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THE *Investors* GROUP  
42nd ANNUAL REPORT 1982



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 Trust Company 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  
(96.1% owned)  
Montreal Trustco Inc. (50.1% owned)

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### Head Office

280 Broadway,  
Winnipeg, Manitoba  
R3C 3B6

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### Auditors

Touche Ross & Co.

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### Transfer Agent

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

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### Listing of Stock

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

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### Mutual Funds

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

## BOARD OF DIRECTORS

*C.E. Atchison	<i>Company Director</i>
**Douglas A. Berlis, Q.C.	<i>Senior Partner, Messrs. Aird &amp; Berlis</i>
A. Garnet Brown	<i>President, A.G. Brown and Son Limited</i>
**J.W. Burns	<i>President, Power Corporation of Canada</i>
**Peter D. Curry	<i>Deputy Chairman, Power Corporation of Canada</i>
Paul Desmarais	<i>Chairman and Chief Executive Officer, 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>
**E. Peter Gush	<i>Company Director</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>
Paul Britton Paine, Q.C.	<i>Vice-Chairman, Power Corporation of Canada</i>
*G.J. van den Berg	<i>Company Director</i>

\*\*Member of the Executive Committee  
\*Member of the Audit Committee

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## 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 42nd Annual Report together with consolidated financial statements for the year ended December 31, 1982.

Consolidated Net Operating Income was \$50,534,000 compared with \$68,936,000 for the prior year. After allowing for preferred dividends, earnings per share were \$3.50 in 1982 compared with \$4.92 in 1981. Consolidated Net Income after extraordinary and other items was \$54,865,000 or \$3.84 per share compared with \$4.27 in 1981. The major portion of extraordinary items was the Company's share of other items of The Great-West Life Assurance Company.

Total sales in 1982 of all products offered through the Company's wholly-owned subsidiaries were \$393 million compared with \$388 million in the prior year. Sales of investment certificates declined from \$166 million in 1981 to \$116 million in 1982. This decline reflects the adverse impact of the November, 1981 Federal budget, which reduced the term of tax-deferral formerly available on longer term investment contracts. The decline in certificate sales was more than offset by 1982 mutual fund sales of \$193 million, an increase of \$67 million over the prior year. Total assets under the administration of the Company and its wholly-owned subsidiaries were \$3.5 billion at year end, an increase of 16% over the prior year.

Before deducting the after-tax cost of debenture interest, earnings of the Company in 1982 excluding the contributions of The Great-West Life Assurance Company and Montreal Trustco Inc., were \$13,585,000 compared with \$18,660,000 in 1981. This reduction in earnings is largely attributable to lower net income from investment contract operations, reflecting lower sales and reduced interest margins.

The Company's share of the earnings of Great-West Life for the year was \$35,347,000 compared with \$49,304,000 in 1981. The main factors in 1982 adversely affecting Great-West Life earnings were a deterioration in the results of the group health insurance line of business and of the annuity lines of business in the United States. A copy of the financial statements of Great-West Life for 1982 is included in this report.

The Company's share of the earnings of Montreal Trustco Inc. increased from \$2,767,000 in 1981 to \$3,361,000 in 1982. As a result of a corporate reorganization of the Montreal Trust group of companies during 1982, the 50.1% beneficial interest of The Investors Group in the voting shares of Montreal Trust Company was ex-

changed for a 50.1% beneficial interest in the voting shares of Montreal Trustco Inc., now the parent company of the Montreal Trust group of companies. The reorganization did not result in any change in the consolidated assets, liabilities and shareholders' equity of the Montreal Trust group of companies. Included in this report are a Condensed Balance Sheet and Consolidated Statement of Income of Montreal Trustco Inc.

Mr. W.J. Bennett and Mr. R.W. Purcell retired from the Board of Directors at the Annual Meeting held April 29, 1982 after valued service as directors commencing in 1958 and 1949 respectively. On behalf of the directors, we express our appreciation of their fine contributions to the progress of the Company during their terms of office. Mr. F. William Fitzpatrick was elected as a director of the Company at the 1982 Annual Meeting.

During the year dividends of \$1.60 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 1982.

At a meeting of the directors held February 8, 1983, dividends of 40 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 April 29, 1983 to shareholders of record April 6, 1983. The regular quarterly dividend of 37½ cents per share on the Preferred Shares, 1978 Series was declared payable March 1, 1983 to shareholders of record February 16, 1983.

