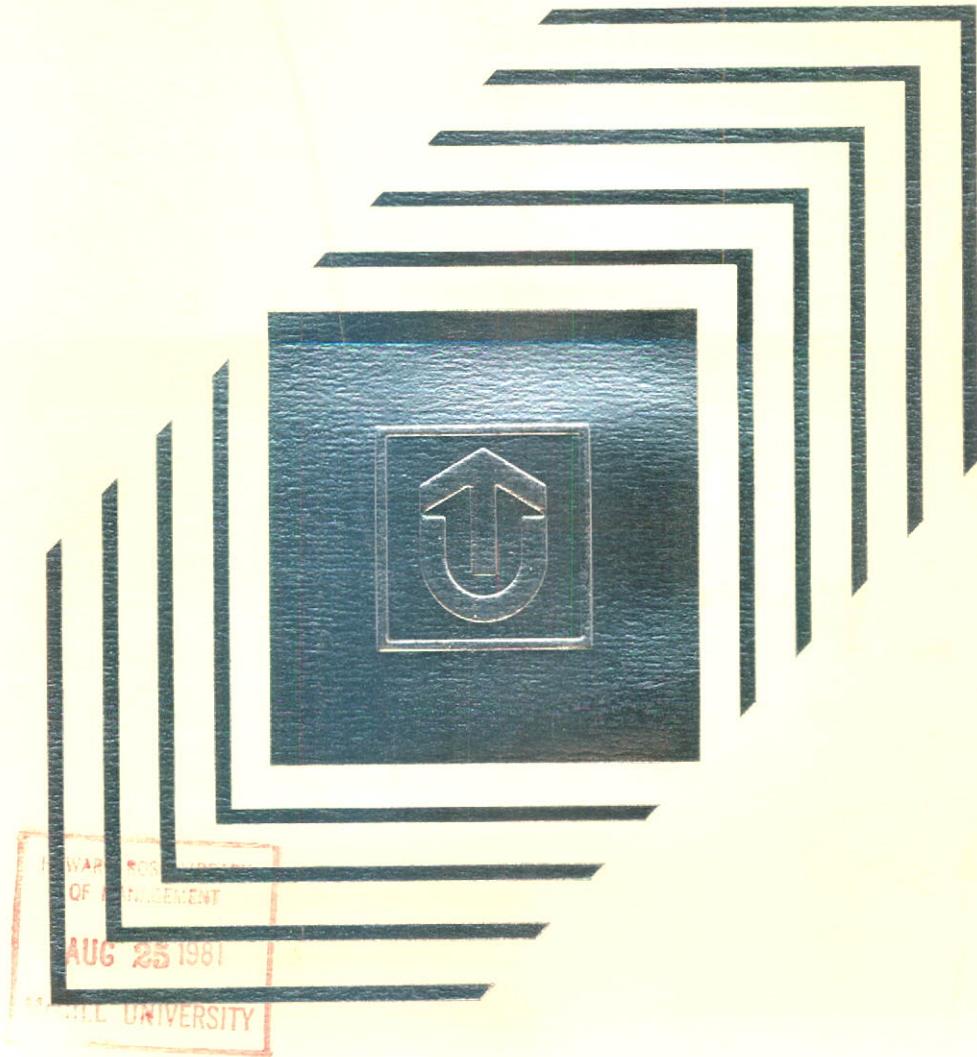


United Financial Management Ltd.

Continental Trust Company
United Investment Services Ltd.

