THE *Investors* GROUP

34th annual report for the year 1974

The Investors Group

Incorporated by Special Act of the Legislature of the Province of Manitoba

Principal Operating Companies

Investors Syndicate Limited
Investors Syndicate Realty Limited
Investors Group Trust Co. Ltd.
Investors Securities Management Ltd.
The Western Savings and Loan Association
Montreal Trust Company (50.5% owned)
The Great-West Life Assurance Company (50.1% owned)

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
Provident Mutual Fund Ltd.
Provident Stock Fund Ltd.

Auditors

Deloitte, Haskins & Sells

Transfer Agent

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

Head Office

280 Broadway,
Winnipeg, Manitoba
R3C 3B6

Highlights

	1974	1973	Change
Consolidated net operating income after deducting preferred dividends	$ 14,148,000	$ 14,125,000	—
Earnings per common and common Class A share	$1.14	$1.15	- 1%
Total dividends — common and common Class A shareholders	$ 6,235,000	$ 5,537,000	+ 12%
Dividends paid per share	50¢	45¢	+ 11%
Preferred dividends	$ 1,903,000	$ 2,000,000	- 5%
Consolidated assets	$591,913,000	$584,208,000	+ 1%
Mutual Fund assets	750,505,000	979,823,000	- 23%
Trust Company pension assets	282,103,000	319,161,000	- 12%
Certificate liabilities	414,384,000	414,757,000	—
Shareholders' equity	$144,018,000	$138,266,000	+ 4%

Board of Directors

Norman J. Alexander
Winnipeg
Investment Consultant

C. E. Atchison*
Winnipeg
Vice-Chairman of the Board

W. J. Bennett
Montreal
President, Iron Ore Company of Canada

J. W. Burns*
Winnipeg
President and Chief Executive Officer, The Great-West Life Assurance Company

Peter D. Curry*
Montreal
President and Chief Operating Officer, Power Corporation of Canada, Limited

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

J. C. Gilmer†
Vancouver
President and Chief Executive Officer, CP Air

Robert H. Jones*
Winnipeg
President and Chief Executive Officer

Fred P. Mannix
Calgary
President, Loram Co. Ltd.

The Hon. W. J. McKeag
Winnipeg
President, McKeag Harris Realty & Development Co., Ltd.

Paul Britton Paine, Q.C.*
Montreal
President and Chief Executive Officer, Montreal Trust Company

Jean Parisien†
Montreal
Senior Deputy Chairman, Power Corporation of Canada, Limited

A. Ross Poyntz
Toronto
Chairman of the Board, The Imperial Life Assurance Company of Canada

R. W. Purcell
New York
Business Consultant, Rockefeller Family and Associates

A. C. Rice
London, England
Executive Vice-President, Bank of America NT & SA

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

G. J. van den Berg†
Montreal
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

C. E. Atchison
Vice-Chairman of the Board

Donald J. McDonald
Executive Vice-President

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

D. E. Rettie
Vice-President and Treasurer

Directors' Report

Your Directors are pleased to present the 34th Annual Report together with the consolidated financial statements for the year ended December 31, 1974.

The consolidated earnings from operations for the year ended December 31, 1974 amounted to $16,051,201 compared with $16,125,207 for the prior year. After deduction for dividends on the outstanding preferred shares, the consolidated earnings per common and common Class A shares were $1.14. The comparable result for the year 1973 was $1.15.

During the past year a series of major events impacted seriously on the business and economic environment, with particular emphasis on financial markets and related industries. Prominent among these events were a worsening of inflation rates in the industrialized countries, a slowing down in real economic growth, the transfer of wealth to the oil-producing nations and general disappointment in the levels of production of food crops. The political drama of Watergate in the United States and the unseemly confrontation between the Government of Canada and certain provincial governments over revenue-sharing in the mining and petroleum industries were additional negatives.

Interest rates rose sharply throughout much of the year while common stock prices came under severe pressure. Compensation demanded by lenders for the high incidence of inflation was reflected in a marked upward movement in long-term bond interest rates while large credit accommodation required to meet working capital needs pushed short-term rates to very high levels. Corporate profits, in dollar terms, were buoyant, but investors discounted the impact of artificial gain arising out of inventory appreciation and the fact that maximum allowable depreciation charges bear no relationship to replacement cost of fixed assets.

The consolidated operating results of the Company, when judged against the economic background described, were on the whole satisfactory. However, the operating results of the Company's wholly and partially-owned subsidiaries were affected unevenly. The Great-West Life Assurance Company achieved a substantial increase in earnings as favourable claims experience and a buoyant market for that Company's services were combined with a marked improvement in the rate of return on invested assets. Earnings from investment certificate operations in Investors Syndicate and mortgage activities in Investors Syndicate Realty were also ahead of last year. Income from the management and distribution of mutual funds declined. The incidence of rising short-term interest rates impacted adversely on Montreal Trust Company as earnings derived from its guaranteed trust account fell sharply. The results for each of the operating companies are commented on in greater detail in this report.

During the year, four quarterly dividends of 12½ cents per common and common Class A shares were declared and paid. The Company's preferred shares were convertible, at the option of the holder, into 2 common Class A shares for each preferred share held up to October 31, 1974. The conversion right changed as at November 1 to 1⅔ common Class A shares for each preferred. During the year 301,990 preferred shares were converted into common Class A shares.

In August 1974, Mr. A. H. Brawner resigned as a Director of the Company. Mr. Brawner joined the Board in 1970 and during the four years he served as a Director made a significant contribution to the affairs of the Company. At a meeting of the Board of Directors held on February 11, 1975, The Honourable W. J. McKeag was appointed to the Board.

Many of the serious international and domestic problems so evident during 1974 remained unsolved as 1975 began. There are, however, some hopeful signs of improvement:

- Monetary and fiscal policies have eased in both Canada and the United States in a shift of emphasis from anti-inflation to anti-recession. Short and long-term interest rates have declined as a result.
- Some of the OPEC countries are beginning to show interest in making longer term accommodation to foreign borrowers.
- Despite the severe battering investors have taken in ownership of equities over the past few years, there are signs of returning confidence in the stock market.
- The Federal Government in its November Budget provided incentives to savers by excluding $1,000 interest and/or dividends from taxable income and introduced a registered home ownership plan and improvements to registered retirement savings plans.

These are encouraging signs but the private sector of the economy must explain its vital role in the future economic prosperity of the majority of Canadians if one is to view the future with great optimism. In the past few years the motives and profits of many corporations have been under suspicion and attack. An increasing number of executives of Canada's private sector companies recognize the danger of these attacks and are taking positive steps to explain the goals and objectives of their companies. The success of their efforts is important to all Canadians.

It would be unrealistic to disregard pressing domestic and international problems which confront us but there is also a great danger of becoming so obsessed with problems that opportunities are lost. We are confident we have the people and resources within our Company and its subsidiaries to capitalize on opportunities that will be available to us.

The Directors wish to express their appreciation to the staff and sales representatives of all the companies making up our group for the initiative and dedication they displayed throughout a year of rapid change and many challenges.

ON BEHALF OF THE BOARD

Peter D. Curry,
Chairman

Robert H. Jones,
President

March 3, 1975

The Investors Group

Through its principal operating companies, The Investors Group 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. The diversification of services and products offered through various operating subsidiaries promotes year to year stability in the consolidated financial results of the Company.