The directors wish to express their appreciation to the management, staff and field representatives of the Investors companies for their co-operation and efforts over the past year.

ON BEHALF OF THE BOARD



Robert H. Jones  
Chairman



Arthur V. Mauro  
President

March 2, 1983

# The Investors Group and Consolidated Subsidiary Companies

## Consolidated Financial Statements

### CONSOLIDATED BALANCE SHEET

as at December 31, 1982

	1982	\$000	1981
ASSETS			
Cash and investments			
Cash and temporary investments .....	<b>\$ 130,110</b>		\$ 95,937
Marketable securities — at cost and accrued income (Note 3) .....	<b>245,967</b>		258,814
First mortgages on real estate — at cost and accrued interest receivable .....	<b>668,932</b>		599,040
Real estate — at cost less accumulated depreciation \$1,557 (1981 — \$1,416) .....	<b>5,947</b>		6,149
Loans to certificate holders — not exceeding cash surrender values .....	<b>21,684</b>		31,713
	<b>1,072,640</b>		991,653
Investment in unconsolidated subsidiaries (Note 4)			
The Great-West Life Assurance Company .....	<b>355,444</b>		334,177
Montreal Trustco Inc. ....	<b>43,346</b>		42,305
Office premises — at cost less accumulated depreciation \$4,791 (1981 — \$4,154) .....	<b>5,403</b>		5,514
Accounts and notes receivable .....	<b>8,738</b>		6,483
Income taxes recoverable .....	<b>333</b>		453
Deferred expenses (Note 1e) .....	<b>10,911</b>		9,732
Other assets .....	<b>1,421</b>		1,229
	<b>\$1,498,236</b>		<b>\$1,391,546</b>

See accompanying notes to financial statements.

	1982	\$000	1981
LIABILITIES			
Certificate and current liabilities			
Certificate liabilities (Note 6) .....	<b>\$ 746,415</b>		\$ 768,457
Provision for additional certificate credits .....	<b>5,125</b>		6,037
Guaranteed trust accounts (Note 2) .....	<b>198,227</b>		106,707
Bank loans .....	<b>12,422</b>		4,164
Tax deposits on mortgages .....	<b>19,017</b>		16,908
Dividends payable .....	<b>5,581</b>		5,581
Other liabilities .....	<b>11,612</b>		9,202
	<b>998,399</b>		917,056
Income deferred to future years .....	<b>3,638</b>		3,036
Deferred income taxes .....	<b>9,263</b>		12,659
9 <sup>7</sup> / <sub>8</sub> % Debentures, 1978 Series (Note 7) .....	<b>37,400</b>		38,200
	<b>1,048,700</b>		970,951

SHAREHOLDERS' EQUITY

Capital stock (Note 8) .....	<b>100,616</b>		100,616
Contributed surplus arising from premium on capital stock .....	<b>46,777</b>		46,777
Retained earnings			
Appropriated (Note 9) .....	<b>148,965</b>		167,269
Unappropriated .....	<b>153,178</b>		105,933
	<b>449,536</b>		420,595
	<b>\$1,498,236</b>		\$1,391,546

On behalf of the Board:



DIRECTOR



DIRECTOR

## CONSOLIDATED STATEMENT OF INCOME

for the year ended December 31, 1982

	1982	1981
		\$000
Income		
Investment income .....	<b>\$116,354</b>	\$103,176
Service fees .....	<b>2,047</b>	1,877
Management and distribution fees .....	<b>28,488</b>	21,433
Trust fees .....	<b>2,406</b>	2,325
Share of earnings of unconsolidated subsidiaries (Note 4)		
The Great-West Life Assurance Company (Note 5) .....	<b>35,347</b>	49,304
Montreal Trustco Inc. ....	<b>3,361</b>	2,767
	<b><u>188,003</u></b>	<u>180,882</u>
Expenses		
Interest on certificate and trust liabilities .....	<b>54,902</b>	38,804
Additional credits to certificates .....	<b>37,931</b>	28,871
Certificate and service fee costs .....	<b>16,109</b>	17,834
Management and distribution operating costs .....	<b>25,889</b>	18,815
Trust operating costs .....	<b>2,287</b>	1,820
Interest on debentures .....	<b>3,726</b>	3,802
Provision for income taxes .....	<b>(3,375)</b>	2,000
	<b><u>137,469</u></b>	<u>111,946</u>
Net operating income .....	<b>50,534</b>	68,936
Extraordinary and other items (Note 10) .....	<b>4,331</b>	(8,413)
Net income .....	<b><u>\$ 54,865</u></b>	<u>\$ 60,523</u>
Earnings per share after deducting dividends on preferred stock (Note 5)		
Net operating income .....	<b><u>\$ 3.50</u></b>	<u>\$ 4.92</u>
Net income .....	<b><u>\$ 3.84</u></b>	<u>\$ 4.27</u>

