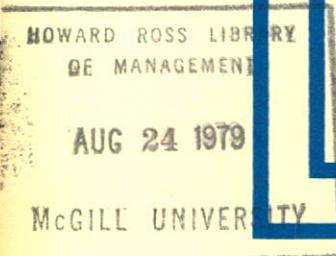
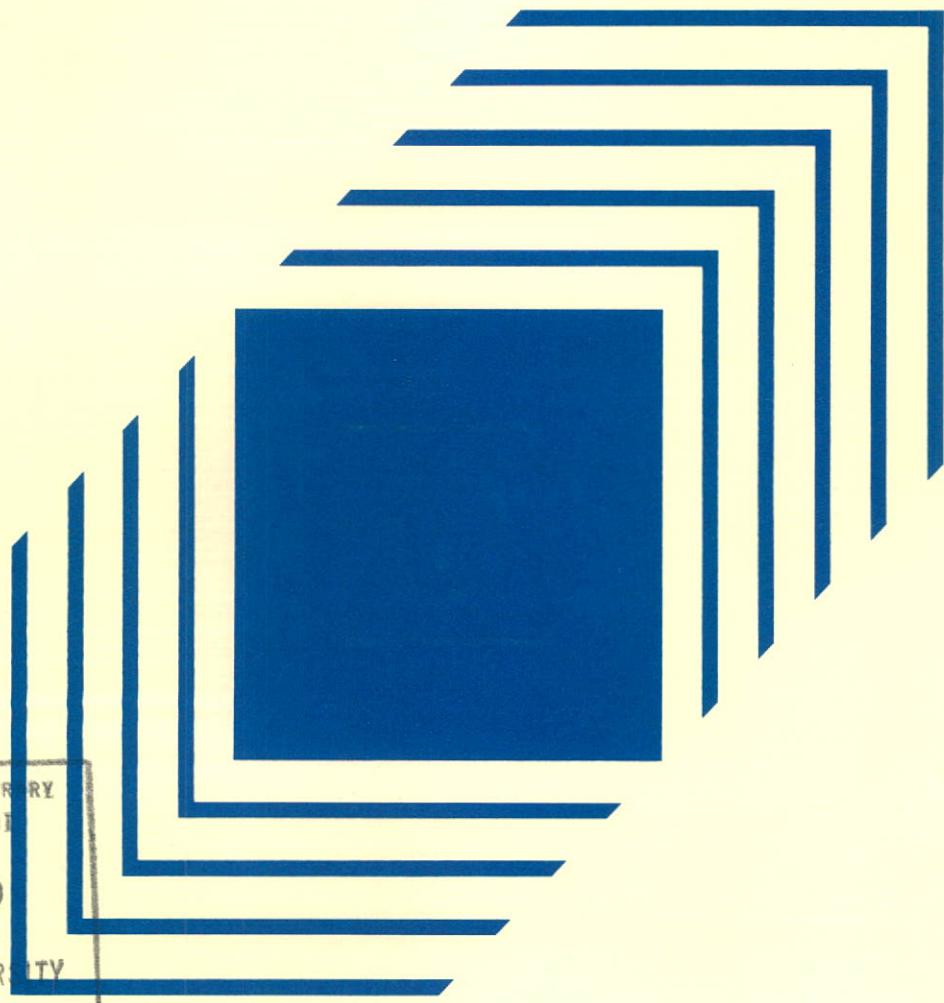


# United Financial Management Ltd.

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

Annual Report  
for the year ended  
December 31, 1978





# United Financial Management Ltd.

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

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## Directors

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

## Officers

John H. Coleman	<i>Chairman of the Board</i>	Toronto
Charles O. Dalton	<i>Vice-Chairman</i>	Toronto
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>Treasurer</i>	Toronto
John W. Jones	<i>Controller</i>	Toronto

## Other

Russell A. Wilson	<i>Manager, Marketing</i>	Toronto
James A. Matthew	<i>Mortgage Supervisor</i>	Toronto
Peter C. Spalding	<i>Branch Manager</i>	Vancouver
Judith A. Kavanagh	<i>Office Manager</i>	Montreal

## LEGAL COUNSEL

Perry, Farley & Onyschuk

## AUDITORS

Clarkson, Gordon & Co.