Review of Operating Results

Consolidated net operating income of $16,051,201 was virtually unchanged from the level achieved in 1973. The graph on the opposite page identifies the sources of income for the past five years and the relative contribution of each to the overall earnings results. While there has been a general improvement in most sectors in the previous four years, the graph illustrates the substantial shift in the sources of earnings which took place in 1974.

Consolidated income from certificate operations is primarily made up from the certificate operations of Investors Syndicate Limited and of The Western Savings and Loan Association. A high level of certificate disbursements in the first half of 1974, which trend moderated significantly in the latter six months, resulted in a net certificate cash outflow. The approval of higher additional credit rates for certificate holders increased certificate expenses. Despite these factors, an improvement in the rate of return on invested assets brought about an overall gain in certificate income.

Income from management and distribution operations is derived mainly from mutual fund activities including Investors Mortgage Fund which was introduced late in 1973. The earnings from both the investment management function and the distribution operation with respect to the equity-based funds declined substantially from the previous year due to stock market conditions. This decline was only partially offset by increased management fee and distribution income generated by Investors Mortgage Fund.

A review of the operations of each of the principal wholly-owned subsidiaries, together with a summary operating statement, is included in this report. Separate reports and summary operating statements are not included for the unconsolidated operations of the parent company and certain minor wholly-owned subsidiaries since the combined results of such operations are not material. For this reason and because inter-company charges between the wholly-owned subsidiaries for various services are eliminated in producing the consolidated statements, individual detail in the summary operating statements of the principal wholly-owned subsidiaries cannot be reconciled with the consolidated statement of income. It was noted in the 1973 Annual Report that the operations of the Mortgage Department of Investors Syndicate Limited were transferred to Investors Syndicate Realty Limited during 1973. In order to provide meaningful comparisons of the operating results of these two companies, the 1973 figures have been restated to reflect the results as if the transfer occurred on January 1, 1973.

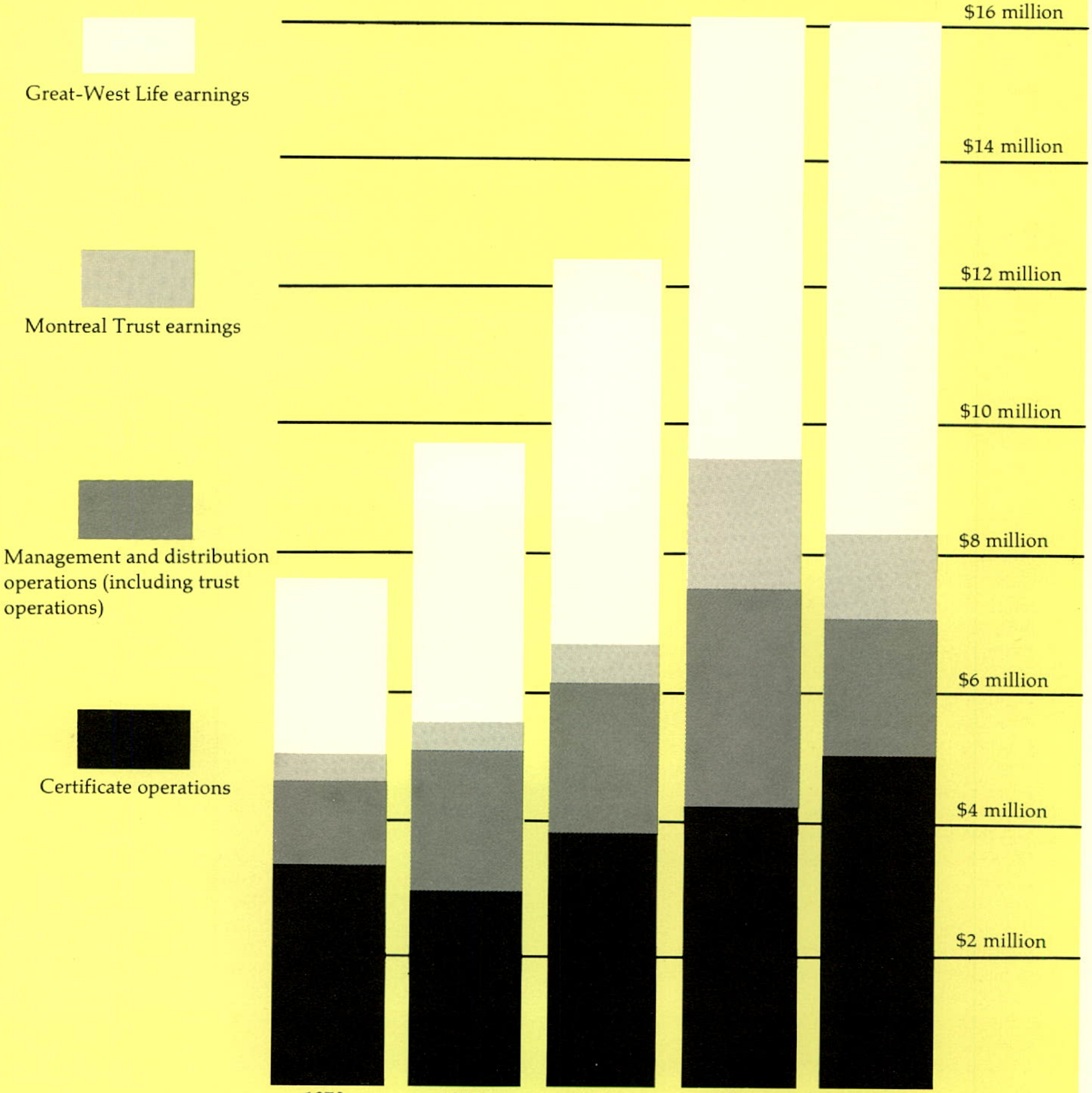
The Company has included in consolidated net operating income $1,243,720 representing its pro rata share of earnings of the Montreal Trust Company for 1974 on an equity basis. This compares with $2,127,105 in 1973, a decline of $883,385. A separate commentary on Montreal Trust Company operations as well as a condensed balance sheet and consolidated statement of income are included in this report.

The operating results of The Great-West Life Assurance Company in 1974 were a major factor in maintaining overall consolidated income at year-ago levels. The Investors Group share of the earnings of Great-West Life was calculated as follows:

	1974	1973
Net income of Great-West Life attributable to shareholders	$16,072,073	$13,567,489
Deduct:		
Dividends received on Investors Group common shares	243,750	373,750
	$15,828,323	$13,193,739
Investors Group share of earnings — 50.1%	$ 7,929,990	$ 6,610,063

A review of 1974 results with a supporting condensed balance sheet and summary of operations for Great-West Life is provided in this report.

Source of Consolidated Income from Operations



(000 omitted)	1970		1971		1972		1973		1974	
Share of Great-West Life earnings	$2,925	37%	$4,141	43%	$ 5,745	47%	$ 6,610	42%	$ 7,930	49%
Share of Montreal Trust earnings	319	4	406	4	584	5	2,127	13	1,244	8
Management and distribution operations (including trust operations)	1,302	17	2,117	22	2,273	18	3,365	21	2,091	13
Certificate operations	3,293	42	3,078	31	3,905	31	4,439	27	5,275	33
Less interest on bank loan — net of tax	–	–	–	–	(98)	(1)	(416)	(3)	(489)	(3)
	$7,839	100%	$9,742	100%	$12,409	100%	$16,125	100%	$16,051	100%

Investors Syndicate Limited

Robert H. Jones
Chairman

A. S. Jackson
President

L. E. Barnabe
Vice-President — Marketing

R. L. Friend
Vice-President — Investments

H. W. Middlestead
Vice-President and Treasurer

G. L. F. Riddell
Vice-President and Secretary

G. H. Harley
Regional Vice-President, Mid-Western Canada

M. A. Maidlow
Regional Vice-President, Central Canada

S. J. McLeod
Regional Vice-President, Eastern Canada

R. M. Young
Regional Vice-President, Western Canada

Investors Syndicate Limited is an investment contract company distributing both instalment and single payment investment certificates. The Company is also a distributor of mutual funds and many of its representatives are dually-licensed to sell annuities and other life insurance products underwritten by The Great-West Life Assurance Company.

