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THE *Investors* GROUP
43rd ANNUAL REPORT 1983

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THE *Investors* GROUP

Incorporated under the laws of the Province of Manitoba

The Investors Group is a financial services holding company. Through its principal operating companies it provides a broad range of financial services to individuals and corporations. Investors Syndicate Limited, Investors Securities Management Ltd., Investors Group Trust Co. Ltd. and Investors Syndicate Realty Limited offer a wide choice of investment contracts, mutual funds, registered retirement savings plans, pension services and mortgage facilities. The Great-West Life Assurance Company and Montreal Trustco Inc. offer respectively a full line of individual and group life insurance products and a complete range of personal and corporate trust services.

Principal Operating Companies

Investors Syndicate Limited
Les Services Investors Limitée
Investors Securities Management Ltd.
Investors Syndicate Realty Limited
Investors Group Trust Co. Ltd.
The Great-West Life Assurance Company
(96.2% owned)
Montreal Trustco Inc. (40.4% owned)

Head Office

280 Broadway,
Winnipeg, Manitoba
R3C 3B6

Auditors

Touche Ross & Co.

Transfer Agent

Montreal Trust Company
Vancouver, Calgary, Regina,
Winnipeg, Toronto, Montreal

Listing of Stock

The Toronto Stock Exchange
The Montreal Stock Exchange
The Winnipeg Stock Exchange

Mutual Funds

Investors Mutual of Canada Ltd.
Investors Growth Fund of Canada Ltd.
Investors International Mutual Fund Ltd.
Investors Dividend Fund Ltd.
Provident Stock Fund Ltd.
Investors Japanese Growth Fund Ltd.
Investors Retirement Mutual Fund
Investors Mortgage Fund
Investors Bond Fund
Investors Indexed Stock Fund
Investors Real Property Fund

BOARD OF DIRECTORS

**Douglas A. Berlis, Q.C.	<i>Senior Partner, Messrs. Aird & Berlis</i>
A. Garnet Brown	<i>President, A.G. Brown and Son Limited</i>
**J.W. Burns	<i>President, Power Corporation of Canada</i>
*Gordon H. Cowperthwaite	<i>Company Director</i>
Paul Desmarais	<i>Chairman and Chief Executive Officer, Power Corporation of Canada</i>
Paul Desmarais, Jr.	<i>Vice-President, Power Corporation of Canada</i>
**F. William Fitzpatrick	<i>Chairman and Chief Executive Officer, Bralorne Resources Limited</i>
*J.F. Fraser	<i>President and Chief Executive Officer, Federal Industries Ltd.</i>
**Robert H. Jones	<i>Chairman of the Board and Chief Executive Officer of the Company</i>
**Arthur F. Knowles	<i>Senior Vice-President, Power Corporation of Canada</i>
*Arthur V. Mauro, Q.C.	<i>President and Chief Operating Officer of the Company</i>
Hon. W.J. McKeag	<i>President, McKeag Realty Ltd.</i>
*G.J. van den Berg	<i>Company Director</i>

**Member of the Executive Committee

*Member of the Audit Committee

OFFICERS

Robert H. Jones	<i>Chairman of the Board and Chief Executive Officer</i>
Arthur V. Mauro, Q.C.	<i>President and Chief Operating Officer</i>
A.S. Jackson	<i>Executive Vice-President, Finance and Administration</i>
W.S. Hill	<i>Senior Vice-President, Information Systems and Data Processing</i>
S.J. McLeod	<i>Senior Vice-President, Sales</i>
P.E. Newman	<i>Senior Vice-President, Investment</i>
D.A.G. Parkinson	<i>Senior Vice-President, Operations</i>
D.M. Schwartz	<i>Senior Vice-President, Marketing</i>
D.C. Bjarnason	<i>Vice-President, Secretary and Counsel</i>
D.E. Rettie	<i>Vice-President and Treasurer</i>
G.L.F. Riddell	<i>Vice-President, Human Resources</i>
H.W. Middlestead	<i>Controller</i>

DIRECTORS' REPORT

The directors are pleased to present the Company's 43rd Annual Report together with the consolidated financial statements for the year ended December 31, 1983.

Consolidated Net Operating Income was \$74,040,000 compared with \$50,534,000 for the prior year. After allowing for preferred dividends, earnings per share were \$5.32 in 1983 compared with \$3.50 in 1982. Consolidated Net Income after extraordinary and other items was \$83,303,000 or \$6.03 per share compared with \$3.84 in 1982.