## TRANSFER AGENT & REGISTRAR

Continental Trust Company

(As at February 15, 1979)



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

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**To Our Shareholders**

Income before extraordinary items for the year ended December 31, 1978, was \$476,000 or 38.1¢ per share, compared to \$590,000 or 47.3¢ per share for the year ended December 31, 1977. The decrease in profits was primarily a result of development costs relating to the trust company activity combined with a reduction in investment income resulting from the payment of dividends in the amount of \$1,011,000.

During 1978, investment funds under administration remained relatively stable and were \$141,000,000 as at the year end. Consolidated company assets increased from \$10,695,000 at December 31, 1977 to \$25,872,000 at December 31, 1978.

You will notice from the financial statements that the company has invested \$1,638,000 in oil and gas ventures. These investments provide excellent leverage as a substantial portion of the cost is paid for with funds which would otherwise be used for income taxes. This is a result of special tax legislation which permits a relatively rapid write-off of amounts invested against other forms of income.

A number of new investment products were introduced in 1978; the Vancouver office was relocated; a number of experienced staff joined the company; and there appears to be a substantial improvement in the outlook for investment funds. As a result of these factors, we anticipate increased growth and profitability for 1979.

Yours very truly,

John H. Coleman,  
Chairman.

W. J. Clarke,  
President.

March 7, 1979.



# United Financial Management Ltd.

Continental Trust Company

United Funds Management Corp.

United Investment Services Ltd.

## Consolidated Balance Sheet

	December 31	
	1978	1977
<b>ASSETS</b>		
Cash	\$ 1,608,000	\$ 78,000
Short-term corporate notes, at cost which approximates market value	5,939,000	4,805,000
Management fees and other receivables	268,000	280,000
Income taxes recoverable	154,000	
Accrued interest receivable on investments and loans	463,000	189,000
Deposits and prepaid expenses	30,000	25,000
Marketable securities, at cost:		
Government and government guaranteed bonds (market value \$487,000; 1977 — \$210,000)	508,000	203,000
Preferred shares (market value \$1,370,000; 1977 — \$552,000)	1,335,000	504,000
Common shares (market value \$966,000)	911,000	
Investment fund shares and units (market value in 1977 — \$10,000)		10,000
Mortgage loans (note 1(b))	12,908,000	4,512,000
Personal and secured loans	23,000	
Investment in oil and gas ventures (notes 1(d) and 2)	1,638,000	
Furniture, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$290,000 (1977 — \$281,000)	87,000	89,000
	<u>\$25,872,000</u>	<u>\$10,695,000</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Guaranteed trust deposits and borrowings (note 3):		
Demand deposits	\$ 406,000	
Investment certificates	15,699,000	\$ 3,144,000
Interest accrued on deposits and borrowings	684,000	91,000
	<u>16,789,000</u>	<u>3,235,000</u>
Other liabilities:		
Short-term bank borrowings (repaid January 3, 1979)	544,000	
Bank loan relating to oil and gas venture (note 2)	675,000	
Amount due on purchase of interest in oil and gas venture (note 2)	538,000	
Accounts payable and accrued liabilities	599,000	188,000
Income taxes payable	15,000	290,000
	<u>2,371,000</u>	<u>478,000</u>
Deferred income taxes	347,000	82,000
	<u>19,507,000</u>	<u>3,795,000</u>
Shareholders' equity:		
Capital —		
Authorized:		
An unlimited number of shares (note 1(a))		
Issued:		
1,248,460 shares	230,000	230,000
Retained earnings	6,135,000	6,670,000
	<u>6,365,000</u>	<u>6,900,000</u>
	<u>\$25,872,000</u>	<u>\$10,695,000</u>

On behalf of the Board:

