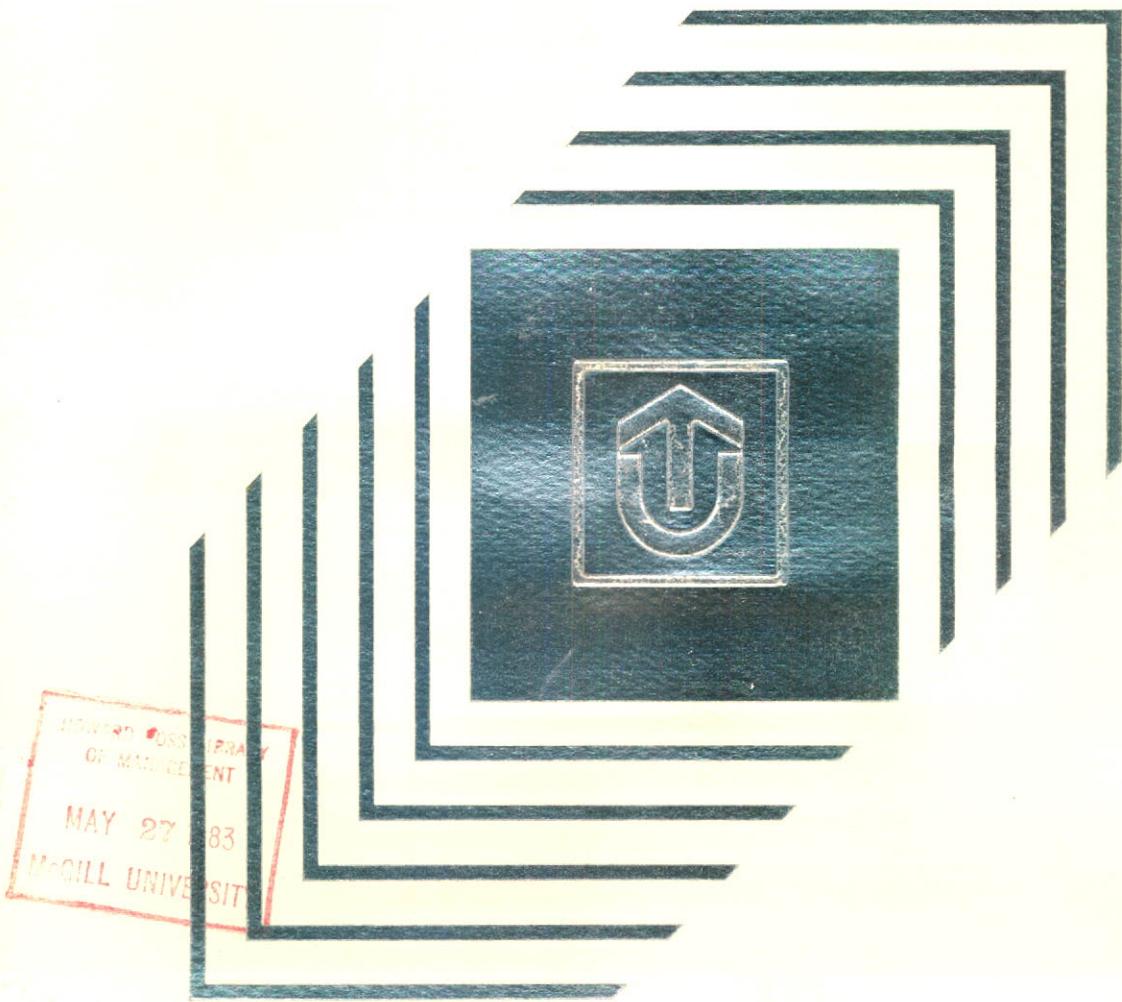


United Financial Management Ltd.

Continental Trust Company
United Funds Management Corp.
United Investment Services Ltd.

Annual Report
for the year ended
December 31, 1979





United Financial Management Ltd.

Continental Trust Company
United Funds Management Corp.
United Investment Services Ltd.