Investors field force of 1,028 sales representatives achieved outstanding results in 1983. Total sales of all products offered through the Company's wholly-owned subsidiaries were \$623 million compared with \$393 million in 1982, an increase of 58%. Sales of investment certificates declined from \$116 million in 1982 to \$82 million in 1983 which, in part, reflects the continuing impact of the negative provisions of the 1981 Federal Budget on the taxation of longer-term investment contracts. The decline in certificate sales was, however, more than offset by a remarkable increase in sales of Investors mutual funds. Total fund sales increased from \$193 million in 1982 to \$468 million in 1983, a sales record for the Company. Total assets under the administration of the Company and its wholly-owned subsidiaries were \$4.4 billion at year end, an increase of 25% over the prior year.

Before deducting the after-tax cost of debenture interest, earnings of the Company in 1983, excluding the contributions of The Great-West Life Assurance Company and Montreal Trustco Inc., were \$16,895,000 compared with \$13,585,000 in 1982. This improvement in earnings largely reflects the increase in management and distribution fee income resulting from the higher level of sales of mutual funds, management fee increases implemented during the year, and the growth in the asset value of mutual funds under management.

The Company's share of the earnings of Great-West Life for the year increased to \$53,349,000 from \$35,347,000 in 1982. The main factors in 1983 affecting Great-West Life earnings were improvements in its Canadian individual annuity business and its U.S. group life and health insurance business. A copy of the financial statements of Great-West Life for 1983 is included in this report.

The Company's share of the earnings of Montreal Trustco Inc. increased from \$3,361,000 in 1982 to \$5,506,000 in 1983 due mainly to improved results in Montreal Trustco's real estate and intermediary operations. Included in this report are a Condensed Balance Sheet and Consolidated Statement of Income of Montreal Trustco Inc.


There were a number of changes in the membership of the Board of Directors of the Company in 1983. Mr. C.E. Atchison and Mr. Peter D. Curry retired from the Board of Directors at the Annual Meeting held April 28, 1983 after distinguished periods of service to the Company of 35 and 33 years respectively. Mr. Atchison was a senior officer of the Company for many years and served as President from 1967 to 1971 and as Vice-Chairman of the Board until 1978. Mr. Curry was Chairman of the Board from 1969 to 1981. Mr. E.P. Gush retired from the Board on June 30, 1983 having served as a director since 1980. Mr. Paul B. Paine, Q.C., a director since 1969, retired from the Board effective September 12, 1983 on becoming a director and Chairman of the Board of Canadian Commercial Bank. On behalf of their fellow directors we express our appreciation to each for his valued contribution to the progress of the Company during his term of office. Mr. Paul Desmarais, Jr. was elected as a director at the 1983 Annual Meeting and Mr. Gordon H. Cowperthwaite was appointed a director on July 28, 1983.

During the year dividends of \$1.65 per share were paid on the Company's common shares and Class A Non-Voting shares. Regular quarterly dividends of 31¼ cents per share on the Preferred Shares, 1969 Series and 37½ cents per share on the Preferred Shares, 1978 Series were paid in 1983.

At a meeting of the directors held February 7, 1984, dividends of 45 cents per share on the common shares and Class A Non-Voting shares and the regular quarterly dividend of 31¼ cents per share on the Preferred Shares, 1969 Series were declared payable on May 1, 1984 to shareholders of record April 6, 1984. The regular quarterly dividend of 37½ cents per share on the Preferred Shares, 1978 Series was declared payable March 1, 1984 to shareholders of record February 15, 1984.

The directors wish to express their appreciation to the management, staff and field representatives of the Investors companies, for their contribution to the results achieved and for their continuing dedication and enterprise.

ON BEHALF OF THE BOARD



Robert H. Jones
Chairman



Arthur V. Mauro
President

March 2, 1984

The Investors Group and Consolidated Subsidiary Companies

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

as at December 31, 1983

	1983	1982
	\$000	
ASSETS		
Cash and investments		
Cash and temporary investments	\$ 58,838	\$ 130,110
Marketable securities — at cost and accrued income (Note 3)	261,889	245,967
Mortgages on real estate — at cost and accrued interest receivable	805,896	668,932
Real estate — at cost less accumulated depreciation \$1,687 (1982 — \$1,557)	7,652	5,947
Loans to certificate holders — not exceeding cash surrender values	13,711	21,684
	1,147,986	1,072,640
Investment in unconsolidated subsidiaries (Note 4)		
The Great-West Life Assurance Company	395,989	355,444
Montreal Trustco Inc.	47,376	43,346
Office premises — at cost less accumulated depreciation \$5,376 (1982 — \$4,791)	5,516	5,403
Accounts and notes receivable	7,546	8,738
Income taxes recoverable	—	333
Deferred expenses (Note 1e)	9,062	10,911
Other assets	1,781	1,421
	\$1,615,256	\$1,498,236

See accompanying notes to financial statements.