Annual Report
for the year ended
December 31, 1980



Corporate Information

Directors

*W. James Clarke	Toronto
H. Reuben Cohen, C.M., 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
Gerald F. Coleman	<i>Executive Vice-President</i>	Toronto
Stanley R. Anderson	<i>Vice-President and Secretary</i>	Toronto
E.J. Dessailly	<i>Vice-President and Treasurer</i>	Toronto
David H. Shuttleworth	<i>Vice-President</i>	Toronto
John W. Jones	<i>Controller</i>	Toronto

Other

Helen Corrigan	<i>Branch Manager</i>	Montreal
Julia Giglio	<i>Personnel Manager</i>	Toronto
James A. Matthew	<i>Mortgage Manager</i>	Toronto
Ethel Natolochny	<i>Branch Manager</i>	Toronto
Albert G. Sexsmith	<i>Branch Manager</i>	Vancouver
Peter C. Spalding	<i>Marketing Manager</i>	Toronto

LEGAL COUNSEL

Perry, Farley & Onyschuk

AUDITORS

Clarkson Gordon

TRANSFER AGENT & REGISTRAR

Continental Trust Company

To Our Shareholders

Pre-tax operating income increased to \$1,514,000 for the year ended December 31, 1980 from \$1,373,000 for the preceding year. Net income for the year was \$609,000 versus \$783,000 for the 1979 year.

The performance of our mutual funds has exceeded most others in Canada. As a result the funds managed increased to \$191,000,000 at December 31, 1980 from \$157,000,000 at December 31, 1979. Primarily due to deposits, assets of the company increased to \$75,000,000 from \$42,000,000. Total assets under management were \$266,000,000 at year end.

During 1980 we substantially increased our marketing efforts. In addition one of the leading pension consultants in Canada joined us as of January 1, 1981. These and other changes have given us a sound base for continued growth.

On your behalf I would like to thank all of our staff who have worked so hard to make 1980 a most successful year.

Yours very truly,



W. J. Clarke,
President.

April 17, 1981.

Consolidated Balance Sheet

	December 31	
	1980	1979
ASSETS		
Cash	\$ 673,000	\$ 235,000
Short-term notes	8,378,000	6,333,000
Interest receivable	862,000	454,000
Management fees and other accounts receivable	664,000	400,000
	<u>10,577,000</u>	<u>7,422,000</u>
Investments:		
Marketable securities (note 2)	8,834,000	2,583,000
Mortgage loans	49,711,000	28,353,000
Personal and secured loans	2,456,000	266,000
Interests in gas ventures (note 3)	698,000	1,611,000
LifeInsurance Corporation (note 4)	2,456,000	2,336,000
Enheat Inc. (note 5)	1,010,000	
	<u>65,165,000</u>	<u>35,149,000</u>
Fixed assets (net)	122,000	94,000
	<u>\$75,864,000</u>	<u>\$42,665,000</u>

On behalf of the Board:



W. JAMES CLARKE, Director



GEORGE B. ROBERTSON, Director

	December 31	
	1980	1979
LIABILITIES AND SHAREHOLDERS' EQUITY		
Guaranteed trust deposits and borrowings (note 6):		
Demand and term deposits	\$ 9,179,000	\$ 3,007,000
Investment and annuity certificates	46,934,000	29,129,000
Interest accrued on deposits and borrowings	4,326,000	1,878,000
	<u>60,439,000</u>	<u>34,014,000</u>
Other liabilities:		
Bank indebtedness (note 7)	8,200,000	669,000
Accounts payable and accrued liabilities	699,000	258,000
Income taxes payable	122,000	342,000
	<u>9,021,000</u>	<u>1,269,000</u>
Deferred income taxes	257,000	471,000
Total liabilities	<u>69,717,000</u>	<u>35,754,000</u>
Shareholders' equity:		
Capital —		
Authorized:		
An unlimited number of shares		
Issued:		
1,248,460 shares	230,000	230,000
Retained earnings	<u>5,917,000</u>	<u>6,681,000</u>
	<u>6,147,000</u>	<u>6,911,000</u>
	<u>\$75,864,000</u>	<u>\$42,665,000</u>

