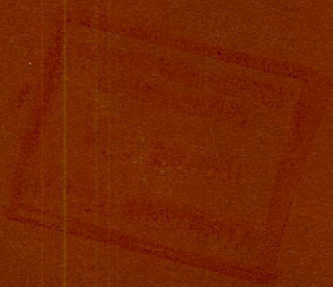


THE *Investors* GROUP
40th ANNUAL REPORT 1980



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 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
(95.8% owned)
Montreal Trust Company (50.2% owned)

Head Office

280 Broadway,
Winnipeg, Manitoba
R3C 3B6

Auditors

Deloitte, Haskins & Sells

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 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 †
Winnipeg
Company Director

W.J. Bennett
Montreal
*Consultant,
Iron Ore Company
of Canada*

Douglas A. Berlis, Q.C.
Toronto
*Senior Partner,
Messrs. Aird & Berlis*

J.W. Burns*
Montreal
*President,
Power Corporation
of Canada*

Peter D. Curry*
Montreal
*Deputy Chairman,
Power Corporation
of Canada*

Paul Desmarais*
Montreal
*Chairman and
Chief Executive Officer,
Power Corporation
of Canada*

E. Peter Gush
Toronto
*Chairman, President
and Chief Executive Officer,
Hudson Bay Mining and
Smelting Co., Limited*

A.S. Jackson
Winnipeg
*Executive Vice-President,
The Investors Group*

Robert H. Jones*
Winnipeg
*President and Chief
Executive Officer,
The Investors Group*

Arthur F. Knowles †
Montreal
*Senior Vice-President,
Power Corporation
of Canada*

Arthur V. Mauro, Q.C.
Winnipeg
*Executive Vice-President,
The Investors Group*

Hon. W.J. McKeag
Winnipeg
*President,
McKeag Realty Ltd.*

Paul Britton Paine, Q.C.*
Montreal
*Chairman of the Board
and President,
Montreal Trust Company*

R.W. Purcell
New York
Company Director

W.I.M. Turner, Jr.
Montreal
*President and
Chief Executive Officer,
Consolidated-Bathurst Inc.*

G.J. van den Berg †
Toronto
Company Director

*Member of the Executive
Committee

†Member of the Audit
Committee

EXECUTIVE OFFICERS

Peter D. Curry
Chairman of the Board

Robert H. Jones
*President and
Chief Executive Officer*

Arthur V. Mauro, Q.C.
*Executive
Vice-President*

A.S. Jackson
*Executive
Vice-President*

D.C. Bjarnason
*Vice-President,
Secretary and Counsel*

D.E. Rettie
*Vice-President and
Treasurer*

DIRECTORS' REPORT

The Directors are pleased to present the Company's 40th Annual Report together with consolidated financial statements for the year ended December 31, 1980. All components of the Company's operations showed improvements.

The Company's Consolidated Net Operating Income totalled \$65,050,000 compared with \$54,796,000 for the prior year. After allowing for preferred dividends, earnings per share were \$4.62 in 1980 compared with \$3.83 in 1979. Consolidated Net Income after extraordinary items was \$74,163,000 or \$5.33 per share compared with \$4.45 per share in 1979.

Before deducting the after-tax cost of debenture interest, earnings of the Company, excluding the contributions of The Great-West Life Assurance Company and Montreal Trust Company, increased to \$16,215,000 from \$15,027,000 in 1979. Consolidated net income from investment certificates and service fees was \$13,977,000, an increase of \$761,000 over 1979 while income from management, distribution and trust services increased by \$427,000 to \$2,238,000.

The Company's share of the earnings of Great-West Life for the year was \$46,320,000, an increase of \$7,633,000 over 1979. A condensed balance sheet and summary of operations for Great-West Life are included in this report.

The Company's share of the earnings of Montreal Trust Company was \$4,326,000 compared with \$3,017,000 in 1979. Included in this report are a condensed balance sheet and consolidated statement of income of Montreal Trust Company.

