at December 31, 1980

	1980	1979
Assets		
Investments —		
Companies — at equity (Note 2)	\$ 6,933,902	\$ 1,627,638
Portfolio — at cost	2,319,660	4,382,668
Tax shelters —		
Films — at cost, less accumulated amortization	712,600	186,900
Oil and gas — at cost	317,500	150,000
Cash and short-term deposits	1,038,027	853,162
Receivables	907,611	632,378
Prepaid expenses	31,817	40,717
Fixed assets (Note 3)	137,805	135,056
Goodwill — at cost	2,759,736	2,759,736
	\$15,158,658	\$10,768,255
Liabilities		
Accounts payable and accrued liabilities	\$ 514,235	\$ 441,345
Income taxes —		
Currently payable	248,460	130,842
Deferred	715,785	193,785
Deferred gain (Note 2)	574,105	—
Long-term debt (Note 4)	270,346	63,793
	2,322,931	829,765
Shareholders' Equity		
Capital stock (Note 5)		
Authorized —		
2,402,262 shares without par value		
(1979 — 2,429,422 shares)		
Issued and fully paid —		
1,144,390 shares		
(1979 — 1,035,950 shares)	5,982,833	4,815,277
Contributed surplus	477,024	584,502
Retained earnings	6,396,208	4,689,534
	12,856,065	10,089,313
Less: 2,300 shares owned by the Company		
(1979 — 18,460 shares)	20,338	150,823
	12,835,727	9,938,490
	\$15,158,658	\$10,768,255

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, 1980

	1980	1979
Income		
Basic management fees	\$2,584,464	\$2,027,750
Supplementary management fees	555,985	256,231
Interest, dividends and other	382,463	244,269
	3,522,912	2,528,250
Operating expenses		
Expenses exclusive of undernoted item	2,093,304	1,748,483
Depreciation and amortization	163,214	107,932
	2,256,518	1,856,415
	1,266,394	671,835
Net gain on investments	2,303,098	1,357,773
	3,569,492	2,029,608
Income taxes		
Current	694,448	499,569
Deferred	522,000	112,085
	1,216,448	611,654
	2,353,044	1,417,954
Equity in net earnings of other companies	650,528	231,567
Net earnings before extraordinary item	3,003,572	1,649,521
Extraordinary item		
Reduction in current income taxes upon application of subsidiary's loss carry-forward	—	139,700
Net earnings for the year (Note 6)	\$3,003,572	\$1,789,221

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

Consolidated
Statement
of Retained
Earnings

for the year ended
December 31, 1980

	1980	1979
Balance — Beginning of year	\$4,689,534	\$3,518,308
Add:		
Net earnings for the year	3,003,572	1,789,221
	7,693,106	5,307,529
Deduct:		
Dividends	706,153	517,976
Acquisition of subsidiary's capital stock issued upon exercise of purchase warrants (Note 5a)	590,745	—
Cancellation of subsidiary's share purchase warrants	—	100,019
	1,296,898	617,995
Balance — End of year	\$6,396,208	\$4,689,534

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

Consolidated Statement of Changes in Net Assets

for the year ended
December 31, 1980

	1980	1979
Net assets — Beginning of year	\$9,938,490	\$9,019,353
Increased by—		
Net earnings for the year	3,003,572	1,789,221
Proceeds from exercise of subsidiary's share purchase warrants (Note 5a) —		
Company's capital stock issued	\$1,293,840	
Less: Amount charged to contributed surplus and retained earnings related thereto	591,870	701,970
	3,705,542	1,789,221
Decreased by —		
Acquisition of Company's capital stock (Note 5b)	102,152	251,834
Dividends	706,153	517,976
Purchase of subsidiary's share purchase warrants	—	100,274
	808,305	870,084
	2,897,237	919,137
Net assets — End of year	\$12,835,727	\$9,938,490

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

Consolidated Statement of Contributed Surplus

for the year ended
December 31, 1980

	1980	1979
Balance — Beginning of year	\$584,502	\$624,297
Deduct:		
Loss on cancellation of Company's capital stock acquired from shareholders (Note 5b)	106,353	39,540
Cancellation of subsidiary's share purchase warrants	—	255
Exercise of share purchase warrants in subsidiary (Note 5a)	1,125	—
	107,478	39,795
Balance — End of year	\$477,024	\$584,502

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, 1980

	Number of Shares or Units	Cost	Market Value
Securities having a quoted market value			
Cultus Pacific N.L. — common	400,000	\$ 108,628	\$ 480,000
Cultus Pacific N.L. — options	62,500	—	40,000
I.U. International Corp.	15,000	360,428	313,373
Chancellor Energy Resources Inc.	40,000	38,789	245,000
Orion Petroleum Company	45,000	38,038	184,500
Chum Ltd. — 'B'	10,200	115,459	153,000
Pan-Canada Resources Ltd. — 'A'	15,000	105,373	135,000
Ram Petroleums Ltd.	6,000	139,071	111,000
Tyndall-Guardian Investments Ltd. — 'B'	5,277	97,500	97,500
Pan Continental Petroleum Ltd. — common	51,000	17,564	55,590
Pan Continental Petroleum Ltd. — options	25,500	351	20,145
Global Communications Ltd.	1,000	39,976	32,000
		1,061,177	\$1,867,108
Securities not having a quoted market value			
Hadrian Associates	1	573,900	
Magna International Inc. — preferred	10,000	250,000	
Cooper Rosenfeld Productions Inc.	50	150,000	
Continental Home Theatre Inc.	1,000	116,028	
BRG Resources Inc. — 'A'	75,150	75,150	
Lescarden Ltd.	40,000	58,237	
Argosy Gold Mines N.L. — common	14,000	5,043	
Argosy Gold Mines N.L. — options	7,000	—	
Almark Resources Ltd.	12,231	—	
Miscellaneous		30,125	
		1,258,483	
		\$2,319,660	

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, 1980 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, 1980 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, April 8, 1981

Notes to Consolidated Financial Statements

for the year ended
December 31, 1980

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.

