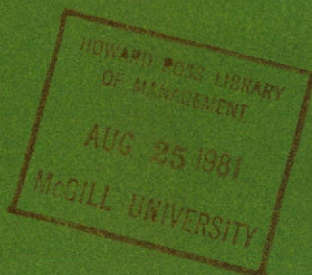


Guardian
Capital Group
Limited

Annual Report
1979



Financial Highlights

December 31st:	1975	1976	1977	1978	1979
Year-end shares outstanding	1,379,628	1,123,662	1,070,490	1,049,845	1,017,490
Value of Fiduciary Assets Managed (\$ Millions)	187.5	199.6	226.4	337.1	421.7
Value of Company's Owned Assets (\$ Millions)	6.2	5.3	6.4	7.7	9.8
Per share outstanding	\$ 4.50	\$ 4.72	\$ 5.98	\$ 7.30	\$ 9.61
Revenues and Earnings					
Gross revenues	\$1,704,897	\$1,790,475	\$1,988,420	\$2,453,551	\$2,528,250
Operating earnings	428,936	511,480	482,858	719,108	671,835
Net gain (loss) on investments	(102,472)	45,662	440,492	644,768	1,357,773
Earnings before tax and equity in 50% owned company	326,464	557,142	923,350	1,363,876	2,029,608
Net earnings	61,446	331,568	681,430	1,219,175	1,789,221
Net earnings per average Guardian share outstanding	\$ 0.04	\$ 0.27	\$ 0.61	\$ 1.15	\$ 1.73

To the Shareholders

The year 1979 proved in the end to be a reasonably good one for Guardian. Total assets managed increased from \$337 million to \$421 million, mainly as a result of increased portfolio values and as a result of cash flow into existing client accounts. Our geographically unrestricted portfolios earned a significant portion of their potential performance bonuses as a result both of security selection and of some intermediate term timing involving the raising and spending of cash. Pension Fund portfolios produced competitive total fund returns as a result primarily of asset mix decisions — we emphasised equities and de-emphasised long term bonds. The value of the company's own assets increased from \$7.7 to \$9.8 million. Portfolio re-arrangements arising out of fundamental decisions resulted in net realized gains of \$1.3 million.

Our current dividend payment formula indicated a dividend of \$0.70 per share, based on these 1979 results. This dividend was duly paid in April, 1980.

The world continues to be very volatile — financially, politically and militarily. If anything, predictability decreases and volatility increases. In this environment, we continue to emphasise liquidity of portfolio holdings, so that we can change our minds if we want to; we emphasise investment in those areas most likely to benefit from future trends as we see them, and we continue to try to lean against the wind, buying when others are depressed, and tending to sell when the sun shines.

On behalf of the Board,
Yours sincerely,

Norman Short

May 2, 1980

Guardian
Capital Group
Limited
and Subsidiary
Companies

Consolidated
Balance Sheet

as at December 31, 1979

	1979	1978
Assets		
Investments —		
Portfolio investments — at cost	\$ 4,532,668	\$4,676,727
50% owned company — at equity	1,627,638	235,473
Cash and short-term deposits	853,162	834,643
Receivables	632,378	759,320
Prepaid expenses	40,717	58,883
Fixed assets (Notes 2 and 3)	321,956	284,385
Goodwill — at cost	2,759,736	2,759,736
	\$10,768,255	\$9,609,167
Liabilities		
Accounts payable and accrued liabilities	\$ 441,345	\$ 316,810
Income taxes —		
Currently payable	130,842	129,208
Deferred	193,785	81,700
Long-term debt (Note 3)	63,793	62,096
	829,765	589,814
Shareholders' Equity		
Capital stock (Notes 4 and 5)		
Authorized —		
2,429,422 shares without par value		
(1978 - 2,444,872 shares)		
Issued and fully paid —		
1,035,950 shares	4,815,277	4,887,121
(1978 - 1,051,400 shares)		
Contributed surplus	584,502	624,297
Retained earnings	4,689,534	3,518,308
	10,089,313	9,029,726
Less: 18,460 shares owned by the Company		
(1978 - 1,555 shares)	150,823	10,373
	9,938,490	9,019,353
	\$10,768,255	\$9,609,167

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, 1979

	1979	1978
Income		
Basic management fees	\$2,027,750	\$1,652,155
Supplementary management fees	256,231	399,777
Revenue from video tapes	23,582	69,412
Interest, dividends and other	220,687	332,207
	2,528,250	2,453,551
Operating expenses		
Expenses exclusive of undernoted item	1,748,483	1,611,594
Depreciation and amortization	107,932	122,849
	1,856,415	1,734,443
	671,835	719,108
Net gain on investments	1,357,773	644,768
	2,029,608	1,363,876
Income taxes		
Current	499,569	487,982
Deferred	112,085	(74,350)
	611,654	413,632
	1,417,954	950,244
Equity in net earnings of 50% owned company	231,567	102,279
Net earnings before extraordinary item	1,649,521	1,052,523
Extraordinary item		
Reduction in current income taxes upon application of subsidiary's loss carry-forward	139,700	166,652
Net earnings for the year (Note 6)	\$1,789,221	\$1,219,175