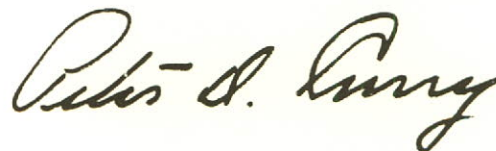
Mr. J.C. Gilmer and Mr. F.P. Mannix retired from the Board of Directors at the Annual Meeting held April 29, 1980 after service as directors commencing in 1967 and 1970 respectively. On behalf of the directors we express our appreciation for their valued contribution to the progress of the Company. Mr. Douglas A. Berlis, Q.C. and Mr. E. Peter Gush were elected directors of the Company at the 1980 Annual Meeting.

During the year, dividends totalling \$1.30 per share were paid on the Company's classes of common 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 1980.

At a meeting of the directors held February 10, 1981, dividends of 40 cents per share on the common shares and common Class A shares and the regular quarterly dividend of 31¼ cents per share on the Preferred Shares, 1969 Series were declared payable on May 1, 1981 to shareholders of record April 8, 1981. The regular quarterly dividend of 37½ cents per share on the Preferred Shares, 1978 Series was declared payable February 27, 1981 to shareholders of record February 20, 1981.

The directors express their appreciation to the management, staff and sales representatives of the Investors companies for their contribution to the results achieved in 1980 and for their continuing co-operation and support.

ON BEHALF OF THE BOARD



Peter D. Curry
Chairman



Robert H. Jones
President

March 4, 1981

The Investors Group and Consolidated Subsidiary Companies

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME

for the year ended December 31, 1980

	1980	1979
Income:		
Investment income	\$ 79,171,797	\$ 69,465,612
Service fees	1,788,798	2,327,503
Management and distribution fees	18,550,582	15,452,538
Trust investment and fee income	5,548,923	2,797,654
Share of earnings of unconsolidated subsidiaries:		
The Great-West Life Assurance Company (Note 4)	46,320,161	38,686,694
Montreal Trust Company (Note 4)	4,326,157	3,017,462
	<u>155,706,418</u>	<u>131,747,463</u>
Expenses:		
Interest on certificate liabilities	27,851,915	26,056,249
Additional credits to certificates	22,284,960	17,201,980
Certificate and service fee costs	15,087,627	13,061,180
Management and distribution operating costs	15,226,135	12,838,413
Trust interest and operating costs	4,482,355	1,949,949
Interest on debentures	3,879,330	3,948,106
Provision for income taxes	1,844,428	1,895,143
	<u>90,656,750</u>	<u>76,951,020</u>
Net operating income	65,049,668	54,796,443
Extraordinary items (Note 8)	9,113,380	8,076,252
Net income	<u>\$ 74,163,048</u>	<u>\$ 62,872,695</u>
Earnings per share after deducting dividends on preferred stock:		
— Net operating income	<u>\$ 4.62</u>	<u>\$ 3.83</u>
— Net income	<u>\$ 5.33</u>	<u>\$ 4.45</u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1980

	1980	1979
Source of Funds:		
From Operations -		
Net operating income	\$ 65,049,668	\$ 54,796,443
Less share of earnings retained by unconsolidated subsidiaries	<u>33,888,138</u>	<u>29,680,211</u>
	31,161,530	25,116,232
Add (deduct) net non-cash charges (credits) to operations including deferred income taxes of \$1,539,225 (1979 - \$466,707)	<u>(293,323)</u>	<u>678,912</u>
Total funds from operations	30,868,207	25,795,144
Interest and additional credits to certificates	50,136,875	43,258,229
Interest on guaranteed trust accounts	2,709,605	677,182
Certificate sales and collections	137,198,758	119,991,430
Guaranteed trust receipts	26,864,077	117,321
Proceeds from security transactions	26,175,842	51,230,311
Mortgage principal collections and sales	29,387,497	33,535,797
Increase in bank loans	<u>4,844,000</u>	<u>(217,000)</u>
	308,184,861	274,388,414
Use of Funds:		
Certificate maturities and surrenders	132,325,062	98,731,038
Increase in loans to certificate holders	2,808,773	11,119,089
Investment in marketable securities	61,478,803	54,792,543
Investment in first mortgages	79,474,839	82,880,756
Net additions in real estate and fixed assets	786,461	1,468,467
Reduction in long-term debt	800,000	200,000
Miscellaneous	1,655,325	(2,090,603)
Dividends paid	22,039,478	15,243,942
Investment in The Great-West Life Assurance Company	<u>175,860</u>	<u>189,010</u>
	301,544,601	262,534,242
Increase in Cash and Temporary Investments	<u>\$ 6,640,260</u>	<u>\$ 11,854,172</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1980