Directors

*W. James Clarke	Toronto
H. Reuben Cohen, Q.C.	Moncton
*Charles O. Dalton	Toronto
Leonard Ellen	Montreal
Henry B. Rhude, Q.C.	Halifax
*George B. Robertson, Q.C.	Halifax

*Member — Audit Committee

Officers

W. James Clarke	<i>President</i>	Toronto
Stanley R. Anderson	<i>Vice-President and Secretary</i>	Toronto
Gerald F. Coleman	<i>Vice-President</i>	Toronto
James L. Dent	<i>Vice-President</i>	Toronto
E.J. Dessailly	<i>Vice-President and Treasurer</i>	Toronto
John W. Jones	<i>Controller</i>	Toronto

Other

Helen Corrigan	<i>Branch Manager</i>	Montreal
Paula Gradson	<i>Personnel Manager</i>	Toronto
James A. Matthew	<i>Mortgage Manager</i>	Toronto
Ethel Natolochny	<i>Branch Manager</i>	Toronto
Peter C. Spalding	<i>Branch Manager</i>	Vancouver

LEGAL COUNSEL

Perry, Farley & Onyschuk

AUDITORS

Clarkson Gordon

TRANSFER AGENT & REGISTRAR

Continental Trust Company

(As at April 21, 1980)



United Financial Management Ltd.

Continental Trust Company
United Funds Management Corp.
United Investment Services Ltd.

To Our Shareholders

Net income for the year ended December 31, 1979 was \$783,000 or 62.7¢ per share, compared to \$476,000 or 38.1¢ per share the previous year. The more significant reasons for the increase in profits were an increase in management fees and an increase in net interest income earned on deposits.

Although this increase in profit is most gratifying, it is anticipated that increased operating costs and inflationary factors will result in some decline in profitability for the 1980 year.

Investment funds under administration increased to \$157,000,000 at December 31, 1979 from \$141,000,000 at December 31, 1978. Guaranteed deposits of Continental Trust Company, a wholly-owned subsidiary, increased to \$34,014,000 at December 31, 1979 from \$16,789,000 at December 31, 1978.

Yours very truly,

W. J. Clarke,
President.

April 21, 1980.



United Financial Management Ltd.

Continental Trust Company
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United Investment Services Ltd.

Consolidated Balance Sheet

December 31

	1979	1978
ASSETS		
Cash	\$ 235,000	\$ 1,608,000
Short-term notes	6,333,000	5,939,000
Interest receivable	454,000	463,000
Management fees and other accounts receivable	381,000	268,000
Sundry receivables, deposits and prepaids	19,000	184,000
	<u>7,422,000</u>	<u>8,462,000</u>
Investments:		
Marketable securities (note 2)	2,583,000	2,754,000
Mortgage loans	28,353,000	12,908,000
Personal and secured loans	266,000	23,000
Interests in oil and gas ventures (note 3)	1,611,000	1,638,000
LifeSurance Corporation (note 4)	2,336,000	
	<u>35,149,000</u>	<u>17,323,000</u>
Fixed assets	94,000	87,000
	<u>\$42,665,000</u>	<u>\$25,872,000</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Guaranteed trust deposits and borrowings (note 5):

Demand and term deposits	\$ 3,007,000	\$ 406,000
Investment and annuity certificates	29,129,000	15,699,000
Interest accrued on deposits and borrowings	1,878,000	684,000
	<u>34,014,000</u>	<u>16,789,000</u>

Other liabilities:

Short-term bank borrowings		544,000
Bank loan relating to oil and gas venture (note 3)	669,000	675,000
Amount due on purchase of interest in oil and gas venture (note 3)		538,000
Accounts payable and accrued liabilities	258,000	599,000
Income taxes payable	342,000	15,000
	<u>1,269,000</u>	<u>2,371,000</u>
Deferred income taxes	471,000	347,000
Total liabilities	<u>35,754,000</u>	<u>19,507,000</u>

Shareholders' equity:

Capital —		
Authorized:		
An unlimited number of shares		
Issued:		
1,248,460 shares	230,000	230,000
Retained earnings (note 7)	6,681,000	6,135,000
	<u>6,911,000</u>	<u>6,365,000</u>
On behalf of the Board:	<u>\$42,665,000</u>	<u>\$25,872,000</u>

W. JAMES CLARKE, Director

GEORGE B. ROBERTSON, Director

(See accompanying notes)



United Financial Management Ltd.

Continental Trust Company
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United Investment Services Ltd.

Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1979	1978
Cash resources were provided by:		
Operations —		
Income before equity in earnings of LifeSureance Corporation	\$ 794,000	\$ 476,000
Add (deduct):		
Depreciation and amortization of fixed assets	22,000	19,000
Depletion of oil and gas properties	76,000	
Deferred income taxes	124,000	265,000
Loss on sale of fixed assets		1,000
Gain on sale of investments	(55,000)	
	961,000	761,000
Bank borrowings (\$675,000) and amount (\$538,000) due on purchase of interests in oil and gas ventures		1,213,000
Increase in guaranteed trust deposits and borrowings	17,225,000	13,554,000
	18,186,000	15,528,000
Cash resources were applied to:		
Increase (decrease) in investments (net) —		
Marketable securities	(226,000)	2,037,000
Mortgage loans	15,445,000	8,396,000
Personal and secured loans	243,000	23,000
Oil and gas ventures	49,000	1,638,000
LifeSureance Corporation	2,347,000	
	17,858,000	12,094,000
Repayment of (increase in) short-term borrowings	544,000	(544,000)
Repayment of bank borrowings and amount due on purchase of interests in oil and gas ventures	544,000	
Dividends paid	237,000	1,011,000
Other (net)	(18,000)	303,000
	19,165,000	12,864,000
Increase (decrease) in cash resources during year	(979,000)	2,664,000
Cash resources, beginning of year	7,547,000	4,883,000
Cash resources, end of year	\$6,568,000	\$7,547,000
Represented by:		
Cash	\$ 235,000	\$1,608,000
Short-term investments	6,333,000	5,939,000
	\$6,568,000	\$7,547,000

(See accompanying notes)



United Financial Management Ltd.

Continental Trust Company
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Consolidated Statements of Income and Retained Earnings

STATEMENT OF INCOME

	Year ended December 31	
	1979	1978
Income:		
Management and advisory fees	\$2,258,000	\$1,544,000
Sales charges and service fees	400,000	530,000
Interest, dividends and other income on securities	1,275,000	552,000
Interest on mortgage loans	2,213,000	924,000
Income from oil and gas ventures (net)	69,000	
	<u>6,215,000</u>	<u>3,550,000</u>
Expense:		
Selling, sales commissions, investment research, management and general administration	2,277,000	1,826,000
Interest	2,554,000	838,000
	<u>4,831,000</u>	<u>2,664,000</u>
Income before income taxes and equity in earnings of LifeSurance Corporation	1,384,000	886,000
Income taxes	590,000	410,000
	<u>794,000</u>	<u>476,000</u>
Income before equity in earnings of LifeSurance Corporation		
Equity in earnings (loss) of LifeSurance Corporation	(11,000)	
Net income for the year	\$ 783,000	\$ 476,000
Net income per share for the year	62.7¢	38.1¢

STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	1979	1978
Retained earnings, beginning of year	\$6,135,000	\$6,670,000
Net income for the year	783,000	476,000
	<u>6,918,000</u>	<u>7,146,000</u>
Dividends paid - taxable dividends (19¢ per share; 16¢ per share in 1978)	237,000	200,000
- out of 1971 capital surplus on hand (65¢ per share)		811,000
	<u>237,000</u>	<u>1,011,000</u>
Retained earnings, end of year (note 7)	<u>\$6,681,000</u>	<u>\$6,135,000</u>

(See accompanying notes)



United Financial Management Ltd.

Continental Trust Company
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United Investment Services Ltd.

Notes to Consolidated Financial Statements

December 31, 1979

1. Significant accounting policies

The following is a summary of the significant accounting policies and practices consistently followed by the corporation:

(a) Principles of consolidation —

The consolidated financial statements include the accounts of the corporation (which was continued under the Canada Business Corporations Act in 1978) and its subsidiaries, all of which are wholly-owned.

(b) Short-term notes —

Short-term notes, which consist of short term corporate notes and bank term deposits, are carried at cost (which approximates market value).

(c) Marketable securities —

Bonds are carried at amortized cost, and shares at cost. Gains and losses on disposition are included in income.

(d) Mortgage loans —

Mortgages are carried at amortized cost, less repayments and provisions for losses.

(e) Interests in oil and gas ventures —

The corporation's investment in each oil and gas project is carried at cost, including lease and other acquisition costs and related exploration and development expenses. Depletion is provided on producing properties (see note 3) on the unit-of-production method. Costs of a particular project are written down if there is an impairment in value of the project.

(f) Investment in LifeSurance Corporation —

The corporation's investment in LifeSurance Corporation ("LifeSurance") (see note 4) is accounted for by the equity method. Under this method, the investment is carried at cost plus the corporation's share of the undistributed earnings (losses) of LifeSurance since date of acquisition. The excess (\$400,000) of the cost of the investment over the share of the underlying fair values of the net assets of LifeSurance at date of acquisition has been attributed to goodwill, and is being amortized on a straight-line basis over a 40-year period in computing the equity in the earnings of LifeSurance.