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1980	1979
Cash resources were provided by:		
Operations —		
Net income for the year	\$ 609,000	\$ 783,000
Add (deduct):		
Depreciation	24,000	22,000
Depletion of gas properties	39,000	76,000
Equity in earnings of LifeSurance Corporation and Enheat Inc.	(218,000)	11,000
Loss on interest in gas venture (net)	380,000	
Loss (gain) on other investments	163,000	(55,000)
Deferred income taxes	141,000	124,000
	<u>1,138,000</u>	<u>961,000</u>
Proceeds on disposal of gas venture	144,000	
Increase in guaranteed trust deposits and borrowings	26,425,000	17,225,000
Increase (decrease) in bank indebtedness	7,531,000	(544,000)
	<u>35,238,000</u>	<u>17,642,000</u>
Cash resources were applied to:		
Increase (decrease) in investments (net) —		
Marketable securities	6,345,000	(226,000)
Mortgage loans	21,427,000	15,445,000
Personal and secured loans	2,190,000	243,000
Interests in gas ventures	5,000	49,000
LifeSurance Corporation		2,347,000
Enheat Inc.	912,000	
	<u>30,879,000</u>	<u>17,858,000</u>
Purchase of fixed assets	52,000	
Repayment of bank borrowings and amount due on purchase of interests in gas ventures		544,000
Dividends paid	1,373,000	237,000
Other (net)	451,000	(18,000)
	<u>32,755,000</u>	<u>18,621,000</u>
Increase (decrease) in cash resources during year	2,483,000	(979,000)
Cash resources, beginning of year	6,568,000	7,547,000
Cash resources, end of year	<u>\$9,051,000</u>	<u>\$6,568,000</u>
Represented by:		
Cash	\$ 673,000	\$ 235,000
Short-term notes	8,378,000	6,333,000
	<u>\$9,051,000</u>	<u>\$6,568,000</u>

(See accompanying notes)

Consolidated Statements of Income and Retained Earnings

STATEMENT OF INCOME

	Year ended December 31	
	1980	1979
Income:		
Interest on mortgage loans	\$4,876,000	\$2,184,000
Management and advisory fees	2,711,000	2,258,000
Sales charges and service fees	401,000	400,000
Income from gas ventures (net)	78,000	69,000
Equity in net earnings of:		
LifeSurence Corporation	120,000	(11,000)
Enheat Inc.	98,000	
Interest, dividends and other income	<u>1,176,000</u>	<u>1,259,000</u>
	<u>9,460,000</u>	<u>6,159,000</u>
Expense:		
Interest	5,192,000	2,554,000
Marketing and administration	<u>2,754,000</u>	<u>2,232,000</u>
	<u>7,946,000</u>	<u>4,786,000</u>
Operating income before income taxes	1,514,000	1,373,000
Income taxes	<u>525,000</u>	<u>590,000</u>
Net operating income	989,000	783,000
Loss on interest in gas venture (\$735,000) net of related deferred income taxes recoverable (\$355,000) (note 3)	<u>380,000</u>	
Net income for the year	<u>\$ 609,000</u>	<u>\$ 783,000</u>
Net income per share	<u>48.8¢</u>	<u>62.7¢</u>

STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	1980	1979
Retained earnings, beginning of year		
Retained earnings, beginning of year	\$6,681,000	\$6,135,000
Net income for the year	<u>609,000</u>	<u>783,000</u>
	<u>7,290,000</u>	<u>6,918,000</u>
Dividends paid (\$1.10 per share; 19¢ per share in 1979)	<u>1,373,000</u>	<u>237,000</u>
Retained earnings, end of year	<u>\$5,917,000</u>	<u>\$6,681,000</u>

(See accompanying notes)

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 all of its wholly-owned subsidiaries. The 51% owned subsidiary, Enheat Inc., is carried on the equity basis as described in (g) below.

(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. Appropriate loss provisions are recorded in the accounts where there is other than a temporary decline in value. 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 gas ventures —

The corporation's investment in each gas project (see note 3) is carried at cost, including lease and other acquisition costs and related exploration and development expenses. Depletion is provided on producing properties 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 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) Investment in Enheat Inc. —

The corporation's investment in its 51% owned subsidiary, Enheat Inc. ("Enheat") (see note 5), is accounted for by the equity method, since the financial statement components of Enheat are significantly different from that of the corporation and consolidation would not provide informative presentation. Condensed financial statements of Enheat are presented in note 5.