	1980	1979
Balance at beginning of the year	\$143,110,576	\$119,939,090
Add (Deduct):		
Net income for the year	74,163,048	62,872,695
Company's share of charges against retained earnings by The Great-West Life Assurance Company	<u>(46,686,214)</u>	<u>(22,840,499)</u>
Dividends — Preferred shares	(5,208,941)	(5,211,223)
— Common shares	<u>(18,125,794)</u>	<u>(11,649,487)</u>
Balance at end of the year	\$147,252,675	\$143,110,576

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

as at December 31, 1980

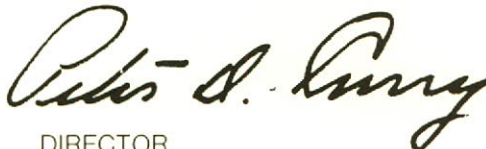
ASSETS	1980	1979
Cash and Investments:		
Cash and temporary investments	\$ 52,298,252	\$ 45,657,992
Marketable securities — at cost and accrued income (Note 3)	268,478,070	230,880,347
First mortgages on real estate — at cost and accrued interest receivable	541,231,670	490,165,075
Real estate — at cost less accumulated depreciation \$1,254,957 (1979 — \$1,128,517)	6,345,615	6,764,927
Loans to certificate holders — not exceeding cash surrender values	36,843,445	33,802,068
	<u>905,197,052</u>	<u>807,270,409</u>
Investment in Unconsolidated Subsidiaries:		
The Great-West Life Assurance Company (Note 4)	221,569,437	228,966,193
Montreal Trust Company (Note 4)	40,513,356	36,888,785
Office Premises — at cost less accumulated depreciation \$3,569,687 (1979 — \$3,276,810)	5,224,065	4,789,647
Accounts and Notes Receivable	3,435,877	2,680,599
Income Taxes Recoverable	299,386	1,231,323
Deferred Acquisition Costs	9,879,750	7,117,497
Other Assets	1,274,630	1,497,035
Excess of Cost of Shares of Consolidated Subsidiaries over Book Value of Net Assets at Date of Acquisition (Note 8)	—	734,084
	<u>\$1,187,393,553</u>	<u>\$1,091,175,572</u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1980	1979
Certificate and Current Liabilities:		
Certificate liabilities	\$ 760,558,593	\$ 704,695,804
Provision for additional certificate credits	8,409,988	9,522,427
Guaranteed trust accounts (Note 2)	36,685,372	7,111,690
Bank loan	4,844,000	—
Tax deposits on mortgages	15,665,319	15,435,663
Dividends payable	4,933,534	3,638,277
Other liabilities	8,689,945	7,994,289
	<u>839,786,751</u>	<u>748,398,150</u>
Income Deferred to Future Years	2,264,828	2,316,772
Deferred Income Taxes	11,696,058	10,156,833
9 ⁷ / ₈ % Debentures, 1978 Series (Note 6)	<u>39,000,000</u>	<u>39,800,000</u>
Shareholders' Equity:		
Capital stock (Note 7) — Preferred	92,178,800	92,178,800
— Common	8,437,143	8,437,143
	<u>100,615,943</u>	<u>100,615,943</u>
Contributed surplus arising from premium on capital stock	46,777,298	46,777,298
Retained earnings	147,252,675	143,110,576
	<u>294,645,916</u>	<u>290,503,817</u>
	<u>\$1,187,393,553</u>	<u>\$1,091,175,572</u>

Approved by the Board:


DIRECTOR


DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1980

1. STATEMENT OF ACCOUNTING POLICIES

A description of those accounting policies which are considered important to an understanding of the accompanying financial statements is set out below.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of all subsidiary companies except The Great-West Life Assurance Company and Montreal Trust Company. 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. Summary financial statements of these companies are presented on pages 12 to 15 of this report.

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.

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.

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.

CERTIFICATE LIABILITIES. Investment certificates entitle certificate holders to receive at maturity a definite sum of money. A portion of payments made by installment 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.

SERVICE FEE INCOME AND SELLING EXPENSES. On installment 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 installment certificates are in force.