The earnings of LifeSurance are determined under United States generally accepted accounting principles for such corporations. In translating the accounts of LifeSurance to Canadian dollars, the corporation uses current rates for monetary assets and liabilities and historic rates for non-monetary assets. Gains and losses on such translation are included in computing the equity of the corporation in the earnings of LifeSurance in each year.

(g) Fixed assets and related depreciation and amortization —

Fixed assets are recorded at cost. Depreciation on furniture and equipment is calculated on a diminishing balance basis at an annual rate of approximately 20%. Leasehold improvements are amortized on a straight-line basis over the term of the related leases.



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(h) Deferred income taxes —

The corporation follows the tax allocation method of accounting for income taxes. Deferred income taxes are provided on timing differences between accounting income and income for tax purposes. These differences arise because certain amounts claimed for tax purposes (mainly depreciation, mortgage reserves and deduction of costs relating to oil and gas ventures) are in excess of those written in the accounts.

(i) Issuance costs —

Issuance costs for arrangement of mortgage loans and selling costs of investment certificates are expensed as incurred.

2. Marketable securities

Marketable securities consists of:

	1979		1978	
	Cost	Market	Cost	Market
Government and government guaranteed bonds	\$ 619,000	\$ 552,000	\$ 508,000	\$ 487,000
Preferred shares	1,727,000	1,636,000	1,335,000	1,370,000
Common shares	237,000	250,000	911,000	966,000
	<u>\$2,583,000</u>	<u>\$2,438,000</u>	<u>\$2,754,000</u>	<u>\$2,823,000</u>

3. Investment in oil and gas ventures

The corporation's investment in oil and gas ventures consists of:

	1979	1978
Grizzly Valley Limited Partnership (limited partnership interest)	\$ 879,000	\$ 900,000
Hexagon Gas Company (working interest)	732,000	738,000
	<u>\$1,611,000</u>	<u>\$1,638,000</u>

The Grizzly Valley Limited Partnership was formed in December 1978 to purchase certain unitized natural gas interests in the Grizzly Valley Field in British Columbia, and the corporation is a limited partner therein. The corporation's interest was acquired for cash of \$225,000, and the assumption of a liability of \$675,000 under a bank loan, against which the acquired gas interests have been assigned as security. The corporation is liable for additional assessments not exceeding \$180,000 in respect of future development costs.

The corporation's investment in Hexagon Gas Company ("Hexagon") consists of a 4.8% undivided interest in the interests of Hexagon, mainly in shallow gas lands in southeastern Alberta. Hexagon operates a large number of wells within these properties. The corporation's interest was acquired through the payment of cash of \$200,000 in December 1978, and a final cash payment of \$538,000 in January 1979.

Gross revenues from the corporation's share of oil and gas production during 1979 were \$232,000.



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4. Investment in LifeSurance Corporation

On October 28, 1979, the corporation acquired an 18.1% interest in LifeSurance Corporation, a United States life insurance corporation, for cash consideration of \$2,347,000.

5. Assets held against guaranteed trust deposits and borrowings

Included in total assets of \$42,665,000 as at December 31, 1979 are cash, short-term notes, bonds and mortgage and other loans totalling \$34,014,000 held against guaranteed trust deposits and borrowings of equal amount.

6. Commitments and contingencies

(a) Lease commitments —

The corporation has lease commitments for office premises with expiry dates extending to 1982. Rent expenses under the leases for 1979 amounted to \$142,000 (1978 — \$137,000). A subsidiary is committed to a minimum annual rental of \$102,900 under a computer service agreement expiring in 1980 and \$39,000 under a computer service agreement expiring in 1981.

(b) Mortgage commitments —

Outstanding commitments for mortgage loans at December 31, 1979 amounted to \$6,715,000.

(c) Legal actions —

The corporation has been named in suits brought by persons alleging losses as a result of activities on the part of certain former members of the sales force during 1971. The corporation believes that no provision for contingencies is necessary with respect to these suits.

A subsidiary of LifeSurance is subject to certain material legal actions relating to its business activities. Attorneys for such subsidiary feel strongly that the subsidiary is not liable under law with respect thereto, but are unable to express an opinion on the result of these actions. No provision has been made in these financial statements with respect thereto.

7. Subsequent events

During January and February, 1980, the corporation declared and/or paid dividends aggregating \$1,373,306 (\$1.10 per share).