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

Consolidated
Statement
of Retained
Earnings

for the year ended
December 31, 1979

	1979	1978
Balance — Beginning of year	\$3,518,308	\$2,636,671
Add:		
Net earnings for the year	1,789,221	1,219,175
	5,307,529	3,855,846
Deduct:		
Dividends	517,976	319,238
Cancellation of subsidiary's share purchase warrants (Note 5)	100,019	—
Tax paid to create undistributed surplus	—	18,300
	617,995	337,538
Balance — End of year	\$4,689,534	\$3,518,308

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

Consolidated Statement of Changes in Net Assets

for the year ended
December 31, 1979

	1979	1978
Net assets — Beginning of year	\$9,019,353	\$8,273,117
Increased by —		
Net earnings for the year	1,789,221	1,219,175
Decreased by —		
Acquisition of Company's capital stock (Note 4)	251,834	131,458
Acquisition of subsidiary's capital stock from minority interest	—	3,943
Dividends	517,976	319,238
Purchase of subsidiary's share purchase warrants (Note 5)	100,274	—
Tax paid to create undistributed surplus	—	18,300
	870,084	472,939
	919,137	746,236
Net assets — End of year	\$9,938,490	\$9,019,353

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

Consolidated Statement of Contributed Surplus

for the year ended
December 31, 1979

	1979	1978
Balance — Beginning of year	\$624,297	\$634,480
Loss on cancellation of Company's capital stock acquired from Shareholders (Note 4)	39,540	10,183
Cancellation of subsidiary's share purchase warrants (Note 5)	255	—
Balance — End of year	\$584,502	\$624,297

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

Consolidated
Statement
of Portfolio
Investments

as at December 31, 1979

	1979			1978		
	Number of Shares or Par Value	Cost	Market Value	Number of Shares or Par Value	Cost	Market Value
Gold						
Certificates — ounces	650	\$ 302,770	\$ 402,652	1,400	\$ 294,739	\$ 376,081
Funds						
M.H. International Fund	20,000	112,109	151,191	30,000	336,330	345,482
Tyndall-Guardian Commodity Fund Ltd.	5,272	56,894	75,065	5,272	56,894	69,435
Tyndall-Guardian Eurobond Fund Ltd.	—	—	—	25,000	278,391	321,406
Tyndall-Guardian Investments Ltd. — 'A'	25,000	227,209	394,894	25,000	227,209	303,913
		396,212	621,150		898,824	1,040,236
Energy						
Canadian Occidental Petroleum Ltd.	32,400	245,664	449,550	20,000	383,307	380,000
Canadian Reserve Oil and Gas	6,000	139,802	144,000	—	—	—
Chancellor Energy Resources	59,917	59,606	366,985	68,917	52,925	151,617
Coastal States Gas Corporation	4,000	115,419	163,907	—	—	—
Dynamar Energy Ltd.	—	—	—	60,000	97,677	88,800
McCulloch Oil	18,000	151,472	230,987	—	—	—
Mobil Oil Corp.	5,000	313,534	322,273	—	—	—
Pacific Petroleum Ltd.	—	—	—	2,000	92,108	123,750
Poco Petroleum Company	37,500	114,800	126,563	—	—	—
Power Corporation of Canada Ltd. — 'A'	—	—	—	10,000	172,732	240,000
Ram Petroleums Ltd.	—	—	—	8,000	120,140	72,000
Sundance Oil	—	—	—	17,000	234,963	335,193
Trinity Resources	40,000	92,730	390,000	90,000	208,644	450,000
		1,233,027	2,194,265		1,362,496	1,841,360
Metals						
Cultus Pacific — common	312,500	47,068	125,000	300,000	31,998	123,000
Cultus Pacific — options	125,000	1,632	20,000	—	—	—
Lacana Mining Corp.	—	—	—	18,000	145,895	108,000
Pancontinental Mining — common	20,000	116,650	157,800	16,300	190,140	218,257
Pancontinental Mining — rights	10,000	—	64,700	—	—	—
		165,350	367,500		368,033	449,257
Balance carried forward		\$2,097,359	\$3,585,567		\$2,924,092	\$3,706,934