	1983	\$000	1982
LIABILITIES			
Certificate and current liabilities			
Certificate liabilities (Note 5)	\$ 753,601		\$ 745,109
Provision for additional certificate credits	5,574		6,431
Guaranteed trust accounts (Note 2)	256,322		198,227
Bank loans	1,107		12,422
Tax deposits on mortgages	20,379		19,017
Dividends payable	6,228		5,581
Other liabilities	16,662		11,612
Income taxes payable	243		—
	<u>1,060,116</u>		<u>998,399</u>
Income deferred to future years	2,823		3,638
Deferred income taxes	11,397		9,263
9% Debentures, 1978 Series (Note 6)	35,300		37,400
	<u>1,109,636</u>		<u>1,048,700</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 7)	100,616		100,616
Contributed surplus arising from premium on capital stock	46,777		46,777
Retained earnings			
Appropriated (Note 8)	136,293		148,965
Unappropriated	221,934		153,178
	<u>505,620</u>		<u>449,536</u>
	<u>\$1,615,256</u>		<u>\$1,498,236</u>

On behalf of the Board:



DIRECTOR



DIRECTOR

CONSOLIDATED STATEMENT OF INCOME

for the year ended December 31, 1983

	1983	\$000	1982
Income			
Investment income	\$127,656		\$116,354
Service fees	2,340		2,047
Management and distribution fees	55,896		28,488
Trust fees	2,815		2,406
Share of earnings of unconsolidated subsidiaries (Note 4)			
The Great-West Life Assurance Company	53,349		35,347
Montreal Trustco Inc.	5,506		3,361
	<u>247,562</u>		<u>188,003</u>
Expenses			
Interest on certificate and trust liabilities	65,253		54,902
Additional credits to certificates	40,028		37,931
Certificate and service fee costs	15,623		16,242
Management and distribution operating costs	44,814		25,889
Trust operating costs	2,433		2,154
Debenture interest costs	3,630		3,726
Provision for income taxes (Note 9)	1,741		(3,375)
	<u>173,522</u>		<u>137,469</u>
Net operating income	74,040		50,534
Extraordinary and other items (Note 10)	9,263		4,331
Net income	<u>\$ 83,303</u>		<u>\$ 54,865</u>
Earnings per share after deducting dividends on preferred stock			
Net operating income	<u>\$ 5.32</u>		<u>\$ 3.50</u>
Net income	<u>\$ 6.03</u>		<u>\$ 3.84</u>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1983

	1983	\$000	1982
Source of funds			
From operations			
Net operating income	\$ 74,040		\$ 50,534
Less share of earnings retained by unconsolidated subsidiaries	36,848		17,862
	37,192		32,672
Deduct non-cash credits to operations net of a deferred income tax charge of \$2,134 (1982 — (\$3,396))	1,256		2,486
	35,936		30,186
Interest and additional credits on certificate and trust liabilities	105,281		92,833
Certificate and guaranteed trust sales and receipts	104,765		137,693
Proceeds from security transactions	31,434		36,631
Mortgage principal collections and sales	67,404		59,955
Decrease in loans to certificate holders	7,653		9,520
Miscellaneous	9,754		986
	362,227		367,804
Use of funds			
Certificate maturities and surrenders	144,185		162,147
Investment in marketable securities	45,163		23,475
Investment in mortgages	202,828		128,055
Net additions in real estate and fixed assets	831		588
Reduction in long term debt	2,100		800
Decrease (increase) in bank loan	11,314		(8,258)
Dividends paid	26,571		25,923
Investment in The Great-West Life Assurance Company	507		901
	433,499		333,631
Increase (decrease) in cash and temporary investments	\$ (71,272)		\$ 34,173

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1983

	1983	\$000	1982
Appropriated (Note 8)			
Balance, beginning of year	\$148,965		\$167,269
Company's share of changes in special reserves made by The Great-West Life Assurance Company	(12,672)		(18,304)
Balance, end of year	<u>\$136,293</u>		<u>\$148,965</u>
Unappropriated			
Balance, beginning of year	\$153,178		\$105,933
Add (deduct)			
Net income for the year	83,303		54,865
Company's share of changes in special reserves made by The Great-West Life Assurance Company	12,672		18,304
Dividends — preferred shares	(5,209)		(5,209)
— common shares	(22,010)		(20,715)
Balance, end of year	<u>\$221,934</u>		<u>\$153,178</u>

See accompanying notes to financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1983

1. Summary of significant accounting policies

The accounting principles followed by The Investors Group of Companies and by Montreal Trustco Inc. are in accordance with generally accepted accounting principles. The accounting practices followed by The Great-West Life Assurance Company are as prescribed or permitted by the Department of Insurance of Canada, as described in the notes to the financial statements of that company contained on pages 14 to 18.

a. Principles of consolidation

The consolidated financial statements include the accounts of all subsidiary companies except The Great-West Life Assurance Company and Montreal Trustco Inc. The assets and liabilities of these two companies are not consolidated in the balance sheet as they operate within regulated industries and it is not considered appropriate to consolidate in the circumstances. Financial information for these companies is presented on pages 14 to 19.