United Financial Management Ltd.

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Auditors' Report

To the Shareholders of
United Financial Management Ltd.:

We have examined the consolidated balance sheet of United Financial Management Ltd. as at December 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1979 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 applied on a basis consistent with that of the preceding year.



Toronto, Canada,
February 26, 1980.

CLARKSON GORDON
Chartered Accountants



United Financial Management Ltd.

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GUARANTEED FUNDS

Guaranteed Investment Certificates, Blue Ribbon Savings Accounts and Income Averaging Certificates are available through Continental Trust. Both the principal and interest are fully guaranteed by Continental Trust which is a member of the Canada Deposit Insurance Corporation. In addition Continental provides mortgages and secured loans.

INVESTMENT FUNDS

Continental Mortgage Fund — allows investors to participate in a portfolio of Canadian first mortgages with the combined objective of high yield and long term security. Interest may be reinvested quarterly to accelerate growth or may be paid out in cash.

United Accumulative Fund Ltd. — seeks long term growth of capital through investment in securities, primarily common stocks. Dividends may be reinvested or may be paid out in cash. A periodic withdrawal plan which provides monthly income is also available.

United Venture Fund Ltd. — aims at unusually high growth, primarily by investing in aggressive companies that take advantage of technological changes and advances in production and marketing.

United Security Fund — invests in bonds, debentures and preference shares. Additionally, the portfolio may include insured mortgages. The investment objective is to combine relative long term stability of investment with a good income yield.

United Accumulative Retirement Fund — is a growth fund. Its objective is long term growth of capital through investment in securities, primarily Canadian common stocks.

United Venture Retirement Fund — seeks unusually high growth by investing in aggressive companies which attempt to capitalize on new opportunities.

United American Fund Ltd. — seeks long term growth of capital by investing in securities, primarily common stocks, of United States companies.

REGISTERED RETIREMENT SAVINGS PLANS (RRSP)— are designed to provide a means to **REDUCE CURRENT INCOME TAXES** while building for a **SECURE RETIREMENT**.

The company offers the following range of investments for RRSP clients:

- 1) Guaranteed Investment Certificates
- 2) Blue Ribbon Savings Accounts
- 3) Continental Mortgage Fund
- 4) United Security Fund
- 5) United Accumulative Retirement Fund
- 6) United Venture Retirement Fund

REGISTERED RETIREMENT INCOME FUNDS (RRIF) — were designed to provide a source of retirement income for individuals who have saved through the use of a registered retirement plan. All of the investment vehicles offered for RRSP's qualify for RRIF's.



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REGISTERED HOME OWNERSHIP SAVINGS PLANS (RHOSP) — were designed by the government to assist more taxpayers to own their own homes. Contributions are limited to a lifetime maximum of \$10,000 (\$1,000 in any one year). However, both principal and all accumulated earnings will be tax exempt when used for the purchase of a home or tax can be deferred by purchasing an Income Averaging Certificate. Investment vehicles offered for RRSP's qualify for RHOSP's.

DEFERRED PROFIT SHARING PLANS — allow employers to distribute pre-tax income to their key employees. The Plan is an inexpensive company benefit and motivator which can compete with larger corporate pension plans.

MORTGAGES — can be obtained for residential, commercial and vacation properties from Continental Trust. Continental is an approved lender with both the Mortgage Insurance Company of Canada, and Canada Mortgage and Housing Corporation.

SECURED LOANS - can be obtained using as security any of the company's investments. In particular, a loan package has been developed to assist in the purchase of Income Averaging Certificates.

THE UNITED GROUP OF COMPANIES

United Financial Management Ltd. is the parent company of the United Group.

United Funds Management Corp. is the fund manager for the United Group.

United Investment Services Ltd. is responsible for distribution of all United funds. Shares in these funds are marketed through Mutual Fund Dealers and Brokers in principal cities coast to coast.

Continental Trust Company provides a range of trust products and services, manages Continental Mortgage Fund, acts as registrar and transfer agent for the United investment funds, acts as trustees for RRSP and RHOSP unitholders of these funds and provides all administrative services for the United Group.

Head Office of the United Group is located in the York Centre, Toronto, Ontario.

Offices:

Toronto	— 145 King Street West Telephone (416) 366-9724
Vancouver	— 701 West Georgia Street Telephone (604) 684-7548
Montreal	— 1201 Place du Canada 1010 de la Gauchetière Street West Telephone (514) 866-8885