	1979			1978		
	Number of Shares or Par Value	Cost	Market Value	Number of Shares or Par Value	Cost	Market Value
Balance brought forward		\$2,097,359	\$3,585,567		\$2,924,092	\$3,706,934
Technology						
Bowne and Company	5,250	123,044	140,867	—	—	—
CPT Corporation	7,500	114,468	229,674	—	—	—
Esterline Corporation	10,000	333,565	387,895	—	—	—
Farinon Corporation	11,000	131,825	314,399	50,000	599,203	689,363
International Business Machines	—	—	—	900	292,408	318,219
John Fluke Manufacturing	6,000	131,882	150,491	—	—	—
J. Harris & Sons — 'A'	—	—	—	10,100	59,978	71,963
Management Assistance Inc.	4,000	40,975	86,912	14,000	130,237	298,872
Sun Electric Corporation	—	—	—	4,000	106,274	106,740
Wallace Business Forms	5,000	163,464	167,699	—	—	—
		1,039,223	1,477,937		1,188,100	1,485,157
Other						
Employee Benefits, Inc.	—	—	—	2,000	67,396	48,330
Global Communications — units	1,000	39,976	35,000	1,000	39,976	40,000
Hadrian Associates — unit	1	573,900	573,900*	—	—	—
Magna International — 'A'	17,000	81,618	182,750	24,375	117,026	390,000
Magna International — preferred	10,000	250,000	250,000*	—	—	—
Montreal Trust Company	—	—	—	3,000	67,433	58,875
National Medical Enterprises — 'A'	8,000	34,569	260,152	10,000	64,817	280,193
Revenue Properties	—	—	—	20,300	30,771	29,232
Tele-Metropole — 'B'	6,000	120,007	123,000	—	—	—
Miscellaneous	—	296,016	296,016*	—	177,116	177,116*
		1,396,086	1,720,818		564,535	1,023,746
		\$4,532,668	\$6,784,322		\$4,676,727	\$6,215,837

*Unquoted investments are shown at fair market value as determined by the Company.

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, 1979 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, 1979 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 19, 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) 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.

Revenue-producing video tapes are amortized on a straight-line basis over three years, which is the estimated period during which any significant income from the tapes can be anticipated.

(c) Goodwill

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

(d) 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.

(e) 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.

The income from fees is recognized in the accounts on a time basis over the periods of the contracts.

(f) Foreign Exchange

Purchases and sales of foreign investments and income and expenses have been converted to Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.

2. Fixed assets

	1979	1978
Furniture and equipment — at cost	\$241,194	\$232,354
Leasehold improvements — at cost	85,102	82,839
Revenue-producing video tapes — at cost	464,822	330,423
	791,118	645,616
Accumulated depreciation and amortization	469,162	361,231
	\$321,956	\$284,385

3. Long-term debt

	Outstanding at December 31,	
	1979	1978
Interest free notes payable — secured by revenue-producing video tapes	\$ 63,793	\$ 62,096

4. Capital stock

During 1979, the Company acquired 32,355 of its own shares for \$251,834 cash and also cancelled 15,450 shares, of which 1,555 had been acquired in 1978. Such cancellation, which reduced the number of authorized and issued shares accordingly, gave rise to a loss of \$39,540 which was charged to contributed surplus. The 18,460 shares held at December 31, 1979 have been cancelled subsequent to the year end.

5. Share purchase warrants

As at December 31, 1979, 40,416 share purchase warrants were outstanding. Each warrant entitled the holders thereof to purchase one share of the Company at \$8.00 per share on or before December 31, 1983.

In addition, at December 31, 1979, 4,500 share purchase warrants were outstanding in a subsidiary company which entitled the holders thereof to acquire participating preference shares of that subsidiary. It was agreed with the warrant holders that any preference shares so issued would be purchased by the Company or its subsidiary at a price equivalent to the market value (as determined by the Directors) of the shares acquired. The consideration to be paid would, at the option of the Company, be either cash or shares in its own capital stock having an equivalent market value.

During the year, the subsidiary company purchased for cancellation 1,020 of such warrants for cash consideration of \$100,274. An amount of \$255, representing the original proceeds from issue of such warrants, was charged to contributed surplus and the excess \$100,019 was charged to retained earnings.

6. Earnings per share

	Basic		Fully Diluted	
	1979	1978	1979	1978
Net earnings before extraordinary item	\$1.60	\$.99	\$1.50	\$.92
Extraordinary item	.13	.16	.11	.14
Net earnings for the year	\$1.73	\$1.15	\$1.61	\$1.06

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 are exercised and capital stock of the Company is issued, as described in Note 5, and the proceeds invested at the same rates of return after taxes as those earned on actual shareholders' equity, 16.6% in 1979 and 13.5% in 1978, resulting in imputed earnings of \$160,704 in 1979 and \$141,205 in 1978.

7. Long-term lease commitment

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

8. Statutory information

The aggregate remuneration of directors and senior officers for the year ended December 31, 1979 was \$592,786 (1978 — \$598,840).

9. 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

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*
Hunter E. Thompson, *Vice President & 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