All inter-company accounts and transactions have been eliminated in consolidation; the equity method of accounting has been used for the two unconsolidated subsidiaries.

b. Marketable securities

It is a statutory requirement of the investment contract industry to amortize any differences between the original cost of bonds and debentures and their par value over the period to maturity in such a manner as to equalize the yield to maturity. The bonds and debentures included in this category are carried at amortized cost and all other securities are carried at original cost.

c. Office premises

The depreciable properties and related equipment and furnishings are depreciated on a straight-line basis over their estimated life. Furnishings, once they have been fully depreciated, are eliminated from the accounts.

d. Certificate liabilities

Investment certificates entitle certificate holders to receive at maturity a definite sum of money. A portion of payments made by instalment certificate holders is added to certificate liabilities and the balance to service fee income. The portion of the certificate payments added to certificate liabilities, when combined with the interest compounded at government approved rates, will accumulate to equal the specified maturity value at the maturity date. The aggregate accumulated certificate liabilities always exceed the aggregate cash surrender values of the outstanding investment certificates.

e. Service fee income and selling expenses

On instalment investment certificates, service fees received during the first year may exceed or be less than the aggregate of commissions paid to sales representatives and selling costs incurred. To achieve a better matching of income and expense, the differential is amortized over the first 60 months that instalment certificates are in force.

On single payment certificates, first year commissions paid to sales representatives are amortized over the first 36 months that they are in force with all other selling expenses being charged against income in the year of sale. A special commission which is payable on the tenth anniversary of certain certificates is being provided for by an annual charge against income.

On guaranteed investment certificates, all commissions paid to sales representatives and all other selling expenses are amortized over the terms of the certificates.

f. Additional credits

In addition to the guaranteed maturity and cash surrender values, certificate holders are entitled to additional amounts. Full provision has been made for all additional credits, both earned and accrued.

g. Income taxes

The Company follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred as a result of claims made in excess of charges in the accounts for capital cost allowances, mortgage reserves and certificate selling costs.

2. Assets held for guaranteed trust accounts

Included in the consolidated balance sheet are the following assets of the guaranteed trust accounts of Investors Group Trust Co. Ltd.

	\$000	
	<u>1983</u>	<u>1982</u>
Cash and other investments	\$ 22,189	\$ 38,957
Marketable securities	13,452	13,706
First mortgages	220,681	145,564
	<u>\$256,322</u>	<u>\$198,227</u>

3. Marketable securities and accrued income

	\$000			
	<u>1983</u>		<u>1982</u>	
	<u>Cost</u>	<u>Market</u>	Cost	Market
Canadian government and corporate bonds and obligations	\$104,832	\$ 98,283	\$ 83,116	\$ 77,149
Canadian preferred stocks	129,727	115,206	133,350	104,242
Canadian common stocks	23,659	39,809	25,438	31,904
Aircraft certificates*	3,671	3,671	4,063	4,063
	<u>\$261,889</u>	<u>\$256,969</u>	<u>\$245,967</u>	<u>\$217,358</u>

* Aircraft certificates represent part ownership of two aircraft leased to a major Canadian airline after deducting a liability of 11% serial debentures. The debentures amount to \$1,789,500, mature in 1991 and are secured by a mortgage on one aircraft and the related lease payments.

4. Investment in unconsolidated subsidiaries

	The Great-West Life Assurance Company	Montreal Trustco Inc.
Equity interest, December 31, 1983	<u>96.2%</u>	<u>50.1%</u>
	\$000	
Carrying value of investments, beginning of year	\$355,444	\$ 43,346
Add (deduct)		
Cost of shares acquired during the year	507	—
Share of net operating income	53,349	5,506
Share of extraordinary and other items	6,876	345
Dividends received	(20,187)	(1,821)
Carrying value of investments, end of year	<u>\$395,989</u>	<u>\$ 47,376</u>
Share of equity, December 31, 1983	<u>\$444,975</u>	<u>\$ 39,050</u>

Under an agreement dated January 24, 1984, Montreal Trustco Inc. has agreed to sell to a group of underwriters 1,100,000 Series A common shares and pursuant to a second agreement Montreal Trustco Inc. has agreed to sell an additional 1,100,000 Series A common shares to Power Corporation of Canada directly or through one or more affiliates, each at \$12.50 per share. Estimated proceeds after costs are \$26,548,125.

After giving effect to the above transactions the Company's equity interest in Montreal Trustco Inc. will be reduced from 50.1% to 40.4%.