The maturity value of instalment investment certificates sold during the year was $101 million, a substantial increase over the $79 million sold in the previous year. Single payment certificate sales declined to $67 million from $112 million in the same period. The total maturity value of all certificates in force increased 3% during the year to $919 million at December 31, 1974. The excess of qualified assets on deposit with an approved depository exceeded investment contract liabilities by $11 million at the year end.

Mutual fund sales were lower in 1974. Lump sum purchases were $63 million while commitments made under the instalment purchase plan amounted to $30 million. The comparable amounts in the previous year were $83 million and $58 million respectively. These figures include both equity and fixed income funds distributed by the Company.

Annuities placed during the year amounted to $16 million, approximately the same amount as in 1973. Sales of life insurance products totalled $36 million compared with $40 million recorded a year ago.

The investment certificates issued by the Company, the shares of Investors Retirement Mutual Fund and the shares of Investors Mortgage Fund are qualified for registered retirement savings plans. The amount of new business in this segment of sales was up slightly during the past year.

Income from certificate operations increased 18.5% over 1973. This increase resulted from a growth in assets from $390 million to $405 million and an improvement in the rate of return earned on assets which was only partially offset by an increase in the rate of additional credits provided on certificates. Income from distributorship, reflecting the decline in mutual fund sales, was lower in 1974 compared with 1973. Income from administrative services also declined. The net effect of these trends, together with the introduction of the Federal surtax, was a decline in net income from $4,341,000 in 1973 (restated) to $4,138,000 for 1974.

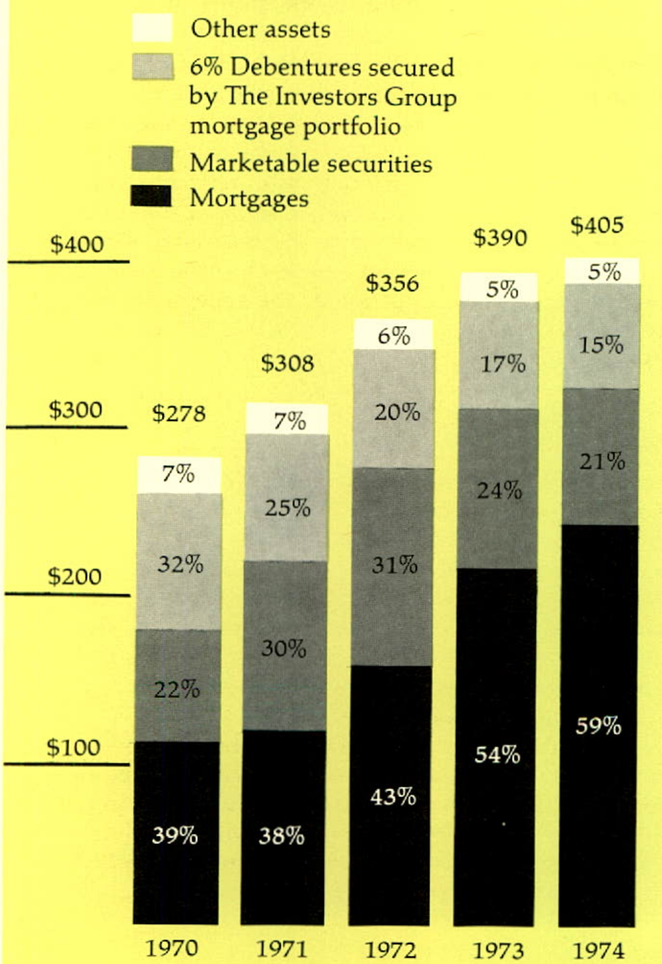
Late in 1974, a Five Year Income Certificate providing for semi-annual interest payments was introduced. This product will qualify for the $1,000 annual interest exemption contained in the Federal Budget of November, 1974.

The Company established sales training facilities in Montreal, Toronto, Winnipeg and Vancouver in 1974. A management by objectives system was also introduced to the Company's sales force during the year. These programs are designed to improve productivity and to develop more efficient sales management methods.

Following ten years of contribution to the growth of the Company, including the latter four as President, Mr. J. N. W. Budd elected during the year to return to field sales management. Mr. A. S. Jackson, formerly Executive Vice-President, succeeded Mr. Budd as President in July.

Despite the unfavourable market environment existing during 1974 and the pressure of increased competition, the number of representatives in the Company's sales force was well maintained. This speaks well for the services and products offered by the Company which provide the sales force with a wide variety of savings and investment programs to meet the needs of all Canadians under varying economic conditions.

Distribution of Assets (millions)



Investors Syndicate Limited

Summary Operating Statement (000 omitted)

	1974	1973
Certificate operations		
Income:		
Investment income	$30,192	$27,235
Service fees	1,417	1,524
	31,609	28,759
Expenses:		
Certificate interest costs	12,853	12,432
Additional credits to certificates	5,720	4,760
Operating expenses	5,586	5,275
	24,159	22,467
Income from certificate operations	7,450	6,292
Income from distributorship services	(242)	636
Income from administrative services	285	762
Net operating income	7,493	7,690
Income taxes	3,355	3,349
Net income	$ 4,138	$ 4,341

NOTE: In order to present a fully comparative statement, the 1973 figures have been restated to reflect the results as if the mortgage operations of the Company had been transferred to Investors Syndicate Realty Limited on January 1, 1973.

Investors Syndicate Realty Limited

C. E. Atchison *Chairman*	D. E. Rettie *Vice-President*
L. D. McMurray *President*	D. C. Chapman *Treasurer*
	A. H. Ross *Secretary*

Investors Syndicate Realty Limited is responsible for the management and servicing of the mortgage investment portfolios of The Investors Group and its wholly-owned subsidiaries. The Company also provides a full mortgage servicing facility to an increasing number of outside clients and is the investment manager of Investors Mortgage Fund.

The mortgage lending activities of the Company reflected a pattern that was general throughout the industry during 1974. Operations were brisk in the early part of the year, but slowed dramatically during the second half in response to higher interest rates and a marked softening in Canadian real estate sales. New mortgage production obtained through the Company's branch offices and correspondents totalled $58 million for the year representing approximately 1,400 loans compared with $109 million and some 1,700 loans in 1973. Mortgage portfolios administered for the Investors companies and other clients comprised $460 million representing 17,400 loans contrasted to $399 million and 16,800 loans at the previous year end.

Investors Mortgage Fund is a mutual fund investing primarily in first mortgages on Canadian real estate. Since its initial distribution late in 1973, the assets of the fund have grown to $57 million at year-end 1974. Of this amount, $31 million was invested in fully-funded mortgages and mortgage commitments have been made for the balance.

Fees derived from the management of Investors Mortgage Fund increased from year-ago levels reflecting the greater assets of the Fund. Mortgage fees also increased as a result of the growth in mortgage portfolios serviced. The costs associated with the management and administration of larger mortgage portfolios rose to a lesser extent than total income. Net earnings of $384,000 were substantially ahead of restated 1973.