On single payment certificates, first year commissions paid to sales representatives are amortized over the first 60 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.

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.

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 assets of the guaranteed trust accounts of Investors Group Trust Co. Ltd.:

	<u>1980</u>	<u>1979</u>
Cash and temporary investments	\$ 5,685,654	\$1,424,740
Marketable securities	12,519,766	775,260
First mortgages	18,479,952	4,911,690
	<u>\$36,685,372</u>	<u>\$7,111,690</u>

Prior to 1980 guaranteed trust accounts were not included in the consolidated financial statements. The 1979 figures have been restated to reflect the inclusion of these accounts.

3. MARKETABLE SECURITIES AND ACCRUED INCOME

	1980		1979	
	Cost	Market	Cost	Market
Canadian government and corporate bonds and obligations	\$ 96,981,399	\$ 84,255,445	\$ 75,201,769	\$ 64,124,202
Canadian preferred stocks	120,632,707	99,441,198	113,020,341	103,540,639
Canadian common stocks	46,073,531	47,857,412	37,542,417	43,494,280
Aircraft certificates*	4,790,433	4,790,433	5,115,820	5,115,820
	<u>\$268,478,070</u>	<u>\$236,344,488</u>	<u>\$230,880,347</u>	<u>\$216,274,941</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 \$2,188,000, 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 Trust Company
Voting and equity interest	<u>95.8%</u>	<u>50.2%</u>
Carrying value of investment, December 31, 1979	\$228,966,193	\$ 36,888,785
Add (Deduct):		
Cost of shares acquired during the year	175,860	—
Share of net operating income	46,320,161	4,326,157
Share of extraordinary items	8,120,949	729,082
Share of net charges against retained earnings of subsidiary	(46,686,214)	—
Dividends received	<u>(15,327,512)</u>	<u>(1,430,668)</u>
Carrying value of investment, December 31, 1980	<u>\$221,569,437</u>	<u>\$ 40,513,356</u>
Share of equity, December 31, 1980	<u>\$235,772,711</u>	<u>\$ 32,212,443</u>

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, 1980 the aggregate excess was \$60,256,000.

6. 9⁷/₈ % 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 1980. Interest on the debentures for 1980 was \$3,879,330 (1979 - \$3,948,106).

7. CAPITAL STOCK

Authorized:

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

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 to August 31, 1988, decreasing to \$25¼ per share during the period to August 31, 1991 and at \$25 thereafter.

20,000,000 — voting common shares.

20,622,022 — non-voting common Class A 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:

	<u>Shares</u>	<u>Amount</u>
Preferred shares, 1969 Series	1,287,152	\$32,178,800
Preferred shares, 1978 Series	2,400,000	60,000,000
	<u>3,687,152</u>	<u>\$92,178,800</u>
Common shares	6,842,105	\$ 342,105
Common Class A shares	6,104,461	305,223
Surplus arising from conversion of preferred shares	—	7,789,815
	<u>12,946,566</u>	<u>\$ 8,437,143</u>

8. EXTRAORDINARY ITEMS

Details of these amounts are as follows:

	<u>1980</u>	<u>1979</u>
Net profit on investments net of income taxes	\$ 997,433	\$1,223,475
Cost of shares of subsidiaries in excess of book value written off upon amalgamation or winding up	(734,084)	—
Share of extraordinary items:		
The Great-West Life Assurance Company	8,120,949	6,692,836
Montreal Trust Company	729,082	159,941
	<u>\$9,113,380</u>	<u>\$8,076,252</u>

9. 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 Trust Company, to the Company and its wholly-owned subsidiaries.
- (b) The provision of investment management services by wholly-owned subsidiaries to nine related mutual funds.

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

10. 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, 1980 total assets of Investors Mortgage Fund were \$338,409,000 comprising \$38,525,000 cash and other liquid assets and \$299,884,000 in mortgages.

(b) Included as charges against net income are the following:

	<u>1980</u>	<u>1979</u>
Depreciation and amortization	\$771,355	\$711,058
Remuneration of directors and senior officers	632,641	526,523

During 1977 the Board of Directors approved an executive incentive plan under which awards may become payable to officers of the Company, at the close of the five year period ending December 31, 1981. Payments of awards and the amount thereof are contingent on the attainment by the Company of certain earnings levels during the five year period. A provision of \$34,540 has been made in 1980 for this contingency.