5. Certificate liabilities

As security for investment certificates issued by a subsidiary, assets which qualify as investments under the Canadian and British Insurance Companies Act having a value in excess of net certificate liabilities must be lodged by the subsidiary with an approved depository. As at December 31, 1983 the excess was \$57,606,000 (1982 — \$37,951,000).

6. 9 $\frac{7}{8}$ % Debentures, 1978 Series

Outstanding, end of year	\$36,800,000
Less purchased by Company for cancellation	<u>1,500,000</u>
Net amount outstanding	<u>\$35,300,000</u>

The debentures are due October 4, 1998 with a sinking fund requirement of \$1,500,000 per annum commencing October 4, 1984, under which the Company purchased for cancellation \$1,500,000 of debentures in 1983.

7. Capital stock

Authorized

1,287,152 — 5% cumulative redeemable preferred shares, 1969 Series — entitled to \$1.25 annual cumulative dividend; redeemable at \$25 per share.

2,400,000 — Cumulative redeemable preferred shares, 1978 Series — entitled to an annual cumulative dividend of \$1.50 to September 1, 1985 and thereafter at a floating rate equal to $\frac{1}{2}$ of the prime rate plus 1 $\frac{1}{4}$ %; redeemable on and after September 1, 1983 at \$26 per share to August 31, 1988, decreasing to \$25 $\frac{1}{4}$ per share during the period to August 31, 1991 and \$25 per share thereafter.

20,000,000 — Voting common shares

20,622,022 — Class A Non-Voting shares

Under the terms of the preferred shares, 1978 Series, the Company is required to purchase 168,000 shares at \$25 per share on September 1 in each of the years 1984 to 1993 inclusive. The holders of the shares outstanding on September 1, 1993 have the right to have the Company redeem them on that date; otherwise 20% of the shares then outstanding will be purchased by the Company on September 1 in each of the years 1994 to 1998.

Issued and outstanding	Number of Shares	\$000
Preferred shares, 1969 Series	1,287,152	\$ 32,179
Preferred shares, 1978 Series	2,400,000	60,000
	<u>3,687,152</u>	<u>92,179</u>
Common shares	6,842,105	342
Class A Non-Voting shares	6,104,461	305
Surplus arising from conversion of preferred shares	—	7,790
	<u>12,946,566</u>	<u>8,437</u>
Total capital stock		<u>\$100,616</u>

8. Appropriated retained earnings

Appropriated retained earnings represents the Company's share of special reserves made by The Great-West Life Assurance Company as required by the Department of Insurance of Canada.

9. Income Taxes	1983	\$000	1982
Net operating income, before income taxes	\$75,781		\$47,414
Less share of earnings of unconsolidated subsidiaries	58,855		38,963
	16,926		8,451
Deduct dividend income	13,237		14,935
Adjusted net operating income	\$ 3,689		\$ (6,484)
Effective rate of income taxes	52.6%		52.1%
Provision for income taxes based on effective rate	\$ 1,940		\$ (3,375)
Deduct adjustment for accumulated provincial royalty tax rebates	199		—
Provision for income taxes on operating income	\$ 1,741		\$(3,375)

10. Extraordinary and other items	1983	\$000	1982
Net profit on investments net of income taxes	\$2,042		\$ 787
Share of extraordinary and other items			
The Great-West Life Assurance Company	6,876		4,206
Montreal Trustco Inc.	345		(662)
	\$9,263		\$4,331

11. Related party transactions

Transactions with related companies comprise the following:

- a. The provision of life and health insurance by The Great-West Life Assurance Company and transfer agent and depository services by Montreal Trustco Inc., to the Company and its wholly-owned subsidiaries.
- b. The provision of investment management services by wholly-owned subsidiaries to eleven affiliated mutual funds.

In all cases, such services are made in the normal course of business and at competitive rates.

12. Segmented information

The Company operates in three distinct industry segments; the life insurance industry as represented by its controlling interest in The Great-West Life Assurance Company, the trust company industry as represented by its controlling interest in Montreal Trustco Inc. and the financial services industry as represented by the operations of the Company and its wholly owned subsidiaries. Financial information on each segment is provided in the consolidated financial statements and on pages 14 to 19.

13. Other

- a. Investors Mortgage Fund, a mutual fund managed by a subsidiary, invests in first mortgages on improved real estate in Canada. It is anticipated that there will always be ample cash and marketable securities in the Fund available to meet future withdrawals. However, should the withdrawals exceed available cash and marketable securities, The Investors Group has guaranteed to find a purchaser for (or failing to do so, purchase itself) sufficient mortgages at prices not less than 95% of the then prevailing market value thereof, to realize sufficient monies to enable the Trustee to meet all such withdrawals.

As at December 31, 1983 total assets of Investors Mortgage Fund were \$473,963,000 comprising \$49,520,000 in cash and other liquid assets and \$424,443,000 in mortgages.