See accompanying notes to financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1982

	1982	\$000	1981
Source of funds			
From operations			
Net operating income .....	<b>\$ 50,534</b>		\$ 68,936
Less share of earnings retained by unconsolidated subsidiaries .....	<b>17,862</b>		31,290
	<b>32,672</b>		37,646
Add (deduct) net non-cash charges (credits) to operations including deferred income taxes of (\$3,396) (1981 — \$963) .....	<b>(2,486)</b>		2,264
	<b>30,186</b>		39,910
Interest and additional credits on certificate and trust liabilities .....	<b>92,833</b>		67,675
Certificate and guaranteed trust sales and receipts .....	<b>137,693</b>		185,746
Proceeds from security transactions .....	<b>36,631</b>		41,890
Mortgage principal collections and sales .....	<b>59,955</b>		41,973
Decrease in loans to certificate holders .....	<b>9,520</b>		5,418
Increase (decrease) in bank loan .....	<b>8,258</b>		(680)
	<b>375,076</b>		381,932
Use of funds			
Certificate maturities and surrenders .....	<b>162,147</b>		178,228
Investment in marketable securities .....	<b>23,475</b>		33,487
Investment in first mortgages .....	<b>128,055</b>		99,047
Net additions in real estate and fixed assets .....	<b>588</b>		927
Reduction in long term debt .....	<b>800</b>		800
Miscellaneous .....	<b>(986)</b>		527
Dividends paid .....	<b>25,923</b>		25,277
Investment in The Great-West Life Assurance Company .....	<b>901</b>		—
	<b>340,903</b>		338,293
Increase in cash and temporary investments .....	<b>\$ 34,173</b>		\$ 43,639

See accompanying notes to financial statements.

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## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1982

	1982	\$000	1981
Appropriated (Note 9)			
Balance, beginning of year .....	<b>\$167,269</b>		\$ 91,350
Company's share of changes in special reserves made by The Great-West Life Assurance Company .....	<b>(18,304)</b>		75,919
Balance, end of year .....	<b><u>\$148,965</u></b>		<u>\$167,269</u>
Unappropriated			
Balance, beginning of year .....	<b>\$105,933</b>		\$147,253
Add (deduct)			
Net income for the year .....	<b>54,865</b>		60,523
Company's share of changes in special reserves made by The Great-West Life Assurance Company .....	<b>18,304</b>		(75,919)
Dividends — preferred shares .....	<b>(5,209)</b>		(5,209)
— common shares .....	<b>(20,715)</b>		(20,715)
Balance, end of year .....	<b><u>\$153,178</u></b>		<u>\$105,933</u>

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See accompanying notes to financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1982

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## 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 non-consolidated 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 the 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 when declared. 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>1982</u>	<u>1981</u>
Cash and temporary investments .....	<b>\$ 38,957</b>	\$ 32,551
Marketable securities .....	<b>13,706</b>	15,985
First mortgages .....	<b>145,564</b>	58,171
	<b><u>\$198,227</u></b>	<u>\$106,707</u>

3. Marketable securities and accrued income

	\$000			
	<u>1982</u>		<u>1981</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Canadian government and corporate bonds and obligations .....	<b>\$ 83,116</b>	<b>\$ 77,149</b>	\$ 70,306	\$ 53,788
Canadian preferred stocks .....	<b>133,350</b>	<b>104,242</b>	142,214	96,087
Canadian common stocks .....	<b>25,438</b>	<b>31,904</b>	41,850	41,899
Aircraft certificates* .....	<b>4,063</b>	<b>4,063</b>	4,444	4,444
	<b><u>\$245,967</u></b>	<b><u>\$217,358</u></b>	<u>\$258,814</u>	<u>\$196,218</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 \$1,936,500, 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.
Voting and equity interest, December 31, 1982 .....	<u>96.1%</u>	<u>50.1%</u>