Despite the introduction of government incentives and subsidies, residential housing starts in 1975 may be expected to decline from the 222,000 units recorded in 1974. A modest increase in the value of commercial construction is probable in 1975, but this is likely to remain equivalent to the previous year in real terms. Real estate sales activity, which declined significantly in 1974, should improve in 1975 in view of the likelihood of an adequate supply of mortgage funds at reduced interest rates during most of the current year. Over the longer term there will be an increasing demand for housing for Canadian families and for commercial construction. The Company, through its branch offices and correspondents, is well structured to participate fully in this growth.

Investors Syndicate Realty Limited

Summary Operating Statement (000 omitted)

	1974	1973
Income:		
Mortgage fees	$1,450	$1,340
Management fees	449	16
Insurance and real estate commissions	82	106
Other income	169	108
	2,150	1,570
Operating expenses	1,395	1,073
Net operating income	755	497
Income taxes	371	258
Net income	$ 384	$ 239

NOTE: In order to present a fully comparative statement, the 1973 figures have been restated to reflect the results as if the mortgage operations of Investors Syndicate Limited had been transferred to the Company on January 1, 1973.

The Investors Group and Consolidated Subsidiary Companies
Consolidated Financial Statements

Auditors' Report

To the Shareholders of The Investors Group:

We have examined the consolidated balance sheet of The Investors Group and consolidated subsidiary companies as at December 31, 1974 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to the parent company's share of net income of the unconsolidated subsidiary companies referred to in Notes 2 and 3 to the financial statements and included in the determination of net income for the year, we were furnished with reports of other chartered accountants on their examinations of the financial statements of the subsidiaries for the year.

In our opinion, based on our examination and the reports of other chartered accountants referred to above, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the source and use of their funds 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). Further, in our opinion these accounting principles, insofar as they relate to the company and its consolidated subsidiaries, have been applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS
Chartered Accountants

Winnipeg, Manitoba
February 11, 1975

Consolidated Balance Sheet
as at December 31, 1974

Assets	**1974**	1973
Cash and Investments:		
Cash and temporary investments	**$ 9,971,878**	$ 20,194,358
Marketable securities — at cost and accrued income, market value $84,623,206 (1973 - $101,463,848)	**104,493,850**	112,729,750
First mortgages on real estate — at cost and accrued interest receivable	**335,963,441**	316,368,213
Real estate — at cost less accumulated depreciation $832,023 (1973 - $814,404)	**2,116,380**	2,231,436
Loans to certificate holders — not exceeding cash surrender values	**16,999,778**	13,142,979
	469,545,327	464,666,736
Investment in Unconsolidated Subsidiaries:		
The Great-West Life Assurance Company (Note 2)	**83,471,758**	80,346,037
Montreal Trust Company (Note 3)	**28,128,922**	27,792,935
Office Premises — at cost less accumulated depreciation $3,682,002 (1973 - $3,723,227)	**3,391,541**	4,315,076
Accounts and Notes Receivable	**2,399,509**	2,248,857
Advance to Trustee under Employee Stock Purchase Plan	**1,321,836**	1,384,341
Other Assets	**2,887,973**	2,687,975
Excess of Cost of Shares of Consolidated Subsidiaries over Book Value of Net Assets at Dates of Acquisition	**766,291**	766,291
	$591,913,157	$584,208,248

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

Liabilities and Shareholders' Equity	**1974**	1973
Certificate and Other Liabilities:		
Certificate liabilities (Note 4)	**$414,384,028**	$414,756,791
Bank loan (Note 5)	**8,000,000**	9,000,000
Tax deposits on mortgages	**7,257,701**	6,839,724
Income taxes payable	**102,304**	859,344
Dividends payable	**2,020,434**	2,039,317
Other liabilities	**10,757,338**	7,255,720
	442,521,805	440,750,896
Income Deferred to Future Years	**1,144,440**	1,144,179
Deferred Income Taxes	**4,228,646**	4,046,971
Shareholders' Equity (Note 6)		
Capital stock:		
Authorized — 1,297,960 5% cumulative preferred shares of a par value of $25 each, 10,000,000 common shares of a par value of 5¢ each and 10,604,010 common Class A non-voting shares of a par value of 5¢ each		
Issued and fully paid:		
1,297,960 5% preferred shares	**32,449,000**	39,998,750
6,842,105 common shares	**342,105**	342,105
Interest of unconsolidated subsidiary in common shares	**(16,282)**	(16,282)
6,076,467 common Class A shares	**303,823**	273,628
Surplus arising from conversion of preferred shares	**7,520,800**	1,245
	40,599,446	40,599,446
Contributed surplus arising from premium on capital stock	**42,574,591**	42,574,591
Retained earnings	**60,844,229**	55,092,165
	144,018,266	138,266,202
	$591,913,157	$584,208,248

Approved by the Board:

DIRECTOR DIRECTOR

Consolidated Statement of Income

for the year ended December 31, 1974

	1974	1973
Investment Certificate Operations:		
Income from investments	$35,696,873	$32,505,934
Service fees	2,015,970	2,090,757
	37,712,843	34,596,691
Less Investment Certificate Interest Costs and Expenses:		
Interest on certificate liabilities	15,382,789	15,218,309
Additional credits to certificates	5,886,750	4,949,814
Operating expenses	6,950,537	6,746,493
	28,220,076	26,914,616
Income from Investment Certificate Operations	9,492,767	7,682,075
Management and Distribution Operations:		
Management and distribution fees	13,578,928	16,331,938
Less operating expenses	9,351,054	9,628,929
Income from Management and Distribution Operations	4,227,874	6,703,009
Income from Trust Operations	211,952	237,577
Total Income before Undernoted Items	13,932,593	14,622,661
Interest on Bank Loan	1,052,301	867,740
Provision for Income Taxes	6,002,801	6,366,882
	6,877,491	7,388,039
Share of Earnings of Unconsolidated Subsidiaries:		
The Great-West Life Assurance Company (Note 2)	7,929,990	6,610,063
Montreal Trust Company (Note 3)	1,243,720	2,127,105
Net Operating Income	16,051,201	16,125,207
Net Gain on Investments	5,155	741,854
Share of Net Gain on Investments — Montreal Trust Company	132,752	100,784
Net Income	$16,189,108	$16,967,845
Earnings per Share after deducting dividends on preferred stock (Note 7)		
— Net operating income	$1.14	$1.15
— Net income	$1.16	$1.22

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

Consolidated Statement of Source and Use of Funds
for the year ended December 31, 1974

	1974	1973
Source of Funds:		
From Operations —		
Net operating income	$ 16,051,201	$ 16,125,207
Less earnings retained by unconsolidated subsidiaries	5,791,050	5,839,224
	10,260,151	10,285,983
Deduct net non-cash credits to operations	254,800	201,311
Total funds from operations	10,005,351	10,084,672
Interest and additional credits to certificates	21,269,539	20,168,123
Certificate sales and collections	57,907,698	77,051,317
Proceeds from security transactions	17,935,074	40,973,859
Mortgage principal collections and sales	55,050,998	28,474,490
Miscellaneous credits	2,621,583	1,781,131
Total Sources of Funds	164,790,243	178,533,592
Use of Funds:		
Certificate maturities and surrenders	81,574,227	72,152,261
Investments in marketable securities	10,695,393	35,410,931
Investments in first mortgages	73,749,271	66,128,199
Investment in Montreal Trust Company	-	2,557,382
Reduction in bank loan	1,000,000	1,000,000
Dividends paid	7,993,832	7,390,637
Total Use of Funds	175,012,723	184,639,410
Decrease in Cash and Temporary Investments	$ 10,222,480	$ 6,105,818

Consolidated Statement of Retained Earnings
for the year ended December 31, 1974

	1974	1973
Balance at beginning of the year	$55,092,165	$46,682,038
Add (Deduct):		
Net income for the year	16,189,108	16,967,845
Company's share of credits and charges recorded in retained earnings by The Great-West Life Assurance Company	(2,421,388)	331,530
Dividends — Preferred shares	(1,902,511)	(1,999,936)
— Common and common Class A shares (Note 6)	(6,113,145)	(6,889,312)
Balance at end of the year	$60,844,229	$55,092,165

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

Notes to the Consolidated Financial Statements

December 31, 1974

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 20 to 24 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 with the necessary adjustments having been made for the investment by The Great-West Life Assurance Company in 650,000 common shares of this company.