- b. Included as charges against net income are the following:

	\$000	
	1983	1982
Depreciation and amortization	\$ 874	\$ 901
Remuneration of directors and senior officers		
As directors - 14 (1982 - 15)	141	146
As officers - 12 (1982 - 12)	1,554	1,101
2 officers were also directors of the Company (1982 - 2 officers)		

- c. Aggregate remuneration paid by the Company's unconsolidated subsidiaries to directors of the Company for services as directors or senior officers of the unconsolidated subsidiaries including the cost of pension benefits amounted to \$266,000 (1982 — \$305,000).
- d. Certain comparative figures have been reclassified to conform with the current presentation.

AUDITORS' REPORT

To the Shareholders, The Investors Group

We have examined the consolidated balance sheet of The Investors Group and its consolidated subsidiary companies as at December 31, 1983 and the consolidated statements of income, 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, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
February 7, 1984

TOUCHE ROSS & CO.
CHARTERED ACCOUNTANTS

THE GREAT-WEST LIFE ASSURANCE COMPANY
BALANCE SHEET

December 31, 1983 (In thousands of dollars)

	1983	1982
ASSETS		
Bonds (note 1a)	\$1,941,362	\$1,883,590
Mortgages and sale agreements (note 1a)	3,100,360	2,413,247
Stocks (note 1b)	365,101	325,506
Real estate (note 1c)	683,884	672,562
Loans to policyholders	325,998	332,119
Cash and certificates of deposit	94,366	74,850
Premiums in course of collection	75,267	81,332
Interest due and accrued	97,905	90,678
Segregated investment funds (note 1d)	1,038,000	961,050
Other assets	101,392	102,677
	<u>\$7,823,635</u>	<u>\$6,937,611</u>
LIABILITIES		
Policy benefit liabilities		
Policy reserves (note 1g)	\$4,823,189	\$4,236,398
Segregated investment funds	1,038,000	961,050
Provision for claims	343,575	312,763
Provision for 1984 policyholders' dividends	60,648	59,193
Provision for experience rating refunds	64,876	68,414
	<u>6,330,288</u>	<u>5,637,818</u>
Policyholders' funds	323,242	265,032
Mortgages on real estate (note 1c)	333,184	260,032
Income taxes payable	13,288	4,789
Deferred income taxes (note 1e)	21,690	15,090
Other liabilities	80,986	92,854
	<u>7,102,678</u>	<u>6,275,615</u>
Capital stock and surplus		
Capital stock		
Authorized, issued and fully paid - 2,000,000 common shares of \$1 par value	2,000	2,000
Appropriated surplus (note 3)		
- participating policyholders	61,174	54,383
- shareholders	178,541	191,722
Unappropriated surplus		
- participating policyholders	197,103	186,577
- shareholders	282,139	227,314
	<u>720,957</u>	<u>661,996</u>
	<u>\$7,823,635</u>	<u>\$6,937,611</u>

THE GREAT-WEST LIFE ASSURANCE COMPANY
SUMMARY OF OPERATIONS

(In thousands of dollars)

	1983	1982
Income:		
Life insurance and annuity premiums	\$1,089,331	\$1,155,908
Accident and health premiums	511,985	552,529
Net investment income	687,792	619,237
Net realized and unrealized capital gains on assets of segregated investment funds (note 1d)	42,685	57,926
Total Income	<u>2,331,793</u>	<u>2,385,600</u>
Benefits and Expenses:		
Life and annuity benefits	807,072	811,364
Accident and health benefits	407,273	478,610
Interest on funds on deposit	31,715	31,939
Increase in policy reserves (note 1g)	682,928	715,635
Dividends to policyholders	59,723	56,628
Total paid or credited to policyholders	<u>1,988,711</u>	<u>2,094,176</u>
Commissions and operating expenses	249,036	233,942
Premium taxes	20,429	19,808
Net operating income before income taxes	73,617	37,674
Income taxes - current	5,036	(1,725)
- deferred	(1,931)	(11,295)
Net Income from Operations	<u>70,512</u>	<u>50,694</u>
Other Items:		
Net write-down of assets	(1,532)	(11,070)
Realized gains/losses on sales of assets (note 2)	10,775	22,075
Provision for prior years' income taxes	(11,700)	(626)
Gain due to change in book rates of exchange (note 4)	—	34,663
Prior years' policy reserve adjustment (note 1g)	14,050	(31,782)
Share of earnings of subsidiaries (note 1f)	(2,144)	(11,307)
Net Income	<u>\$ 79,961</u>	<u>\$ 52,647</u>
Summary of Net Income (note 1h)		
Attributable to Participating Policyholders		
Net income before policyholder dividends	\$ 74,743	\$ 70,481
Policyholder dividends	59,723	56,628
Net income from operations	15,020	13,853
Other items	2,297	(2,431)
Net Income - participating policyholders	<u>\$ 17,317</u>	<u>\$ 11,422</u>
Attributable to Shareholders		
Net income from operations	\$ 55,492	\$ 36,841
Other items	7,152	4,384
Net Income - shareholders	<u>\$ 62,644</u>	<u>\$ 41,225</u>
Earnings per share		
From operations	\$ 27.74	\$ 18.42
Including other items	\$ 31.32	\$ 20.61