(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 \$350,234 (1979 - \$358,764).

(d) Certain of the 1979 figures have been restated to reflect the current year's presentation.

AUDITORS' REPORT

To the Shareholders of The Investors Group:

We have examined the consolidated balance sheet of The Investors Group as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. For The Investors Group and the consolidated subsidiary companies, 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. For the unconsolidated subsidiary companies referred to in Note 4 of the financial statements and accounted for by the equity method, we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, which insofar as it relates to the amounts included for companies not examined by us is based solely on the reports of other auditors, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles (except that, insofar as the net income of The Great-West Life Assurance Company is concerned, the accounting practices employed are those prescribed or permitted by the Department of Insurance of Canada) applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
February 10, 1981

DELOITTE, HASKINS & SELLS
Chartered Accountants

THE GREAT-WEST LIFE ASSURANCE COMPANY
CONDENSED SUMMARY OF OPERATIONS

for the year ended December 31 (000 omitted)

	1980	1979
Income		
Insurance and annuity premiums	\$1,319,134	\$1,233,711
Net investment income	429,880	345,283
Net realized and unrealized capital gains on assets of segregated investment funds	(2,775)	(5,135)
	<u>1,746,239</u>	<u>1,573,859</u>
Benefits and Expenses		
Benefits paid and accrued to policyholders	927,972	751,643
Increase in policy reserves (Note 1g)	491,865	547,877
Dividends to policyholders	55,542	45,528
Total paid or credited to policyholders	<u>1,475,379</u>	<u>1,345,048</u>
Commissions and operating expenses	163,871	139,655
Premium taxes	17,651	15,493
	<u>1,656,901</u>	<u>1,500,196</u>
Net income before taxes	89,338	73,663
Income taxes (Note 1e)	12,865	12,100
Net operating income	76,473	61,563
Extraordinary items (Notes 1f and 2)	24,177	5,935
Net income	<u>\$ 100,650</u>	<u>\$ 67,498</u>
Summary of Income (Note 1h)		
Attributable to participating policyholders		
Net operating income after policyholder dividends	\$ 28,123	\$ 21,155
Extraordinary items	15,699	(1,056)
	<u>\$ 43,822</u>	<u>\$ 20,099</u>
Attributable to shareholders		
Net operating income	\$ 48,350	\$ 40,408
Extraordinary items	8,478	6,991
	<u>\$ 56,828</u>	<u>\$ 47,399</u>
Earnings per share		
Net operating income	\$ 24.17	\$ 20.20
Net income	\$ 28.41	\$ 23.69

THE GREAT-WEST LIFE ASSURANCE COMPANY
CONDENSED BALANCE SHEET
as at December 31 (000 omitted)

	1980	1979
ASSETS		
Bonds (Note 1a)	\$1,288,343	\$1,117,018
Stocks (Note 1b)	290,125	254,961
Mortgages and sale agreements (Note 1a)	2,042,860	1,696,354
Real estate (Note 1c)	342,546	315,539
Loans to policyholders	250,277	218,193
Segregated investment funds (Note 1d)	652,640	463,711
Cash and other assets	221,972	330,372
	<u>\$5,088,763</u>	<u>\$4,396,148</u>
LIABILITIES		
Policy reserves (Note 1g)	\$3,118,349	\$2,805,388
Provision for policyholders' dividends	55,026	44,213
Provision for experience rating refunds	40,843	40,156
Provision for claims	267,298	236,029
Segregated investment funds	652,640	463,711
	<u>4,134,156</u>	<u>3,589,497</u>
Policyholders' funds	226,988	206,402
Other liabilities	129,889	87,169
	<u>4,491,033</u>	<u>3,883,068</u>
Special reserves appropriated from surplus (Note 3)	172,823	139,361
Capital stock	2,000	2,000
Unappropriated Surplus		
Participating policyholders	178,851	119,758
Shareholders	244,056	251,961
	<u>422,907</u>	<u>371,719</u>
	<u>\$5,088,763</u>	<u>\$4,396,148</u>

The following are the notes to the 1980 financial statements of The Great-West Life Assurance Company:

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, debentures and mortgages (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.
- (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, 1980 amounted to \$75,839,370. Equity investments in respect of the accident and health business are carried at cost.
- (c) Real estate held for investment is carried at cost of \$532,157,507 less accumulated depreciation of \$37,814,963 and mortgage liabilities of \$151,796,514.
- (d) Investments held for segregated investment funds are carried at market value.