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) 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 the average rate for the year.

(g) 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:

	1980	1979
Tyndall-Guardian Management Limited —shares — (50.0%)	\$1,136,283	\$1,627,638
Guardian-Ermitage Investments Limited —shares — (41.67%)	1,437,141	—
—notes receivable	4,360,478	—
	\$6,933,902	\$1,627,638

During the year the Company acquired a 41.67% interest in Guardian-Ermitage Investments Limited (GEIL). A subsidiary company sold portfolio investments to GEIL. Since GEIL is accounted for by the equity method the gain on this sale has been deferred until these investments are sold to third parties. As at December 31, 1980 the deferred gain is \$574,105.

The notes receivable from GEIL are interest free and are due when the outstanding shares are redeemed.

Guardian
Capital Group
Limited
and Subsidiary
Companies

Notes to
Consolidated
Financial
Statements

for the year ended
December 31, 1980

3. Fixed Assets

	1980	1979
Furniture and equipment — at cost	\$264,719	\$241,194
Leasehold improvements — at cost	85,102	85,102
	349,821	326,296
Accumulated depreciation and amortization	212,016	191,240
	\$137,805	\$135,056

4. Long-term debt

	Outstanding at December 31,	
	1980	1979
— 14.25% note payable	\$208,731	—
— interest-free notes payable	61,615	\$63,793
	\$270,346	\$63,793

These notes payable are secured by film investments.

5. Capital stock

- (a) During the year, the Company issued 135,600 shares having an aggregate value of \$1,293,840 to acquire an additional 4,500 preference shares in a wholly-owned subsidiary. Such preference shares, of which 3,000 were held by Directors, had been issued by the subsidiary to warrant holders for cash consideration of \$701,970. An amount of \$1,125, representing the original proceeds from issue of such warrants was charged to contributed surplus. The excess of the value of the shares issued over the consideration received upon the exercise of the warrants, amounting to \$590,745, was charged to retained earnings.
- (b) The Company also acquired 11,000 of its own shares for \$102,152 cash and cancelled 27,160 shares, of which 18,460 had been acquired in 1979. Such cancellation, which reduced the number of authorized and issued shares accordingly, gave rise to a loss of \$106,353 which was charged to contributed surplus. The 2,300 shares held at December 31, 1980 have been cancelled subsequent to the year-end.
- (c) As at December 31, 1980, 40,416 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

	Basic		Fully Diluted	
	1980	1979	1980	1979
Net earnings before extraordinary item	\$2.76	\$1.60	\$2.73	\$1.50
Extraordinary item	—	.13	—	.11
Net earnings for the year	\$2.76	\$1.73	\$2.73	\$1.61

The earnings per share calculations are based on the weighted average number of shares outstanding during the year. Fully diluted earnings per share have been calculated on the assumption that the share purchase warrants, as described in Note 5(c), were exercised on January 1, 1980 and the proceeds invested at the same rates of return after taxes as those earned on actual shareholders' equity, 23.4% in 1980 and 16.6% in 1979, resulting in imputed earnings of \$75,660 in 1980 and \$160,704 in 1979.

Notes to Consolidated Financial Statements

for the year ended December 31, 1980

7. Business segments

Operations and identifiable assets by industry segment for the year ended December 31, 1980 are as follows:

	Management Services	Investment Activity	Consolidated
Income	\$3,140,449	\$ 382,463	\$3,522,912
Net gain on investments	—	2,303,098	2,303,098
	3,140,449	2,685,561	5,826,010
Operating expenses			
Expenses exclusive of undernoted item	1,958,553	63,247	2,021,800
Depreciation and amortization	20,778	142,436	163,214
	1,979,331	205,683	2,185,014
Segment operating profit	\$1,161,118	\$2,479,878	3,640,996
General corporate expenses			71,504
			3,569,492
Income taxes			1,216,448
			2,353,044
Equity in net earnings of other companies			650,528
Net earnings for the year			\$3,003,572
Identifiable assets:			
Management services			\$ 3,784,258
Investment activity			4,316,742
Corporate			123,756
Equity investments			6,933,902
			\$15,158,658

8. Long-term lease commitment

The minimum annual rental under a lease agreement for premises which terminates on August 31, 1982 is approximately \$57,000.

9. Statutory information

The aggregate remuneration of directors and senior officers for the year ended December 31, 1980 was \$531,312 (1979 — \$592,786).

10. Comparative figures

Certain comparative figures have been reclassified in order to conform with the current year's presentation. Net earnings have not been affected by such reclassification.

Guardian Capital Group Limited

48 Yonge Street, Toronto, Ontario M5E 1H3

Officers and Directors

John Bak, *Director*
James F. Cole, *Director*
A. George Dragone, *Director*
William Filipiuk, *Director*
Paul B. Helliwell, *Director*
Robert L. Miller, *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
250 University Avenue, Toronto, Ontario