

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 (in thousands of dollars)

2004

2003

Assets

Cash and cash equivalents	\$ 864,990	\$ 969,315
Securities (Note 2)	126,310	106,232
Loans (Note 3)	496,652	528,012
Investment in affiliate (Note 5)	490,716	460,655
Deferred selling commissions	850,791	763,874
Other assets (Note 6)	371,717	333,825
Intangible Assets (Note 7)	900,444	859,948
Goodwill (Note 7)	2,371,591	2,269,835
	\$ 6,473,211	\$ 6,291,696

Liabilities

Deposits and certificates (Note 8)	\$ 710,950	\$ 729,456
Other liabilities (Note 9)	605,017	562,820
Future income taxes (Note 11)	422,848	375,072
Long-term debt (Note 12)	1,226,795	1,403,580
	2,965,610	3,070,928

Shareholders' Equity

Share capital (Note 13)		
Preferred	360,000	360,000
Common	1,475,405	1,446,063
Contributed surplus	4,190	—
Retained earnings	1,668,006	1,414,705
	3,507,601	3,220,768
	\$ 6,473,211	\$ 6,291,696

(See accompanying notes to consolidated financial statements.)

On behalf of the Board



Director



Director

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31 <i>(in thousands of dollars, except shares and per share amounts)</i>	2004	2003
Fee and net investment income		
Management	\$ 1,491,657	\$ 1,296,114
Administration	299,612	286,777
Distribution	164,471	131,482
Net investment income and other	163,331	159,808
Total fee and net investment income	2,119,071	1,874,181
Operating expenses		
Commission expense	616,706	475,335
Non-commission expense	544,256	494,142
Interest expense	74,893	85,377
Restructuring costs (reversal) <i>(Note 22)</i>	–	(24,832)
Total operating expenses	1,235,855	1,030,022
	883,216	844,159
Dilution gain <i>(Note 5)</i>	–	14,820
Income before income taxes and non-controlling interest	883,216	858,979
Income taxes <i>(Note 11)</i>	264,969	299,198
Income before non-controlling interest	618,247	559,781
Non-controlling interest	1,151	–
Net income	617,096	559,781
Preferred dividends	20,700	20,700
Net income available to common shareholders	\$ 596,396	\$ 539,081
Average number of common shares <i>(in thousands) (Note 17)</i> – Basic	264,431	263,915
– Diluted	266,010	265,174
Earnings per share <i>(in dollars) (Note 17)</i> – Basic	\$ 2.26	\$ 2.04
– Diluted	\$ 2.24	\$ 2.03

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31 <i>(in thousands of dollars)</i>	2004	2003
Balance, beginning of year		
As previously reported	\$ 1,414,705	\$ 1,148,892
Change in accounting policy <i>(Note 1)</i>	(1,093)	–
As restated	1,413,612	1,148,892
Net income	617,096	559,781
Dividends		
Preferred	(20,700)	(20,700)
Common	(304,159)	(261,301)
Common share cancellation excess <i>(Note 13)</i>	(22,732)	(2,127)
Other <i>(Note 5)</i>	(15,111)	(9,840)
Balance, end of year	\$ 1,668,006	\$ 1,414,705

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31 (in thousands of dollars)

2004

2003

Operating activities

Net income	\$ 617,096	\$ 559,781
Adjustments to determine net cash from operating activities		
Future income taxes	45,482	73,328
Commission amortization	226,715	193,873
Amortization	22,856	27,416
Changes in operating assets and liabilities and other	(121,786)	(181,224)
	790,363	673,174
Commissions paid	(305,795)	(231,029)
	484,568	442,145

Financing activities

Net (decrease) increase in deposits and certificates	(39,070)	20,444
Issue of debentures	–	300,000
Repayment of long-term debt	(199,829)	(279,285)
Issue of common shares	9,072	5,614
Preferred dividends paid	(20,700)	(20,700)
Common dividends paid	(292,122)	(253,323)
Common shares purchased for cancellation	(26,894)	(2,741)
	(569,543)	(229,991)

Investing activities

Acquisition of Investment Planning Counsel, less cash and cash equivalents acquired (Note 21)	(62,583)	–
Investment in affiliate (Note 5)	–	(100,000)
Acquisition of non-controlling interest (Note 7)	–	(4,733)
Purchase of securities	(61,686)	(9,001)
Proceeds from the sale of securities	78,475	91,658
Net increase in loans	(166,986)	(105,848)
Proceeds from securitizations (Note 4)	207,110	126,747
Additions to office premises	(13,680)	(13,184)
	(19,350)	(14,361)
(Decrease) increase in cash and cash equivalents	(104,325)	197,793
Cash and cash equivalents, beginning of year	969,315	771,522
Cash and cash equivalents, end of year	\$ 864,990	\$ 969,315
Cash	\$ 171,498	\$ 148,131
Cash equivalents	693,492	821,184
	\$ 864,990	\$ 969,315

(See accompanying notes to consolidated financial statements.)