	\$000	
Carrying value of investments, beginning of year .....	\$334,177	\$ 42,305
Add (deduct)		
Cost of shares acquired during the year .....	901	—
Share of net operating income (Note 5) .....	35,347	3,361
Share of extraordinary and other items .....	4,206	(662)
Dividends received .....	<u>(19,187)</u>	<u>(1,658)</u>
Carrying value of investments, end of year .....	<u>\$355,444</u>	<u>\$ 43,346</u>
Share of equity, December 31, 1982 .....	<u>\$404,454</u>	<u>\$ 35,027</u>

A corporate reorganization of the Montreal Trust group of companies was completed in 1982. Under the reorganization a new company, Montreal Trustco Inc., was formed and became the parent holding company. The Company maintained its 50.1% beneficial interest in the Montreal Trust group of companies.

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5. Accounting practices for The Great-West Life Assurance Company

As noted in Note 1, the accounting practices employed by The Great-West Life Assurance Company are those prescribed or permitted by the Department of Insurance of Canada.

The accounts of The Great-West Life Assurance Company contain both Canadian and United States dollars and, effective January 1, 1982, United States currency items are translated at a book rate of \$1.15 in Canadian dollars. In prior years, United States currency items had been included at dollar for dollar with Canadian. A gain due to this change in book rates of exchange amounting to \$34,663,000 has been reflected as an extraordinary item in the income statement of The Great-West Life Assurance Company. The Company's share of this gain amounts to \$21,414,000.

In order to facilitate comparison, The Great-West Life Assurance Company restated its 1981 Summary of Operations at its new book rate of \$1.15 in Canadian dollars. Based on the restated figures reported by The Great-West Life Assurance Company, the 1981 results for The Investors Group would be affected as follows:

	1981 Earnings \$000	1981 Earnings Per Share
Increase in share of earnings of The Great-West Life Assurance Company .....	\$5,117	\$ .40
Increase in net operating income .....	5,117	.40
Increase in share of extraordinary and other losses of The Great-West Life Assurance Company .....	(2,628)	(.20)
Increase in net income .....	<u>\$2,489</u>	<u>\$ .20</u>

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6. 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, 1982 the excess was \$36,645,000.

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

The debentures are due October 4, 1998 with a sinking fund requirement of \$1,500,000 per annum to commence October 4, 1984. Under certain circumstances the Company is required to purchase for cancellation up to \$800,000 of debentures per annum, commencing October 4, 1979 for four years; the Company purchased for cancellation \$800,000 of debentures in 1982. Interest on the debentures for 1982 was \$3,726,000 (1981 — \$3,802,000).

## 8. 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 ½ of the prime rate plus 1¼%; redeemable on and after September 1, 1983 at \$26 per share to August 31, 1988, decreasing to \$25¼ 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>

## 9. 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.

10. Extraordinary and other items	1982	\$000	1981
Net profit (loss) on investments net of income taxes .....	<b>\$ 787</b>		\$ (182)
Share of extraordinary and other items			
The Great-West Life Assurance Company .....	<b>4,206</b>		(8,882)
Montreal Trustco Inc. ....	<b>(662)</b>		651
	<u><b>\$4,331</b></u>		<u>\$(8,413)</u>

## 11. Related party transactions

Transactions with related companies comprise the following:

- The provision of life and health insurance by The Great-West Life Assurance Company and transfer agent and depository services by Montreal Trust Company, to the Company and its wholly-owned subsidiaries.
  - The provision of investment management services by wholly-owned subsidiaries to nine 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, 1982 total assets of Investors Mortgage Fund were \$381,867,000 comprising \$60,408,000 in cash and other liquid assets and \$321,459,000 in mortgages.

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

	1982	\$000	1981
Depreciation and amortization .....	\$ 901		\$ 834
Remuneration of directors and senior officers			
As directors - 15 (1981 - 16) .....	146		119
As officers - 12 (1981 - 13) .....	1,101		1,128
2 officers were also directors of the Company (1981 - 4 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 \$305,000 (1981 — \$383,000).