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 instalment certificate holders is credited to certificate liabilities and the balance is credited to service fee income. The portion of the certificate payments credited 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. Service fees received during the first year on instalment investment certificates 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.

Commissions paid to sales representatives on single payment certificates are amortized over the first 60 months that they are in force. All other selling expenses are charged against income in the year of sale.

ADDITIONAL CREDITS. In addition to the guaranteed maturity and cash surrender values, certificate holders are entitled to additional amounts on the attainment of each certificate anniversary, as declared by the Boards of Directors of the respective companies. These amounts are credited to the certificates on their anniversary dates. Full provision has been made for all additional credits, both earned and accrued.

INCOME TAXES. Income taxes are computed on the tax allocation basis. Accordingly, the annual tax provision relates to the accounting income and comprises both taxes currently payable and taxes deferred due to timing differences between accounting and taxable income.

2. THE GREAT-WEST LIFE ASSURANCE COMPANY

The investment of $83,471,758 carried on the balance sheet of the company consists of:

Value of investment in subsidiary net of the reciprocal investment of the subsidiary in 650,000 common shares of the parent:

At beginning of the year	$80,346,037
Add:	
Share of 1974 net income	7,929,990
Share of dividends paid by company on reciprocal investment	122,119
	88,398,146

Deduct:	
Dividends received from subsidiary	2,505,000
Share of net debits recorded in retained earnings by subsidiary	2,421,388
At end of the year	$83,471,758

The excess of the cost of the 1,002,000 shares held in the subsidiary over their book value at the date control was acquired was $27,589,000 which is included in the carrying value of $83,471,758.

The following have been extracted from the notes to the 1974 financial statements of The Great-West Life Assurance Company:

"As in past years, the accompanying financial statements have been prepared on the basis of requirements of the Department of Insurance of Canada for reporting in annual statements filed with them. These requirements differ in some respects from generally accepted accounting principles followed by other types of business enterprises. The principal differences include:

(i) Certain assets, such as office furniture and other non-admitted assets, are written off as expenses in the year acquired.

(ii) The costs of acquiring business are written off as expenses in the year incurred rather than over the periods expected to be benefited.

(iii) The income tax charge against operations is determined using the taxes payable method."

3. MONTREAL TRUST COMPANY

The investment of $28,128,922 carried on the balance sheet of the company consists of:

Value of investment in subsidiary:	
At beginning of the year	$27,792,935
Add:	
Share of 1974 net income	1,243,720
Share of net gain on investments	132,752
	29,169,407
Deduct:	
Dividends received from subsidiary	1,040,485
At end of the year	$28,128,922

The excess of the cost of the 1,300,607 shares held in the subsidiary over their book value has been restated to $8,271,000 to reflect the excess at the date control was acquired and is included in the carrying value of $28,128,922.

4. CERTIFICATE LIABILITIES

As security for investment certificates issued by subsidiaries, 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 with approved depositories. As at December 31, 1974 the value of qualified assets deposited by each subsidiary exceeded its net certificate liabilities; the aggregate excess was $17,635,597.

5. BANK LOAN

The loan is repayable in annual instalments of $2,000,000 in each of the years 1975 to 1978 inclusive. Interest is payable at 1¼% above the bank's prime rate if the prime rate does not exceed 8% and 1% above prime otherwise.

6. SHAREHOLDERS' EQUITY

The preferred shares are redeemable at $26 decreasing to $25¼ per share to May 1, 1978 and at par thereafter.

Each preferred share was convertible, at the option of the holder, into 2 common Class A shares up to October 31, 1974 and is now convertible into 1⅔ common Class A shares up to April 30, 1979.

During the year, 603,910 common Class A shares were issued on conversion of 301,990 preferred shares. Of the par value of the converted preferred shares, $30,195 was credited to capital stock and $7,520,800 (including $1,245 previously included in contributed surplus) was credited to surplus arising from conversion of preferred shares which amount is not available for payment of dividends.

Under the Manitoba Companies Act where preference shares are converted into shares of another class, the issued capital of the company is not increased or decreased by such conversion and the number of shares of each class affected by the conversion is changed accordingly. The shares of each class remaining available for issue after conversion is not altered.

	Common Shares	Common Class A Shares	5% Preferred Shares
Authorized — Dec. 31, 1973	10,000,000	10,000,100	1,599,950
Conversion of preferred shares	-	603,910	(301,990)
Authorized — Dec. 31, 1974	10,000,000	10,604,010	1,297,960
Issued and fully paid — Dec. 31, 1974	6,842,105	6,076,467	1,297,960

Under the terms of an agreement made in 1970, 342,105 common shares, representing approximately

5% of the then outstanding common stock of the company, were issued to BankAmerica Corporation. The agreement further provides that so long as the corporation retains these shares, the corporation is granted the right, until June 30, 1975, to maintain its voting interest at up to 5% by acquiring a portion of any further voting shares allotted or issued by the company, at the price paid by others for such further shares.

At December 31, 1974, 128,248 common Class A shares were reserved for the Employee Stock Purchase Plan. No shares were allotted during 1974.

Retained earnings have been charged with the four quarterly dividends declared during 1974 on the common and common Class A shares, including the dividend payable February 1, 1975. The 1973 charge included the two semi-annual dividends declared and paid in that year, as well as the quarterly dividend declared late in 1973 and paid February 1, 1974.

7. OTHER

(a) Investors Group Trust Co. Ltd., a subsidiary of the company, is the Trustee of Investors Mortgage Fund, a mutual fund created for the purpose of investing in first mortgages on improved real estate in Canada. The Trustee anticipates that there will be ample cash and marketable securities available to cover the withdrawal by participants in the Fund from time to time. However, should the withdrawals exceed available cash and marketable securities, the company 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, 1974 total assets of Investors Mortgage Fund were $56,700,000 comprising $25,700,000 cash and other liquid assets and $31,000,000 in mortgages.

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

	1974	1973
Depreciation and amortization	$369,065	$480,069
Remuneration of directors and senior officers	405,287	391,738

During 1972 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, 1976. Payment of any 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 $36,000 has been made in 1974 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 $250,781 (1973 — $187,811).

(d) Fully diluted earnings per share:

	1974	1973
Net operating income	$1.08	$1.04
Net income	$1.09	$1.09

It has been assumed in calculating the fully diluted earnings per share that all the 5% preferred shares outstanding at December 31, 1974 had been converted into Class A shares as of January 1st of each year.