(h) 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.

(i) 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 gas ventures) are in excess of those recorded in the accounts.

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

(k) Comparative figures —
 Certain of the 1979 figures in the statement of income have been reclassified for comparative purposes to correspond with the presentation adopted for 1980.

2. Marketable securities

Marketable securities consists of:

	1980		1979	
	Book value	Market	Book value	Market
Government and government guaranteed bonds	\$ 828,000	\$ 748,000	\$ 619,000	\$ 552,000
Corporate debentures	590,000	586,000		
Preferred and convertible preferred shares	2,912,000	2,671,000	1,727,000	1,636,000
Common shares	4,504,000	4,558,000	237,000	250,000
	<u>\$8,834,000</u>	<u>\$8,563,000</u>	<u>\$2,583,000</u>	<u>\$2,438,000</u>

3. Interests in gas ventures —

The corporation's investment in gas ventures consists of:

	1980	1979
Hexagon Gas Company (working interest)	\$ 698,000	\$ 732,000
Grizzly Valley Limited Partnership (limited partnership interest)		879,000
	<u>\$ 698,000</u>	<u>\$1,611,000</u>

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 number of wells within these properties.

The Grizzly Valley Limited Partnership ("Grizzly") was formed in December 1978 to purchase certain unitized natural gas interests in the Grizzly Valley Field in British Columbia, and the corporation was a limited partner therein. Due to difficulties encountered in development, Grizzly sold its natural gas interests in 1980 and the corporation's share of the loss on such sale is included in income for the year.

Gross revenues from the corporation's share of gas production during 1980 were \$193,000 (\$232,000 in 1979).

4. Investment in LifeSurance Corporation

The corporation has an 18.1% interest, which is part of the control block, in LifeSure Corporation, a United States life insurance corporation, which was acquired on October 28, 1979 for cash consideration of \$2,347,000. The investment is carried on the equity basis of accounting (see note 1(f)).

5. Investment in Enheat Inc.

On June 12, 1980, the corporation acquired, from its parent corporation, a 51% interest in Enheat Inc. The acquisition equation is as follows:

Net assets of Enheat Inc. and its subsidiaries acquired, at book value	\$5,451,000
Less excess of book value over values allocated on acquisition to net tangible assets —	
Fixed assets	\$2,891,000
Pension plan obligation	894,000
Long-term debt	(122,000)
	<u>3,663,000</u>
Corporation's share	<u>1,788,000</u>
Cash consideration paid on acquisition	\$ 912,000

Condensed consolidated financial statements of Enheat Inc. for its fiscal year ended December 31, 1980 are presented below (in thousands of dollars):

Income Statement	Divisions			Sub-sidiary	Consolidated
	Fawcett	Steel	Aircraft	Airco Products	
Trade sales	\$4,013	\$2,181	\$8,640	\$6,736	\$21,570
Inter-segment sales	(136)			(36)	(172)
	3,877	2,181	8,640	6,700	21,398
Cost of sales and operating expenses	4,031	2,970	7,970	6,351	21,322
Segment operating profit (loss)	\$ (154)	\$ (789)	\$ 670	\$ 349	76
Income taxes recoverable					55
Net income					\$ 131
Depreciation included above	\$ 21	\$ 165	\$ 56	\$ 22	\$ 264
Capital expenditures	\$ 16	\$ 5	\$ 205	\$ 109	\$ 335
Identifiable assets	\$4,205	\$4,021	\$5,157	\$3,074	\$16,457

Balance Sheet

Assets:		Liabilities:	
Current	\$12,081	Current	\$ 9,673
Fixed	<u>4,376</u>	Long-term	1,140
		Shareholders' equity	<u>5,644</u>
	\$16,457		\$16,457

Fawcett Division produces and sells wood, oil and combination stoves, heaters and furnaces, and also sells purchased appliances. Steel Division manufactures and sells reinforcing steel bars. Aircraft Division produces and repairs aircraft components for commercial and military customers. Airco Products Ltd. manufactures and sells gas and oil warm air furnaces and also purchases and sells allied equipment.