### 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, 1982 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, 1982 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, except for the change in the method of accounting for foreign currency translation adopted by The Great-West Life Assurance Company as explained in Note 5 to the financial statements, on a basis consistent with that of the preceding year.

Winnipeg, Manitoba  
February 8, 1983

TOUCHE ROSS & CO.  
CHARTERED ACCOUNTANTS

**THE GREAT-WEST LIFE ASSURANCE COMPANY**  
**BALANCE SHEET**

December 31, 1982 (In thousands of dollars)

	1982	1981
<b>ASSETS</b>		
Bonds (note 1a) .....	<b>\$1,883,590</b>	\$1,350,860
Mortgages and sale agreements (note 1a) .....	<b>2,413,247</b>	2,132,788
Stocks (note 1b) .....	<b>325,506</b>	337,423
Real estate (note 1c) .....	<b>672,562</b>	607,048
Loans to policyholders .....	<b>332,119</b>	290,392
Cash and certificates of deposit .....	<b>74,850</b>	62,512
Premiums in course of collection .....	<b>81,332</b>	91,733
Interest due and accrued .....	<b>90,678</b>	66,357
Segregated investment funds (note 1d) .....	<b>961,050</b>	797,229
Other assets .....	<b>102,677</b>	82,274
	<b><u>\$6,937,611</u></b>	<b><u>\$5,818,616</u></b>
<b>LIABILITIES</b>		
Policy benefit liabilities		
Policy reserves (note 1g) .....	<b>\$4,236,398</b>	\$3,373,890
Segregated investment funds .....	<b>961,050</b>	797,229
Provision for claims .....	<b>312,763</b>	290,509
Provision for 1983 policyholders' dividends .....	<b>59,193</b>	57,451
Provision for experience rating refunds .....	<b>68,414</b>	53,350
	<b><u>5,637,818</u></b>	<u>4,572,429</u>
Policyholders' funds .....	<b>265,032</b>	238,924
Mortgages on real estate .....	<b>260,032</b>	198,204
Income taxes payable .....	<b>4,789</b>	18,685
Deferred income taxes (note 1e) .....	<b>15,090</b>	32,135
Other liabilities .....	<b>92,854</b>	128,890
	<b><u>6,275,615</u></b>	<u>5,189,267</u>
Capital stock and surplus		
Capital stock		
Authorized, issued and fully paid - 2,000,000 common shares of \$1 par value .....	<b>2,000</b>	2,000
Appropriated surplus (note 4)		
- participating policyholders .....	<b>54,383</b>	50,599
- shareholders .....	<b>191,722</b>	210,800
Unappropriated surplus		
- participating policyholders .....	<b>186,577</b>	178,939
- shareholders .....	<b>227,314</b>	187,011
	<b><u>661,996</u></b>	<u>629,349</u>
	<b><u>\$6,937,611</u></b>	<b><u>\$5,818,616</u></b>



**THE GREAT-WEST LIFE ASSURANCE COMPANY**  
**SUMMARY OF OPERATIONS**

(In thousands of dollars)

	1982	1981 Restated note 5
Income:		
Life insurance and annuity premiums .....	\$1,155,908	\$ 962,830
Accident and health premiums .....	552,529	585,544
Net investment income .....	619,237	541,569
Net realized and unrealized capital gains on assets of segregated investment funds (note 1d) .....	57,926	(33,835)
Total Income .....	<u>2,385,600</u>	<u>2,056,108</u>
Benefits and Expenses:		
Life and annuity benefits .....	811,364	795,646
Accident and health benefits .....	478,610	502,969
Interest on funds on deposit .....	31,939	28,945
Increase in policy reserves (note 1g) .....	715,635	360,452
Dividends to policyholders .....	56,628	56,432
Total paid or credited to policyholders .....	<u>2,094,176</u>	<u>1,744,444</u>
Commissions and operating expenses .....	233,942	209,687
Premium taxes .....	19,808	19,743
Net operating income before income taxes .....	37,674	82,234
Income taxes - current .....	(1,725)	962
- deferred .....	(11,295)	7,067
Net Income from Operations .....	<u>50,694</u>	<u>74,205</u>
Other Items:		
Net write-down of assets .....	(11,070)	(883)
Realized gains/losses on sales of assets (note 2) .....	22,075	21,806
Depreciation basis change .....	—	12,898
Gain due to change in book rates of exchange (note 5) .....	34,663	—
Prior years' income tax adjustment (note 3) .....	(626)	2,222
Prior years' policy reserve adjustment (note 1g) .....	(31,782)	(44,962)
Share of earnings of subsidiaries (note 1f) .....	(11,307)	(9,861)
Net Income .....	<u>\$ 52,647</u>	<u>\$ 55,425</u>
Summary of Net Income (note 1h)		
Attributable to Participating Policyholders		
Net income before policyholder dividends .....	\$ 70,481	\$ 73,843
Policyholder dividends .....	56,628	56,432
Net income from operations .....	13,853	17,411
Other items .....	(2,431)	(6,769)
Net Income - participating policyholders .....	<u>\$ 11,422</u>	<u>\$ 10,642</u>
Attributable to Shareholders		
Net income from operations .....	\$ 36,841	\$ 56,794
Other items .....	4,384	(12,011)
Net Income - shareholders .....	<u>\$ 41,225</u>	<u>\$ 44,783</u>
Earnings per share		
From operations .....	\$ 18.42	\$ 28.39
Including other items .....	\$ 20.61	\$ 22.39