(e) The company is obligated to pay supplementary retirement benefits of $37,500 a year for the lifetime of the recipient; benefits are charged against operations in the year paid.

Investors Group Trust Co. Ltd.

C. E. Atchison
Chairman

A. S. Jackson
President

D. A. G. Parkinson
Vice-President, General Manager and Treasurer

A. H. Ross
Secretary

The principal activities of Investors Group Trust Co. Ltd. are in the pension, deferred profit sharing and registered retirement savings plan fields. The Company provides a complete package service for trusteed pension and deferred profit sharing plans which includes consulting, plan design and administration in addition to the usual trusteeship and investment management services related to these plans. The Company also provides investment management and trusteeship services to tax-exempt trusts and is the trustee for Investors Retirement Mutual Fund and Investors Mortgage Fund.

Pension plan sponsors normally utilize one of the Company's two pooled funds, the Fixed Income Fund or the Equity Fund. As well, the Company provides investment management on a segregated account basis for larger corporate pension plans.

Assets of the Fixed Income Fund, consisting primarily of first mortgages, totalled $59 million as at December 31, 1974, compared with $57 million a year ago. Despite lower market values reflecting increases in mortgage interest rates during 1974, a satisfactory level of cash flow resulted in this increase in assets under administration. During the course of the year, assets of the Equity Fund decreased from $105 million to $81 million. Declining stock markets accounted for the major portion of the decrease.

As at December 31, 1974, total pension assets under administration were $282 million compared with $319 million a year ago. Of this amount, $140 million was invested in the two pooled pension funds and $142 million in separately managed pension funds. The combined assets of registered retirement savings plans, deferred profit sharing plans and Investors Mortgage Fund, for which the Company is trustee, were $192 million.

Investors Group Trust Co. Ltd.

Summary Operating Statement (000 omitted)

	1974	1973
Income:		
Management fees	$422	$461
Distribution fees	185	215
Other income	332	242
	939	918
Operating expenses	727	680
Net operating income	212	238
Income taxes	85	101
Net income	$127	$137

Net income for 1974 of $127,000 was marginally below 1973 due mainly to increased operating costs.

Pension funds represent one of the largest and fastest growing private pools of capital in Canada. In recent years, the growth in numbers of trusteed pension plans has been most pronounced among smaller firms. The Company's modern fully computerized pension administration system together with a product specifically designed to appeal to this market should provide excellent prospects for the future growth.

Investors Securities Management Ltd.

C. E. Atchison *Chairman*	N. H. Young *Vice-President*
P. E. Newman *President*	E. M. Rodin *Associate Vice-President*
Q. C. W. Bamford *Executive Vice-President*	C. G. Turnbull *Treasurer*
I. J. Marus *Vice-President*	D. R. Terrick *Secretary*

The primary function of Investors Securities Management Ltd. is to provide investment advisory services with respect to both equity and fixed-income securities. The Company provides investment management, with supporting administrative and accounting services, to the seven Investors equity mutual funds. In addition, it supplies investment advisory services for the securities portfolios of The Investors Group and its wholly-owned subsidiaries and for the trusteed assets of Investors Group Trust Co. Ltd.

The Company's income is made up primarily of investment management fees which are directly related to the market value of assets under administration. Changes in the value of these assets result from a combination of fluctuations in security prices and the impact of net sales or redemptions.

There were many occurrences during the year which affected the North American stock markets and fully tested investment management expertise. At the beginning of the year the Dow Jones Industrial Average stood at 850 and the Toronto Stock Exchange Industrial Index at 213. Following a brief rally in the early months of the year, engendered by the belief that the oil crisis had been resolved, markets dropped almost continuously and by the year end the D.J.I.A. was 616 and the T.S.E. was 156, declines of approximately 28% and 27% respectively. Noteworthy in the Canadian context were the declines of 50% in the resource industries indices. The bond and money markets were also under significant pressure during the year.

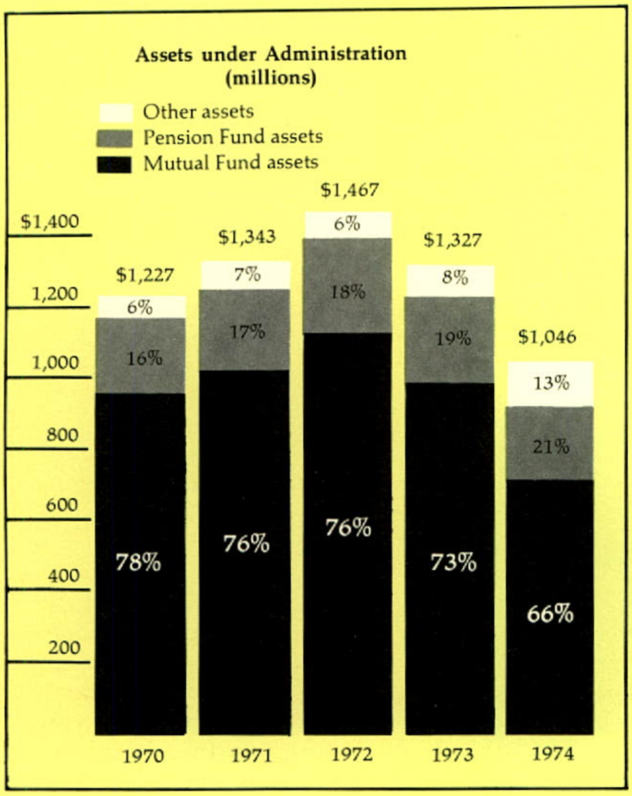
The adverse economic conditions that prevailed during the year were reflected in a continuation of net redemptions of mutual funds under management. Redemptions exceeded sales by $53 million in 1974 compared with $45 million in 1973. The redemption ratio continues to be substantially under the average for the industry, due in part to the ongoing personalized service being provided by representatives of Investors Syndicate.

As a result of the performance of the stock markets and the increase in net redemptions, assets under administration declined. The accompanying graph shows a five year comparison of managed assets.

Operating expenses were well contained and less than 1973 levels. However, the drop in the asset base during 1974 resulted in a decline in management fees. Earnings for the year were $1,895,000 compared with $2,528,000 in the previous year.

1974 has been a trying year for owners, and for managers, of both equities and bonds. The substantial declines in stock markets reflect to a large degree the concern that investors have with regard to inflation and society's seeming inability to respond without undergoing a wasteful recession. Superimposed on this are forces such as the oil shortage and the related stress on international monetary affairs. It is not realistic to accept the proposal that the most pressing economic problems are insolvable. There are sufficient encouraging signs to indicate that governments and people will respond logically although perhaps slowly to these surmountable problems.

Since the lows reached in December, 1974, North American equity markets have shown considerable strength. The T.S.E. has increased 17% and the D.J.I.A. has increased 20% in the sixty-day period preceding the date of this report. During the same period, interest rates have decreased dramatically. There has been a direct relationship between the performance of the equity markets and the decline in interest rates. Despite the improvement in markets for equities in the first two months of 1975, many stocks are still selling below asset replacement costs with current yields approaching those available on short-term instruments. While it would be unrealistic to suggest that the ownership of equities does not entail risk, the opportunity for future growth is such, at the present time, as to suggest that the risks associated with investment in common stocks should be acceptable to long-term investors.



Investors Securities Management Ltd.

