

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1977

HOWARD ROSS LIBRARY
OF MANAGEMENT
JUL 23 1979
MCGILL UNIVERSITY



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ED STANDARD SECURITIES LIMITED

ED BALANCE SHEET

BER 31, 1977

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1977</u>	<u>1976</u>
<u>Current Liabilities</u>		
Bank indebtedness (note 2)	\$ 259,431	\$ 142,843
Accounts payable	17,836	13,075
Income taxes	-	3,610
Unclaimed dividends	54,375	51,782
Deferred income	<u>2,245</u>	<u>2,313</u>
	333,887	213,623
<u>Shareholders' Equity</u>		
Capital stock		
Authorized		
19,083 10/25 \$2.50 non-cumulative first preference shares of no par value, redeemable at \$50 per share		
1,000,000 class "A" common shares of no par value		
112,500 class "B" common shares of no par value		
Issued and fully paid		
12,000 first preference shares)		
152,340 39/40 class "A" common shares)	58,395	58,395
112,500 class "B" common shares)		
Unrealized loss on investments	(177,311)	(131,839)
Retained earnings (note 5)	<u>860,871</u>	<u>919,650</u>
	741,955	846,206
<u>Deduct</u> cost of 2,918 14/25 first preference shares held by subsidiaries	<u>102,909</u>	<u>102,909</u>
	<u>639,046</u>	<u>743,297</u>
	<u>\$972,933</u>	<u>\$956,920</u>