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

for the year 1982 (In thousands of dollars)

	Participating Policyholders	Shareholders	Total
<b>APPROPRIATED</b>			
Balance January 1 .....	\$50,599	\$210,800	\$261,399
Add:			
Increase in special reserves			
Investment valuation and currency reserve - net .....	(1,980)	(41,459)	(43,439)
Reserve for cash value deficiencies and amounts of negative reserves .....	842	9,659	10,501
Reserve for miscellaneous assets .....	4,922	12,722	17,644
	<u>3,784</u>	<u>(19,078)</u>	<u>(15,294)</u>
Balance December 31 .....	<u>\$54,383</u>	<u>\$191,722</u>	<u>\$246,105</u>
<b>UNAPPROPRIATED</b>			
Balance January 1 .....	\$178,939	\$187,011	\$365,950
Add:			
Total net income for year from summary of operations .....	11,422	41,225	52,647
Deduct:			
Dividends to shareholders .....	—	20,000	20,000
Changes in special reserves appropriated from surplus .....	3,784	(19,078)	(15,294)
	<u>\$186,577</u>	<u>\$227,314</u>	<u>\$413,891</u>

**NOTES TO 1982 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, 1982 are \$56,576,000 of net losses for bonds (\$39,352,000 in 1981) and \$742,000 of net gains for mortgages (\$903,000 in 1981).

Bonds, mortgages and sale agreements have a market value authorized by the Department of Insurance of \$3,715,239,000 (\$2,496,011,000 in 1981). 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. Any deviation from this practice is considered in the calculation of policy reserves (note 1g).

- (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, 1982 amounted to \$102,928,000 (\$76,289,000 in 1981). 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 \$489,304,000 (\$470,636,000 in 1981).

- (c) Real estate at December 31, 1982 is carried at a written down cost of \$698,964,000 (\$630,414,000 in 1981) less accumulated depreciation of \$26,402,000 (\$23,366,000 in 1981).

The market value of the real estate portfolio has been calculated at \$761,013,000 (\$662,371,000 in 1981).

- (d) Investments held for segregated investment funds are carried at market value. Net realized and unrealized capital gains on segregated investment funds were \$57,926,000 in 1982 (\$33,835,000 of losses in 1981). Such capital gains and losses 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 Limited  
Harriott & Associates of Canada (1974) Limited  
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.

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 \$107,117,000 at December 31, 1982 (\$93,558,000 at December 31, 1981).

The calculation of policy reserves recognizes the relationship between the market value of assets and the durational characteristics of liabilities. Higher than normal surrenders of certain policy contracts experienced to date and projected for future years has shortened the liability duration assumption. This factor, combined with the cost of policy enhancements designed to slow the rate of surrender, and recognition of the United States currency conversion (note 5), has caused a prior years' policy reserve adjustment of \$31,782,000, net of income taxes of \$14,525,000.