**THE GREAT-WEST LIFE ASSURANCE COMPANY
STATEMENT OF SURPLUS**

for the year 1983 (In thousands of dollars)

	Participating Policyholders	Shareholders	Total
APPROPRIATED			
Balance January 1	\$ 54,383	\$191,722	\$246,105
Add:			
Increase in special reserves			
Investment valuation and currency reserve - net	(11)	(21,810)	(21,821)
Reserve for cash value deficiencies and amounts of negative reserves	4,879	12,715	17,594
Reserve for miscellaneous assets	1,923	(4,086)	(2,163)
	<u>6,791</u>	<u>(13,181)</u>	<u>(6,390)</u>
Balance December 31	<u>\$ 61,174</u>	<u>\$178,541</u>	<u>\$239,715</u>
UNAPPROPRIATED			
Balance January 1	\$186,577	\$227,314	\$413,891
Add:			
Total net income for year from summary of operations	17,317	62,644	79,961
Deduct:			
Dividends to shareholders	—	21,000	21,000
Changes in special reserves appropriated from surplus	6,791	(13,181)	(6,390)
	<u>\$197,103</u>	<u>\$282,139</u>	<u>\$479,242</u>

NOTES TO 1983 FINANCIAL STATEMENTS

1. Significant Accounting Practices

The accounting practices followed by the Company are as prescribed or permitted by the Department of Insurance of Canada for the purpose of reporting to policyholders and shareholders.

- (a) Investments in bonds, mortgages and sale agreements (debt securities) are basically carried at amortized cost with the securities of the life account adjusted by the unamortized balance of losses or gains on sales of securities. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield, and is deferred and amortized over the period to maturity of the security sold. The unamortized balances at December 31, 1983 are \$46,138,000 of net losses for bonds (\$56,576,000 in 1982) and \$780,000 of net gains for mortgages (\$742,000 in 1982).

Bonds, mortgages and sale agreements have a market value authorized by the Department of Insurance of \$4,641,560,000 (\$3,715,239,000 in 1982). In most instances, the carrying value of debt securities will be realized since they will be held to maturity to discharge policy contract liabilities maturing at the same time.

- (b) Investments in stocks (equity securities) in the life account, are carried at cost less an adjustment which consists of realized gains and losses as well as a market value adjustment which is a portion of the difference between adjusted book value and year-end market value of all equity securities. The adjustment at December 31, amounted to \$92,443,000 (\$102,928,000 in 1982). Equity investments in respect of the accident and health business are carried at cost.

Equity securities had a market value authorized by the Department of Insurance of \$593,091,000 (\$489,304,000 in 1982).

- (c) Real estate at December 31, 1983 is carried at a written down cost of \$711,204,000 (\$698,964,000 in 1982) less accumulated depreciation of \$27,320,000 (\$26,402,000 in 1982).

The market value of the real estate portfolio has been calculated at \$810,102,000 (\$761,013,000 in 1982).

On November 15, 1983 the Company issued \$50,000,000 of promissory notes, \$25,000,000 at 12.50% due in 1988 and \$25,000,000 at 12.75% due in 1993. The proceeds were used to repay short-term bank indebtedness and expenses incurred in the construction of a new head office facility. The notes are secured by a collateral mortgage of the title to the head office land and buildings.

- (d) Investments held for segregated investment funds are carried at market value. Net realized and unrealized capital gains on segregated investment funds were \$42,685,000 in 1983 (\$57,926,000 in 1982). Such capital gains to the funds are reflected in the increase in policy reserves and do not affect net income of the Company.

- (e) Income taxes are calculated using the deferred-tax method on a present value basis.

- (f) Income from subsidiaries is included in these statements under the equity method of accounting. The Company's principal subsidiaries are listed below:

Great-West Life & Annuity Insurance Company
Torwest Properties U.S.A. Limited
Gold Circle Insurance Company
Cambridge Leaseholds Limited
G.W.L. Properties Ltd.

- (g) Policy reserves represent the amount which, in the judgement of the Valuation Actuary, is required, together with future premiums and investment income, to provide for future policy benefits, administrative expenses and taxes on insurance and annuity policies. Asset values and projected maturities of assets and liabilities are continuously monitored and appropriately considered in the determination of policy reserves.