JOHN H. COLEMAN, Director

W. JAMES CLARKE, Director

(See accompanying notes)



# United Financial Management Ltd.

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

## Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1978	1977
<b>Cash resources were provided by:</b>		
Operations —		
Income before extraordinary item	\$ 476,000	\$ 590,000
Add (deduct):		
Depreciation and amortization of fixed assets	19,000	18,000
Deferred income taxes	265,000	22,000
Loss on sale of fixed assets	1,000	
Profit on sale of investment funds		(23,000)
	761,000	607,000
Loss carry forward tax credits		120,000
Preferred shares redeemed	10,000	
Sale of investment fund shares and units	491,000	1,641,000
Mortgage principal repayments	70,000	15,000
Disposal of fixed assets	7,000	5,000
Increase in guaranteed trust deposits and borrowings	13,554,000	3,235,000
Short-term bank borrowings	544,000	
Increase in accounts payable and income taxes payable	136,000	216,000
Portion of proceeds on sale of former life insurance subsidiary subject to escrow arrangement, released from escrow in the 1977 year		500,000
	15,573,000	6,339,000
<b>Cash resources were applied to:</b>		
Increase in receivables, deposits and prepaids	421,000	137,000
Purchase of government and government guaranteed bonds	305,000	1,000
Purchase of preferred shares	841,000	
Purchase of common shares	911,000	
Purchase of investment fund shares and units	481,000	1,011,000
Mortgage loans (net)	8,466,000	4,527,000
Personal and secured loans	23,000	
Investment (\$1,638,000) in oil and gas ventures, less related bank borrowings (\$675,000) and amounts (\$538,000) due on purchase	425,000	
Purchase of fixed assets	25,000	31,000
Payment of dividends	1,011,000	
	12,909,000	5,707,000
Increase in cash resources during year	2,664,000	632,000
Cash resources, beginning of year	4,883,000	4,251,000
Cash resources, end of year	\$ 7,547,000	\$ 4,883,000
<b>Represented by:</b>		
Cash	\$ 1,608,000	\$ 78,000
Short term investments	5,939,000	4,805,000
	\$ 7,547,000	\$ 4,883,000

(See accompanying notes)



# United Financial Management Ltd.

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

## Consolidated Statement of Income and Retained Earnings

	Year ended December 31	
	1978	1977
<b>Income:</b>		
Management and advisory fees	\$1,544,000	\$1,585,000
Sales charges and service fees	530,000	664,000
Interest, dividends and other income on securities	552,000	544,000
Interest on mortgage loans	924,000	177,000
	<u>3,550,000</u>	<u>2,970,000</u>
<b>Expense:</b>		
Selling, sales commissions, investment research, management and general administration	1,826,000	1,817,000
Interest on deposits and borrowings	838,000	97,000
	<u>2,664,000</u>	<u>1,914,000</u>
Income before income taxes and extraordinary item	886,000	1,056,000
Income taxes	410,000	466,000
	<u>476,000</u>	<u>590,000</u>
Income before extraordinary item		
Extraordinary item, being income tax credits arising from losses carried forward from prior years		120,000
Net income for the year	476,000	710,000
Retained earnings, beginning of year	6,670,000	5,960,000
Dividends paid (81¢ per share, including 65¢ per share (total \$811,000) paid out of 1971 capital surplus on hand under the provisions of the Income Tax Act (Canada))	<u>(1,011,000)</u>	
Retained earnings, end of year	<u>\$6,135,000</u>	<u>\$6,670,000</u>
Per share:		
Income before extraordinary item	38.1¢	47.3¢
Extraordinary item		9.6
Net income for the year	<u>38.1¢</u>	<u>56.9¢</u>

(See accompanying notes)



# United Financial Management Ltd.

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

## Notes to Consolidated Financial Statements

December 31, 1978

### 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 during the 1978 year with an authorized share capital consisting of an unlimited number of shares) and its subsidiaries, all of which are wholly-owned.