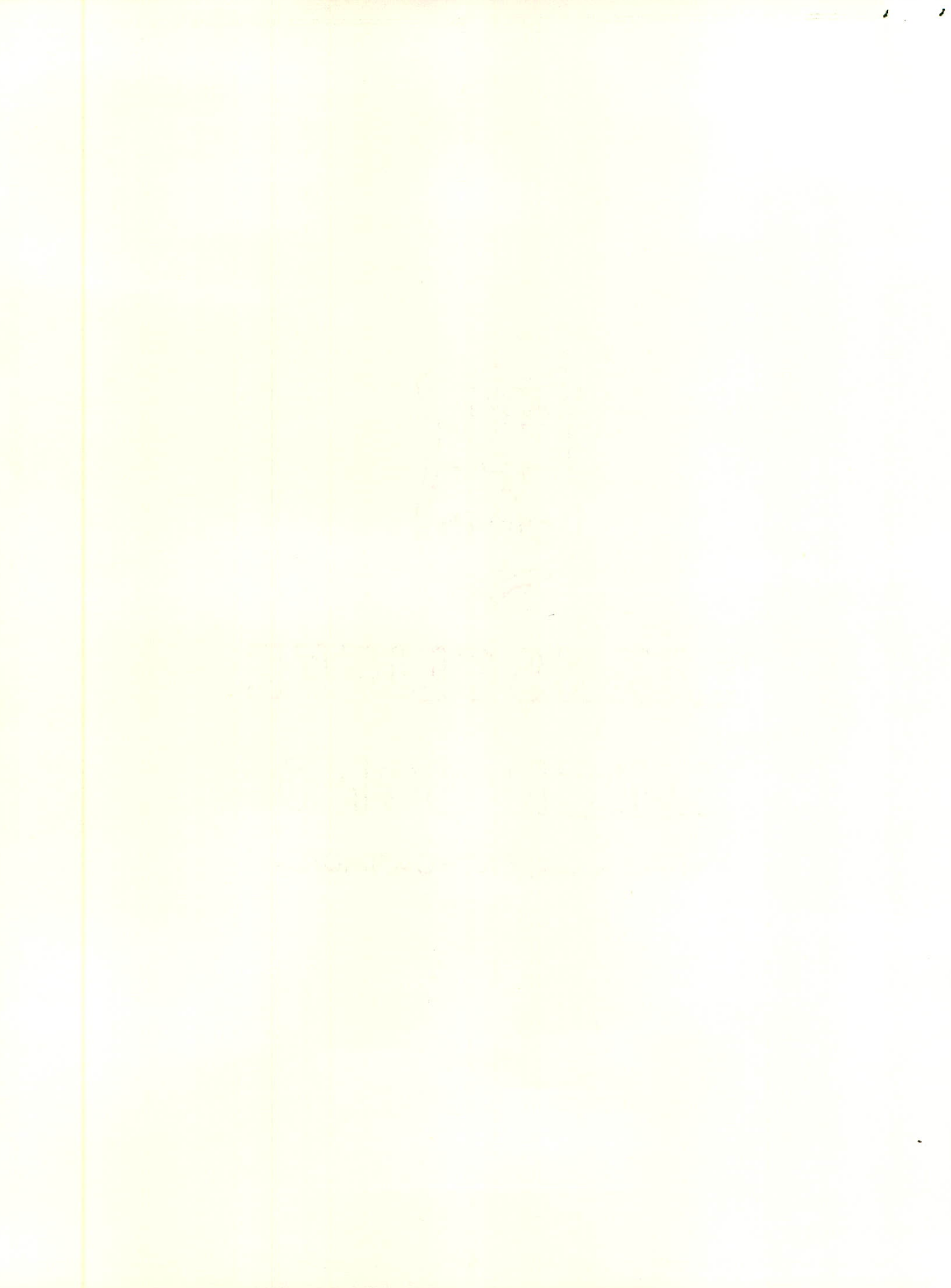
ASSETS

	<u>1977</u>	<u>1976</u>
<u>Current Assets</u>		
Accounts receivable - brokers	\$ -	\$ 25,474
- sundry	2,723	2,137
Income taxes recoverable	142	-
Investment in marketable securities - at market value (cost \$925,611; 1976 - \$830,116) (notes 1B and 2)	<u>748,300</u>	<u>698,277</u>
	751,165	725,888
 <u>Mortgage Loans and Loans Receivable</u> (note 2)	 50,511	 57,827
 <u>Long-Term Investment</u> (note 1C)		
Shares of parent company - at cost Hallbart Holdings Ltd. (Approximate value of underlying net assets \$206,000; 1976 - \$306,000)	 166,000	 166,000
 <u>Fixed Assets</u> (note 1D)		
Office furniture and automobile - at cost, less accumulated depreciation of \$18,571 (1976 - \$16,439)	 5,257	 7,205
	 <u><u>\$972,933</u></u>	 <u><u>\$956,920</u></u>

SIGNED ON BEHALF OF THE BOARD:

_____ Director

_____ Director



CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
CONSOLIDATED STATEMENT OF UNREALIZED LOSS ON INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 1977

	<u>1977</u>	<u>1976</u>
<u>Balance - beginning of year</u>	\$131,839	\$251,561
Net change during the year	<u>45,472</u>	<u>(119,722)</u>
<u>Balance - end of year</u>	<u>\$177,311</u>	<u>\$131,839</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1977

	<u>1977</u>	<u>1976</u>
<u>Balance - beginning of year</u>	\$919,650	\$969,018
Net loss for the year	<u>28,485</u>	<u>11,468</u>
	<u>891,165</u>	<u>957,550</u>
Dividends		
First preference shares	22,688	22,688
Class "A" common shares	<u>7,606</u>	<u>15,212</u>
	<u>30,294</u>	<u>37,900</u>
<u>Balance - end of year</u>	<u>\$860,871</u>	<u>\$919,650</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1977

	<u>1977</u>	<u>1976</u>
<u>Income</u>		
Dividends	\$ 43,876	\$ 46,942
Interest on loans	5,035	5,750
Sundry	67	4,159
	<u>48,978</u>	<u>56,851</u>
<u>Expenses</u>		
Executive remuneration and expenses	33,370	38,703
Office salaries	9,869	12,311
Travelling and automobile	6,541	3,168
Professional fees	10,575	9,425
Office and general	15,874	13,633
Interest, exchange and bank charges	28,922	13,404
Depreciation	2,132	2,969
	<u>107,283</u>	<u>93,613</u>
	(58,305)	(36,762)
Gain on sale of investments	<u>32,133</u>	<u>32,120</u>
Loss before income taxes	(26,172)	(4,642)
Income taxes (note 3)	<u>2,313</u>	<u>6,826</u>
<u>Net loss for the year</u>	<u>\$ (28,485)</u>	<u>\$ (11,468)</u>
<u>Loss per class "A" and "B" shares</u>	<u>(19.3¢)</u>	<u>(12.9¢)</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1977