Policy reserves are calculated using assumptions considered to be appropriate to the policies in force and recognize the deferral of certain costs of acquiring policies. The amount of unamortized deferred acquisition costs deducted in arriving at the policy reserves was \$131,942,000 at December 31, 1983 (\$107,117,000 at December 31, 1982).

A more refined method of calculating policy reserves, made possible by the conversion of individual insurance and annuity policies to a new administrative system, partially offset by a strengthening of the funding of employee benefit plans, has caused a prior years' policy reserve adjustment of \$14,050,000, net of income taxes of \$3,006,000.

- (h) Net income includes earnings of the participating, non-participating and the health insurance accounts. Earnings applicable to shareholders include net earnings of the non-participating and the health accounts and 2½%, as restricted by law, of the distributions from the participating account.

2. Realized gains, net of income taxes of \$1,496,700 on sales of assets shown as an other item in net income includes the results of:
- (i) all disposals of assets of the accident and health account;
 - (ii) disposals of real estate in the life account.

3. Appropriated surplus represents reserves required by the Department of Insurance of Canada and comprises the following:

	<u>1983</u>	<u>1982</u>
	<u>(000)</u>	<u>(000)</u>
Participating account:		
Investment valuation and currency reserve — net	\$ 15,615	\$ 15,626
Reserve for cash value deficiencies and amounts of negative reserves	23,972	19,093
Reserve for miscellaneous assets	21,587	19,664
Total	<u>\$ 61,174</u>	<u>\$ 54,383</u>
Non-participating and health accounts:		
Investment valuation and currency reserve — net	\$ 50,754	\$ 72,564
Reserve for cash value deficiencies and amounts of negative reserves	72,171	59,456
Reserve for miscellaneous assets	55,616	59,702
Total	<u>\$178,541</u>	<u>\$191,722</u>

4. United States currency items are translated at a book rate of \$1.15 in Canadian dollars. A gain in 1982 due to a change in book rates of exchange from \$1.00 to \$1.15 amounting to \$34,663,000 has been reflected in the 1982 Summary of Operations.

Conversion to Canadian dollars of the excess of United States dollar assets over United States dollar liabilities at the December 31, 1983 exchange rate rather than the book rate of \$1.15 would have produced an increase in net assets of approximately \$23,097,000. In accordance with reporting requirements, this amount is reflected in the balance sheet by a reduction in the investment valuation reserve shown in note 3.

5. Transactions with related companies consist mainly of the provision of insurance benefits to other companies within the Power Corporation of Canada group of companies. In all cases, such transactions are made in the normal course of business and at competitive prices.

A copy of the Annual Report may be obtained by writing to the Secretary of The Great-West Life Assurance Company, 100 Osborne Street North, Winnipeg, Manitoba, R3C 3A5.

**MONTREAL TRUSTCO INC.
CONDENSED CONSOLIDATED BALANCE SHEET**

as at December 31, 1983

\$000

	1983	1982
Assets		
Cash, deposit receipts and treasury bills	\$ 324,685	\$ 226,889
Short-term notes and demand loans	413,353	221,819
Securities	175,659	179,454
Mortgages	1,086,586	998,120
Premises and equipment	16,899	18,197
Other assets	19,570	16,320
	<u>\$2,036,752</u>	<u>\$1,660,799</u>
Liabilities and shareholders' equity		
Guaranteed Trust Accounts		
Deposits	\$ 512,483	\$ 515,045
Investment certificates	1,409,333	1,045,650
	1,921,816	1,560,695
Other liabilities	37,038	30,243
Shareholders' equity		
Capital stock	2,619	2,619
Contributed surplus	6,063	6,063
Retained earnings	69,216	61,179
	<u>\$2,036,752</u>	<u>\$1,660,799</u>

**MONTREAL TRUSTCO INC.
CONDENSED CONSOLIDATED STATEMENT OF INCOME**

for the year ended December 31, 1983

	1983	1982
Gross revenue	\$ 290,504	\$ 274,679
Net revenue		
Fiduciary	\$ 59,278	\$ 58,020
Financial intermediary	28,829	19,513
Real estate commissions	13,455	10,107
	101,562	87,640
Expenses	84,570	80,115
Income before income taxes	16,992	7,525
Income taxes	6,010	821
Net income before the undernoted	10,982	6,704
Other net revenue (expense) net of income taxes	687	(1,321)
Net income	<u>\$ 11,669</u>	<u>\$ 5,383</u>
Net income per share	\$ 1.29	\$.59

The preceding statements represent a summary of information contained in the audited financial statements included in the Annual Report of Montreal Trustco Inc. A copy of the Annual Report may be obtained by writing to the Secretary of Montreal Trustco Inc., 1 Place Ville Marie, Montreal, Quebec, H3B 3L6.

1983 ANNUAL REPORT

THE *Investors* GROUP

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