- (e) Income taxes are calculated using the deferred-tax method. The balance of deferred income taxes included in other liabilities at December 31, 1980 was \$25,871,638.
- (f) Income from subsidiaries is included in these statements under the equity method of accounting.
- (g) Policy reserves represent the amount required, together with future premiums and investment income, to provide for future benefits, administrative expenses and taxes on insurance and annuity policies. Policy reserves are calculated using assumptions appropriate to the policies in force and recognize the deferral of certain costs of acquiring policies. The amount of unamortized deferred acquisition cost deducted in arriving at the policy reserves was \$82,656,105 at December 31, 1980.
- (h) Net income includes earnings of the participating, non-participating and 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 (losses) on sales of assets shown as an extraordinary item in net income include the results of:
- all disposals of assets of the accident and health account;
 - disposals of real estate in the life account, and;
 - gains due to foreign exchange transactions.
3. The special reserves appropriated from surplus are a requirement of the Department of Insurance of Canada. At December 31, the components were as follows:

	1980	1979
Participating account:		
Investment valuation and currency reserve — net	\$ 9,553,429	\$ 7,618,267
Reserve for cash value deficiencies and amounts of negative reserves	18,645,772	37,999,623
Reserve for miscellaneous assets	13,053,743	10,906,068
Total	<u>\$ 41,252,944</u>	<u>\$56,523,958</u>
Non-participating and health accounts:		
Investment valuation and currency reserve — net	\$ 54,873,293	\$21,896,461
Reserve for cash value deficiencies and amounts of negative reserves	40,543,959	32,287,026
Reserve for miscellaneous assets	36,152,932	28,653,594
Total	<u>\$131,570,184</u>	<u>\$82,837,081</u>

4. Transactions in United States currency are recorded dollar for dollar with Canadian. Conversion to Canadian dollars of the excess of United States dollar assets over United States dollar liabilities at the rate of exchange prevailing at December 31, 1980 would have produced an increase in net assets of approximately \$37,272,000. 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 and an increase in unappropriated surplus.
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.

The Condensed Summary of Operations and Balance Sheet contained in this Report represent a summary of information contained in the audited financial statements included in the Annual Report of The Great-West Life Assurance Company. 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 TRUST COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET**

as at December 31 (000 omitted)

ASSETS	1980	1979
Cash, deposit receipts, treasury bills and secured loans	\$ 165,276	\$ 165,312
Securities	168,703	175,409
Mortgages and real estate investments	937,573	836,878
Office premises and equipment	17,122	14,966
Other assets	13,613	13,231
	<u>\$1,302,287</u>	<u>\$ 1,205,796</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Guaranteed Trust Accounts:		
Deposits	\$ 393,124	\$ 313,991
Investment certificates	819,581	814,068
	1,212,705	1,128,059
Company liabilities	25,446	20,923
Shareholders' Equity:		
Capital stock	2,589	2,582
Contributed surplus	5,991	5,877
Retained earnings	55,556	48,355
	<u>\$1,302,287</u>	<u>\$ 1,205,796</u>

**MONTREAL TRUST COMPANY
CONDENSED CONSOLIDATED STATEMENT OF INCOME**

for the year ended December 31 (000 omitted)

	1980	1979
Revenue		
Fees and commissions	\$ 69,431	\$ 58,198
Mortgage interest	95,411	80,748
Other interest and dividends	47,412	32,779
	<u>212,254</u>	<u>171,725</u>
Expense		
Interest paid	119,127	96,165
Operating expenses	81,215	68,495
	<u>200,342</u>	<u>164,660</u>
Net income before taxes	11,912	7,065
Income taxes	3,298	1,074
Net operating income	8,614	5,991
Other income	1,431	338
Net income	<u>\$ 10,045</u>	<u>\$ 6,329</u>
Earnings per Share		
Net operating income	\$ 3.33	\$ 2.32
Net income	3.88	2.45

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

1980 ANNUAL REPORT

THE *Investors* GROUP

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