The corporation's share of Enheat's net income for the 1980 fiscal year included in earnings for the year has been adjusted for the amortization of the fair value adjustments at acquisition.

6. Assets held against guaranteed trust deposits and borrowings

Included in total assets of \$75,864,000 as at December 31, 1980 are cash, short-term notes, bonds, and mortgage and other loans aggregating \$60,439,000 held against guaranteed trust deposits and borrowings of equal amount.

7. Bank indebtedness

The bank indebtedness is payable on demand. Certain of the marketable securities have been pledged as security against such indebtedness.

8. Commitments and contingencies

(a) Lease commitments —

The corporation has lease commitments for office premises with expiry dates extending to 1983. Current annual rentals under such leases aggregate approximately \$150,000 per annum. A subsidiary is committed to minimum annual rentals of \$98,000 under a computer service agreements expiring in 1981.

(b) Mortgage commitments —

Outstanding commitments for mortgage loans at December 31, 1980 amounted to approximately \$7,025,000.

(c) Legal actions —

A subsidiary of LifeSurance is subject to certain 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.

9. Segmented information

The directors have determined that the corporation carried on only one class of business (financial intermediary) in 1980, except for those carried on by its subsidiary, Enheat Inc., details of which are in note 5. The financial intermediary operations consist of investment of shareholders' and depositors' funds in mortgage loans, marketable securities and other investments, together with revenue from mutual fund management and a variety of other financial services.

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, 1980 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, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Toronto, Canada.
February 20, 1981.

CLARKSON GORDON
Chartered Accountants

Company Products and Services

GUARANTEED FUNDS

Guaranteed Investment Certificates, Blue Ribbon Savings Accounts and Deposit plans 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.

INVESTMENT FUNDS

Continental Mortgage Fund — enables 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 high-grade 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 long term investment objective is to combine relative long term stability of investment with an attractive level of income.

United Accumulative Retirement Fund — is a growth fund. Its objective is long term growth of capital through investment in securities, primarily Canadian common stocks. It is intended to invest this fund on a basis which will maintain its units as an eligible investment at all times for registered plans — including registered pension plans.

United Venture Retirement Fund — seeks unusually high growth by investing in aggressive companies which attempt to capitalize on new opportunities. It is intended to invest this fund on a basis which will maintain its units as an eligible investment at all times for registered DPSP's, RRSP's, RHOSP's.

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)— were 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) Deposit Plans
- 4) Continental Mortgage Fund
- 5) United Security Fund
- 6) United Accumulative Retirement Fund
- 7) United Venture Retirement Fund

Company Products and Services (continued)

REGISTERED RETIREMENT INCOME FUNDS (RRIF) — were designed as an alternative to life annuities for individuals who have accumulated significant amounts in RRSP's. Individuals who do not have to obtain a maximum income immediately from their RRSP's, but like the idea of a regular income which increases year by year, will be most interested in the RRIF concept.

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 (DPSP)— permit employers to distribute pre-tax income to designated key employees on a deferred-tax basis. Also, DPSP's are being increasingly used as a substitute for conventional pension plans because of their greater flexibility and lower overhead costs.

REGISTERED PENSION PLANS — are the traditional means by which employers assist their employees to provide a reasonable standard of living during post-retirement years.

INCOME AVERAGING CONTRACTS — permit an individual to spread over a period of years income or profit. Taxable capital gains represent the most common reason for using Income Averaging Contracts.

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 Contracts. RRSP loans are also available.

The United Group of Companies

United Financial Management Ltd. is the parent company and fund manager of the United Group.

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.

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.

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

Offices:

Toronto	— 200 York Centre 145 King Street West Telephone (416) 860-3911
Vancouver	— 1210 Pacific Centre 609 Granville Street Telephone (604) 684-7548
Montreal	— 1201 Place du Canada 1010 de la Gauchetière Street West Telephone (514) 866-8885