Summary Operating Statement (000 omitted)

	1974	1973
Income:		
Investment management fees	$7,296	$9,026
Other	128	65
	7,424	9,091
Operating expenses	3,346	3,824
Net operating income	4,078	5,267
Income taxes	2,183	2,739
Net income	$1,895	$2,528

NOTE: Dividends from Montreal Trust Company and the interest charges related to the Montreal Trust investment are not included in the above statement.

The Western Savings and Loan Association

C. E. Atchison
Chairman

A. S. Jackson
President

F. W. Law
Vice-President and Secretary/Treasurer

L. D. McMurray
Vice-President

D. E. Rettie
Vice-President

In 1970, the Association ceased issuing investment contracts and its sales operation was merged with that of Investors Syndicate Limited. Since then, its principal activity has been the servicing of clients owning the outstanding contracts which currently number approximately 17,000 compared with 20,000 a year ago.

During 1974, $11 million was paid to clients by way of maturities and surrenders. Despite the substantial disbursements made during 1974, assets decreased by only 8% to $69 million at year end. The margin of assets over the investment contract liabilities continues to be well in excess of regulatory requirements.

The combination of a higher return on invested assets and a substantial reduction in overall costs enabled the Association to record a nominal increase in net income despite a lower asset base.

Further integration of administrative activities with those of Investors Syndicate Limited should produce additional cost savings to help maintain the favourable ratio between operating expenses and income.

The Western Savings and Loan Association

Summary Operating Statement (000 omitted)

	1974	1973
Income:		
Investment income	$4,969	$5,175
Service fees	27	34
	4,996	5,209
Expenses:		
Certificate interest costs	2,548	2,803
Additional credits to certificates	166	190
Operating expenses	573	606
	3,287	3,599
Net operating income	1,709	1,610
Income taxes	765	695
Net income	$ 944	$ 915

Montreal Trust Company

Frank E. Case
Chairman

Paul Britton Paine, Q.C.
President and Chief Executive Officer

James G. Haxton
Senior Vice-President, Client Services

John E. Main
Senior Vice-President, Special Projects

Harold T. Martin
Vice-President, Branch Operations

John H. Baker
Vice-President, Real Estate

Norman Cunningham
Vice-President, Investments

J. Frank Luce
Vice-President, Personnel

J. Grant Paterson
Vice-President, Mortgages

J. Gordon Telfer
Vice-President and Comptroller

J. Kevin Reynolds
Company Secretary

Douglas A. Mercer
Vice-President, Atlantic Region

Jean Luc Dutil
Vice-President, Quebec Region

Douglas T. Waite
Vice-President, Ontario Region

Gordon C. McDonell
Vice-President, Mid-West Region

George Stephen
Vice-President, Western Region

Montreal Trust Company, with its head office in Montreal, is a full service trust company offering a wide range of financially related services to individuals and corporations. Services to individuals include savings and chequing accounts, guaranteed investment certificates, registered retirement savings plans, mortgage financing as well as the traditional estate and agency functions. Corporate services include acting as stock transfer agent, bond trustee, pension fund trustee and depository for other financial institutions.

In 1974, the Company's earnings were adversely affected by the general business and economic environment. The most significant factor was the high rate of inflation and its accompanying high short-term interest rates and increases in operating costs. These circumstances, together with minimal new equity financing, reduced stock market activity and lower levels of debt financing, reduced profit ratios in the Company's various operations. Net operating income for the year was $2,464,000, down from $4,200,000 in 1973.

Gross fee and commission income, excluding real estate commissions, rose by 10% during the year. However, the full benefit of the improvement was offset somewhat by a 14% increase in the cost of earning this income, including increased salary and employee benefit costs. Real estate commission increased satisfactorily by some 32% although profit margins in this business are quite narrow. In order to reflect adequately the increased costs and to assure continuation of the high quality of service for which the Company is known, upward revisions in the Company's fee schedules will be implemented in 1975.

Net income from the Guaranteed Trust Account declined from the 1973 level. The Company holds substantial long-term assets commanding lower yields than those available at year-end 1973. By reason of the material rise in interest rates during 1974, the cost of monies to carry these assets markedly exceeded the income generated by them, and impinged upon the net income earned from the more recently acquired portfolio of 5 year mortgages financed by 5 year certificates.

In 1974, total assets increased by $68,845,000 to $696,286,000. The increase in mortgages shown on the condensed balance sheet accompanying this report reflects the continuation of a policy of concentrating growth in 5 year residential mortgages with funds acquired through the sale of 5 year investment certificates.

The decline in short-term interest rates evident at the close of 1974 should continue through the first half of 1975 and the return to a more normal yield curve should be reflected in a more favourable profit ratio in the Guaranteed Trust Account. Should the present stable, if still high, long-term interest rates continue, extensive financing in the debt markets may be expected with a consequent improvement in earnings from the corporate trust division. More generally, the possibility of recovery in the later part of the year may lead to investor recognition of depressed values in the equity markets and a consequent return of corporations to stock financing which, as well, would have favourable implications for the Company. Accordingly, it is suggested that there are reasonable grounds for optimism as to the Company's progress in 1975.

Montreal Trust Company
Condensed Consolidated Balance Sheet

as at December 31 (000 omitted)

	1974	1973
ASSETS		
Assets Held for Guaranteed Trust Accounts:		
Mortgages	$438,286	$375,452
Securities, cash and other assets	207,165	201,569
	645,451	577,021
Company Assets:		
Securities, cash and other assets	37,341	37,253
Office premises and equipment	13,494	13,167
	$696,286	$627,441
LIABILITIES AND SHAREHOLDERS' EQUITY		
Guaranteed Trust Accounts:		
Deposits	$158,639	$138,795
Investment certificates	486,812	438,226
	645,451	577,021
Company liabilities	11,494	11,745
Shareholders' Equity:		
Capital stock	2,577	2,577
Reserve and undivided profits	36,764	36,098
	$696,286	$627,441

Montreal Trust Company
Condensed Consolidated Statement of Income

for the year ended December 31 (000 omitted)

	1974	1973
Revenue		
Fees and commissions	$32,337	$27,898
Net income from Guaranteed Trust Accounts	1,654	5,836
Interest, dividends and other	5,323	3,817
	39,314	37,551
Operating expenses	35,084	29,832
Income before income taxes	4,230	7,719
Income taxes	1,766	3,519
Net operating income	2,464	4,200
Profit on sale of investments	263	199
Net income	$ 2,727	$ 4,399
Earnings per Share		
(Based on average shares outstanding)		
Net operating income	$0.96	$1.64
Net income	1.06	1.71

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.

The Great-West Life Assurance Company
Condensed Summary of Operations

for the year ended December 31 (000 omitted)

	1974	1973
INCOME		
Insurance and annuity premiums	$424,780	$375,175
Investment income (net of investment expenses)	140,071	118,936
Net realized and unrealized gains (losses) on segregated investment funds	(21,804)	(11,431)
	543,047	482,680
DISPOSITION OF INCOME		
Benefits paid and accrued to policyholders	281,931	253,299
Increase in policy reserves	142,675	127,705
	424,606	381,004
Commissions and operating expenses	63,135	54,363
Income taxes	6,900	5,800
Premium and other taxes	6,430	5,031
	501,071	446,198
Net income before policyholder dividends	41,978	36,482
Policyholder dividends	23,743	20,619
Net income	$ 18,235	$ 15,863

Analysis of 1974 Net Income

	Net Income Attributable To:		
	Participating Policyholders	Shareholders	Total
Net income before policyholder dividends	$26,515	$15,463	$41,978
Dividends to policyholders	(23,743)	–	(23,743)
Transfer from participating account to shareholders' account	(608)	608	–
Net income 1974	$ 2,164	$16,071	$18,235
Net income 1973	$ 2,296	$13,567	$15,863
Earnings per share — 1974		$8.03	
— 1973		$6.78	

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.