#### (b) Mortgage loans —

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

#### (c) Issuance costs —

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

#### (d) Investment 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 2) on the unit of production method. Costs of a particular project are written down if there is an impairment in value of the project.

#### (e) Amortization of leasehold improvements and depreciation —

The corporation records amortization of leasehold improvements on a straight-line basis over the term of the related leases. Depreciation charges on furniture and equipment are calculated on a diminishing balance basis at an annual rate of approximately 20%.

#### (f) 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.

### 2. Investment in oil and gas ventures

The corporation's investment in oil and gas ventures consists of the following at December 31, 1978:

Grizzly Valley Limited Partnership (limited partnership interest)	\$ 900,000
Hexagon Gas Company (working interest)	738,000
	<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



# United Financial Management Ltd.

Continental Trust Company  
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assigned as security. The corporation is liable for additional assessments not exceeding \$180,000 in respect of future development costs.

The Hexagon Gas Company ("Hexagon") investment 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, and the corporation's interest in the production therefrom commences effective January 1, 1979. 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 on January 30, 1979.

### **3. Assets held against guaranteed trust deposits and borrowings**

Included in total assets of \$25,872,000 as at December 31, 1978 are cash, short-term notes, bonds and mortgage and other loans totalling \$16,789,000 held against guaranteed trust deposits and borrowings of equal amount.

### **4. Income taxes**

At December 31, 1978 certain of the corporations have capital loss carry forwards of \$59,000 (\$59,000 in 1977) available to reduce the amount of capital gains otherwise subject to tax that may be realized in future years. Potential future tax savings which may result from application of such amounts are not being recognized in the accounts until realized.

### **5. Remuneration of directors and officers**

In 1978 the corporation had nine directors, of whom three were officers, and six other officers. Aggregate remuneration to directors, as directors, was \$14,400 (1977 — \$14,000), and to officers as officers, was \$292,900 (1977 — \$270,200).

### **6. Commitments and contingencies**

#### **(a) Lease commitments —**

The corporations have lease commitments for office premises with expiry dates extending to 1982. Rent expenses under the leases for 1978 amounted to \$137,000 (1977 — \$135,000). A subsidiary is committed to a minimum annual rental of \$112,500 under a computer service agreement expiring in 1980.

#### **(b) Mortgage commitments —**

Outstanding commitments for mortgage loans at December 31, 1978 amounted to \$1,521,000.

#### **(c) Legal actions —**

The corporations have 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. These individuals were acting outside the scope of their authority. Defences have been entered in these actions. In the opinion of counsel for the corporations, these suits fall within the scope of an insurance policy, subject to the primary liability of the aforementioned individuals who have also been joined as defendants in these actions. The corporations believe that no provision for contingencies is necessary.



# United Financial Management Ltd.

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

## 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, 1978 and the consolidated statements of income and 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, 1978 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.

*Clarkson, Gordon & Co.*

Toronto, Canada  
February 15, 1979.

CLARKSON, GORDON & CO.  
Chartered Accountants



# United Financial Management Ltd.

Continental Trust Company

United Funds Management Corp.

United Investment Services Ltd.

## 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 stock.

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

**REGISTERED RETIREMENT SAVINGS PLANS** — 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 RSP 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.

Continental Mortgage Fund, United Security Fund and United Accumulative Retirement Fund are available as investments for Registered Retirement Income Funds.



# United Financial Management Ltd.

Continental Trust Company  
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**REGISTERED HOME OWNERSHIP SAVINGS PLANS** — 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.

Continental Trust's Guaranteed Investment Certificates, Blue Ribbon Savings Accounts and Mortgage Fund and Security Fund qualify for Home Ownership Savings Plans.

**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.

## THE UNITED GROUP OF COMPANIES

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

**United Funds Management Corp.** is 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 Sales Representatives located 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.

Principal offices:

Toronto — 145 King Street West  
Telephone 366-9161

Vancouver — 701 West Georgia Street  
Telephone 684-7548

Montreal — 1201 Place du Canada  
1010 La Gauchetière Street West  
Telephone 866-8885