	<u>1977</u>	<u>1976</u>
<u>Source of working capital</u>		
Mortgage loans and loans receivable	\$ 7,316	\$ 9,640
Reduction in unrealized loss on investments	-	119,722
	<u>7,316</u>	<u>129,362</u>
<u>Application of working capital</u>		
Net loss for the year	28,485	11,468
Charges not requiring an outlay of funds	<u>2,132</u>	<u>2,649</u>
	26,353	8,819
Dividends	30,294	37,900
Purchase of fixed assets (net)	184	6,589
Increase in unrealized loss on investments	<u>45,472</u>	<u>-</u>
	<u>102,303</u>	<u>53,308</u>
<u>Increase(decrease) in working capital</u>	(94,987)	76,054
<u>Working capital - beginning of year</u>	<u>512,265</u>	<u>436,211</u>
<u>Working capital - end of year</u>	<u>\$417,278</u>	<u>\$512,265</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1977

1. Significant accounting policies

(A) Principles of Consolidation

The consolidated financial statements include the accounts of the parent company and its subsidiaries:

Central Loan & Mortgage Co.
- year ended November 30, 1977.

Alco Securities Corporation Ltd.
- year ended December 31, 1977.

Maritana Securities Limited
- year ended December 31, 1977

and the parent company's share of their aggregate earnings from the dates of acquisition.

(B) Marketable securities

The company carries its marketable securities at market value, which is determined by valuing each investment security at the lastest sale price thereof reported by the principal securities exchange on which the issue is traded.

(C) The long-term investment is carried at cost.

(D) Fixed assets

Fixed assets are reported at cost. Depreciation is calculated using the declining balance method at the following annual rates:

Office equipment	20%
Automobile	30%

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1977

Significant accounting policies cont'd.

(E) Investment transactions and income

Investment transactions are accounted for on the settlement date. Income is recorded as follows:

Interest - as received
Dividends - per date of record.

Realized gains and losses from investment transactions are calculated on an average cost basis.

(F) Foreign exchange

Items in foreign currencies have been translated into Canadian dollars on the following basis:

i) Market value of investment securities, current assets and liabilities at the rate of exchange prevailing at December 31.

ii) Purchases and sales of investment securities at the rate of exchange prevailing on the respective dates of such transactions.

iii) Income and expenses at the average rate of exchange prevailing during the year.

2. Security for bank indebtedness

The bank indebtedness is secured by a general assignment of book debts and the pledging of marketable securities.

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1977

3. Income taxes

(A) The company has losses for tax purposes amounting to \$215,913 which are available for application against future years' taxable income as follows:

<u>Amount</u>	<u>Available to</u>
\$ 27,527	1978
29,523	1979
49,303	1980
37,572	1981
<u>71,988</u>	1982
<u>\$215,913</u>	

(B) The company has capital losses carried forward amounting to \$5,436 which are available for application against future years' capital gains.

(C) Income taxes for the current year result from United States taxes withheld at source.

4. Litigation pending

During 1966, a shareholder of the company instituted a lawsuit in which Alco Securities Corporation Limited is a defendant and the parent company a *mise-en-cause*, attacking the legality of the issue by Alco Securities Corporation Limited of convertible preferred shares, as well as the issue of common shares on the conversion of certain preferred shares. A judgement was rendered on July 6, 1970 dismissing the shareholder's action and this judgement has since been appealed by the plaintiff.

5. Retained earnings

The consolidated retained earnings include an amount of \$77,000 set aside from the retained earnings of Alco Securities Corporation Limited which is equal to the par value of preferred shares issued and redeemed by that company in prior years.

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1977

6. Statutory Information

	<u>1977</u>	<u>1976</u>
Number of directors	7	7
Aggregate remuneration as directors	\$ 250	\$ 900
Number of officers	3	3
Aggregate remuneration as officers including management fee and expenses	\$39,920	\$37,803
Number of officers who were also directors	2	3

7. Anti-Inflation Act

The company is subject to the dividend restrictions of the Anti-Inflation Act.