The Great-West Life Assurance Company

Peter D. Curry
Chairman

J. W. Burns
President and Chief Executive Officer

H. E. Harland
Senior Vice-President

R. E. Beamish, M.D.
Vice-President, Underwriting and Medical

G. R. Dinney
Vice-President, Development

D. C. Elliott
Vice-President, Marketing

G. C. Elliott
Vice-President, Investment Policy

J. A. Hillman
Vice-President and Controller

K. Kristjanson
Vice-President, Corporate Planning and Personnel

W. S. M. Lang
Vice-President and Treasurer

J. O. Parsonage
Vice-President and Actuary

R. B. Pennycook
Vice-President, Policyholder Service

R. K. Siddall
Secretary

The Great-West Life Assurance Company, based in Winnipeg, ranks among the forefront of life insurance companies in North America. To serve its more than two million three hundred thousand policyholders and group certificate holders in Canada and the United States, the Company maintains a network of marketing and service offices in the two countries. Products and services include life insurance, annuities and health insurance for individuals and groups.

1974 was marked by a continuing bouyant market for the Company's services, a substantial increase in net investment income and favourable claims experience. Earnings improved for both policyholders and shareholders.

Sales of life insurance and annuities reached a record high of $3,521,255,000, up 26% over 1973.

	1974	1973
Individual life policies	$ 811,558,000	$ 659,551,000
Group life	2,096,214,000	1,744,514,000
Annuities	613,483,000	400,526,000
	$3,521,255,000	$2,804,591,000

Health insurance sales of $27,956,000 in terms of gross annual premiums were up 34% and also attained a record high level.

Business in force at the end of 1974, excluding health insurance, increased by 19% to $22,670,973,000 consisting of $18,603,004,000 of life insurance and $4,067,969,000 of annuities. Health insurance in force in terms of gross annual premiums totalled $143,367,000, an increase of $24,717,000 over the previous year.

Net income before policyholder dividends was $41,978,000. Policyholder dividends paid or credited amounted to $23,743,000 and the net income carried forward to the participating policyholders' surplus account was $2,163,000. Net income attributable to shareholders was $16,072,000 representing $8.03 per share compared with $6.78 in 1973.

Premium income continued to record strong gains and totalled $424,780,000, up 13.2%. The group lines of business were particularly buoyant. Net investment income reflected the high interest rates available on new investments during the year and increased 17.8% to $140,072,000. The net rate of return on investments was 7.24% compared with 6.75% in 1973.

Realized and unrealized capital losses on segregated investment funds reflect market conditions in 1974. Such capital gains and losses are credited or charged to these funds and do not affect net income of the Company.

Mortality experience on individual and group insurance policies improved over the previous year and was at a favourable level relative to long-term expectations. The ratio of claims to premiums on health insurance was moderately lower when compared with 1973.

Benefits and dividends paid to policyholders and their beneficiaries increased 11.6% to $305,674,000 and the increase in policy reserves to provide for future benefits was $142,675,000.

While operating expenses were up sharply reflecting both increased business activity and the impact of inflation, the Company's expense ratio increased only slightly.

Assets increased $172,721,000 during 1974 to $2,106,428,000. The Company's long-term policy of making provision for fluctuations in investment experience was continued by an asset write-down of $10,770,000.

Liabilities, consisting primarily of obligations to policyholders, amounted to $1,947,214,000. Capital, contingency reserve and surplus increased $7,060,000 to $159,214,000, which at 8.2% of liabilities provides a reasonable margin for the protection of policyholders.

While the economic outlook is one of uncertainty and concern, there is every indication of a continuing, strong demand for the Company's products and services in the year ahead.

The Great-West Life Assurance Company
Condensed Balance Sheet
as at December 31 (000 omitted)

	1974	1973
ASSETS		
Bonds	$ 602,620	$ 570,865
Preferred and common stocks	155,147	132,060
Mortgages and sale agreements	817,747	763,149
Real estate	152,659	150,218
Loans to policyholders	154,539	132,684
Segregated investment funds	136,314	120,725
Cash and other assets	87,402	64,006
	$2,106,428	$1,933,707
LIABILITIES		
Policy reserves	$1,577,039	$1,447,045
Policyholders' funds	112,467	105,533
Policyholders' dividends	23,700	21,229
Provision for claims	80,217	68,456
Segregated investment funds	136,314	120,725
Other liabilities	17,478	18,565
	$1,947,215	$1,781,553
CAPITAL, CONTINGENCY RESERVE AND SURPLUS		
Capital stock	$ 2,000	$ 2,000
Contingency reserve	56,000	52,000
Surplus	101,213	98,154
	$ 159,213	$ 152,154
	$2,106,428	$1,933,707

The Investors Group
Five Year Earnings and Statistical Summary

	1974	1973	1972	1971	1970
Earnings Summary (000 omitted)					
Income from certificate operations	$ 9,492	$ 7,682	$ 6,340	$ 5,576	$ 6,287
Income from management and distribution operations	4,228	6,703	4,303	4,143	2,744
Income from trust operations	212	238	236	193	82
	13,932	14,623	10,879	9,912	9,113
Less: Interest on bank loan	1,052	868	195	–	–
Income taxes	6,003	6,367	4,604	4,717	4,518
Operating income	6,877	7,388	6,080	5,195	4,595
Share of Great-West Life earnings	7,930	6,610	5,745	4,141	2,925
Share of Montreal Trust earnings (1)	1,244	2,127	584	406	319
Net operating income	16,051	16,125	12,409	9,742	7,839
Deduct preferred dividends	1,903	2,000	2,000	2,000	2,000
Earnings available for common and common Class A shares	$ 14,148	$ 14,125	$ 10,409	$ 7,742	$ 5,839
Capital Stock Statistics					
Earnings per common and common Class A shares, basis average shares outstanding	$1.14	$1.15	$ .85	$ .63	$ .48
Dividends paid per share	$ .50	$ .45	$ .40	$ .40	$ .40
Average common and common Class A shares outstanding	12,365,603	12,305,600	12,292,810	12,285,310	12,139,016
Certificate Liabilities (000 omitted)					
Instalment certificate reserves	$ 206,771	$ 215,212	$ 222,675	$ 220,210	$ 220,641
Single payment certificate reserves	207,613	199,545	167,108	130,755	108,517
	$ 414,384	$ 414,757	$ 389,783	$ 350,965	$ 329,158
Assets Under Administration (000 omitted)					
The Investors Group and wholly-owned subsidiaries (2)	$ 480,312	$ 476,070	$ 473,973	$ 422,080	$ 403,132
Mutual fund assets	750,505	979,823	1,112,046	1,008,069	960,200
Pension fund assets – Pooled	140,006	162,027	166,375	143,961	120,256
– Segregated	142,097	157,134	151,695	133,885	115,394
	$ 1,512,920	$ 1,775,054	$ 1,904,089	$ 1,707,995	$ 1,598,982
The Great-West Life Assurance Company	$ 2,106,428	$ 1,933,707	$ 1,778,390	$ 1,634,456	$ 1,525,418
Montreal Trust Company	$ 696,286	$ 627,441			

(1) Represents dividends only for the years 1970–1972 inclusive.
(2) Includes cost of investment in Montreal Trust Company shares for the years 1970–1972 inclusive.

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