- (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 \$7,204,000 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. Significant changes in United States income tax legislation occurred in 1982. The new legislation has resulted in revisions to Deferred Income Tax calculations at December 31, 1981. Accordingly, an adjustment with respect to income taxes for prior years has been reflected in the income statement. In 1982 and future years United States income taxes will be calculated on the basis of net income rather than investment income net of policyholder requirements.
4. Appropriated surplus represents reserves required by the Department of Insurance of Canada and comprises the following:

	<b>1982</b>	1981
	<b>(000)</b>	(000)
Participating account:		
Investment valuation and currency reserve — net .....	<b>\$ 15,626</b>	\$ 17,606
Reserve for cash value deficiencies and amounts of negative reserves .....	<b>19,093</b>	18,251
Reserve for miscellaneous assets .....	<b>19,664</b>	14,742
Total .....	<b><u>\$ 54,383</u></b>	<u>\$ 50,599</u>
Non-participating and health accounts:		
Investment valuation and currency reserve — net .....	<b>\$ 72,564</b>	\$114,023
Reserve for cash value deficiencies and amounts of negative reserves .....	<b>59,456</b>	49,797
Reserve for miscellaneous assets .....	<b>59,702</b>	46,980
Total .....	<b><u>\$191,722</u></b>	<u>\$210,800</u>

5. Effective January 1, 1982, United States currency items are translated at a book rate of \$1.15 in Canadian dollars. It is the intention of the Company to alter this rate whenever it is evident that currency rates have changed significantly and in the opinion of the Company, the rate will not be reversed in the near term. A gain due to this change in book rates of exchange amounting to \$34,663,000 has been reflected in the income statement.

In order to facilitate comparison, the United States currency items included in the 1981 Summary of Operations at dollar for dollar with Canadian have been restated at the new book rate of \$1.15 in Canadian dollars.

Conversion to Canadian dollars of the excess of United States dollar assets over United States dollar liabilities at the December 31, 1982 exchange rate rather than the book rate of \$1.15 would have produced an increase in net assets of approximately \$17,241,000. In accordance with reporting requirements, this amount is reflected in the balance sheet by a reduction in the investment valuation reserve shown in note 4.

6. 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, 60 Osborne Street North, Winnipeg, Manitoba, R3C 3A5.*

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

as at December 31, 1982

	1982	\$000	1981
<b>Assets</b>			
Cash, deposit receipts, treasury bills and secured loans .....	<b>\$ 260,167</b>		\$ 168,465
Securities .....	<b>391,539</b>		173,910
Mortgages .....	<b>974,576</b>		997,857
Office premises and equipment .....	<b>18,197</b>		18,298
Other assets .....	<b>16,320</b>		16,953
	<b><u>\$1,660,799</u></b>		<b><u>\$1,375,483</u></b>
<b>Liabilities and shareholders' equity</b>			
Guaranteed Trust Accounts			
Deposits .....	<b>\$ 515,045</b>		\$ 428,462
Investment certificates .....	<b>1,045,650</b>		852,584
	<b>1,560,695</b>		1,281,046
Company liabilities .....			
	<b>30,243</b>		26,683
Shareholders' equity			
Capital stock .....	<b>2,619</b>		2,592
Contributed surplus .....	<b>6,063</b>		6,032
Retained earnings .....	<b>61,179</b>		59,130
	<b><u>\$1,660,799</u></b>		<b><u>\$1,375,483</u></b>

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

for the year ended December 31, 1982

	1982	1981
<b>Revenue</b>		
Fees and commissions .....	<b>\$ 71,289</b>	\$ 76,973
Mortgage interest .....	<b>127,317</b>	118,456
Other interest and dividends .....	<b>76,073</b>	56,900
	<b><u>274,679</u></b>	<u>252,329</u>
<b>Expense</b>		
Interest paid .....	<b>171,229</b>	155,376
Operating expenses .....	<b>95,925</b>	92,314
	<b><u>267,154</u></b>	<u>247,690</u>
Income before income taxes .....	<b>7,525</b>	4,639
Income taxes .....	<b>821</b>	(876)
Net operating income .....	<b>6,704</b>	5,515
Other items .....	<b>(1,321)</b>	1,297
Net income .....	<b><u>\$ 5,383</u></b>	<b><u>\$ 6,812</u></b>
<b>Earnings per share</b>		
Net operating income .....	<b>\$ .74</b>	\$ .61
Net income .....	<b>.59</b>	.75

*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.*





1982 ANNUAL REPORT

THE *Investors* GROUP

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Winnipeg, Canada R3C 3B6