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Annual
Report
1986

HOWARD ROSS LIBRARY OF MANAGEMENT
McGILL UNIVERSITY
1001 UNIVERSITY ST. W.,
Montreal, Quebec, Canada
H3A 1G5

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For the year ended December 31	1986	1985
Earnings before extraordinary and other items	\$132,634,000	\$115,098,000
Net earnings	\$305,206,000	\$115,676,000
Earnings per share		
Before extraordinary and other items	\$ 1.49	\$ 1.32
After extraordinary and other items	\$ 3.54	\$ 1.33

As at December 31		
Assets under administration (billions)	\$ 54.4	\$ 41.9
Shareholders' equity (millions)	\$ 1,098	\$ 730

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Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au Secrétaire, Corporation Financière Power, 759, square Victoria, Montréal (Québec) Canada H2Y 2K4

Copies of the annual reports of Power Financial Corporation's subsidiary companies, Great-West Lifeco Inc., Investors Group Inc. and Montreal Trustco Inc., are available from the Vice-President and Secretary, Power Financial Corporation, 759 Victoria Square, Montreal, Quebec H2Y 2K4.

Report to Shareholders

Your directors are pleased to report the continuing progress of the Corporation during 1986 with asset base, profits and dividends showing significant increases over the previous year.

Earnings before extraordinary and other items for the year ended December 31, 1986, were \$132.6 million or \$1.49 a share compared with \$115.1 million or \$1.32 a share a year ago.

Extraordinary and other items were \$172.6 million compared with \$578,000. The extraordinary items in 1986 are essentially the result of net gains from the issue of common shares by Great-West Lifeco Inc. and Investors Group Inc.

Net earnings were \$305.2 million or \$3.54 a share compared with \$115.7 million or \$1.33 a share for 1985. The earnings per share have been adjusted to reflect the two-for-one share split in May 1986.

Your Corporation's subsidiaries - Great-West Lifeco Inc. in which is now vested its 97.4% interest in The Great-West Life Assurance Company; Investors Group Inc. to which was

transferred the business of The Investors Group and its operating subsidiaries; and Montreal Trustco Inc. - all contributed materially to the Corporation's strong performance.

Total income of The Great-West Life Assurance Company in 1986 was \$4.4 billion compared with \$3.4 billion in 1985. Net income before other items attributable to common shareholders was \$99.7 million or \$49.82 a share compared with \$85.6 million or \$42.81 a share. Net income for 1986 was \$95.5 million compared with \$86.2 million.

Total income of Investors Group Inc. for 1986, on a pro forma basis, was \$285 million compared with \$244.3 million. Net operating income was \$34 million or \$1.43 a share compared with \$24.4 million or \$1.02 a share.

Gross revenue of Montreal Trustco Inc. for 1986 was \$631.6 million compared with \$409.5 million in 1985. Net income was \$27 million or 94 cents a share compared with \$18.4 million or 75 cents a share the previous year.

Pargesa Holding S.A., a Swiss investment and holding company controlled by a consortium of three companies which

includes Power Financial, reported preliminary consolidated net income of Sfr. 146 million for 1986 compared to Sfr. 103.1 million for 1985.

The substantial increases in earnings of the Power Financial companies are attributable to several factors. The most important is their ability, within their respective franchises, to respond vigorously and innovatively to changes in their markets.

Corporate Developments

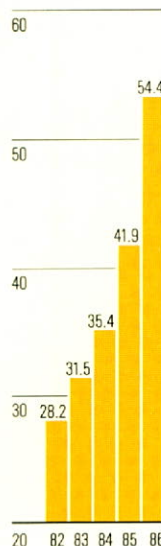
Great-West Lifeco was established in May to hold the interests of the Power Financial group in The Great-West Life Assurance Company. Your Corporation has an 86% interest in Great-West Lifeco following the issue to the public of 10 million shares and an exchange of Great-West Lifeco shares for shares in The Great-West Life Assurance Company held

by minority shareholders. Net proceeds of the public issue were \$197.8 million of which \$197.3 million were used to repay demand notes due to Power Financial Corporation.

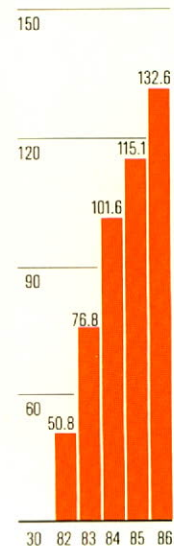
Also in May, Montreal Trustco acquired Credit Foncier, one of Canada's oldest mortgage companies, for a net purchase price of \$130 million. The operations of the two companies were merged as of January 1, 1987. During 1986, Montreal Trustco also acquired the residential mortgage loan portfolio of the Bank of America Canada, and certain offices of Canada Trust.

To help finance the acquisitions, Montreal Trustco offered the right to purchase one common share at \$12 for every four shares held. Your Corporation exercised all its rights, purchased additional rights in the marketplace, and purchased all unsubscribed

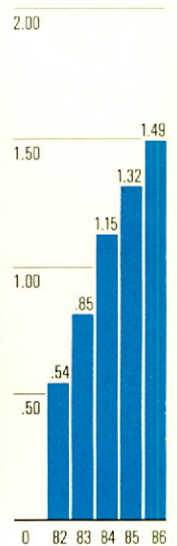
Total Assets Under Administration (billions of dollars)



Earnings Before Extraordinary and Other Items (millions of dollars) (1982-84 numbers are pro forma)



Earnings per Share Before Extraordinary and Other Items (dollars) (1982-84 numbers are pro forma)



shares. The exercise of rights and the purchase of additional shares on the open market increased your Corporation's interest in Montreal Trustco from 55.4% to 60.5% at a cost of \$66 million.

Power Financial in October privately placed \$100 million Series A Cumulative Redeemable First Preferred Shares at \$25 a share and carrying a dividend equal to 70% of the prime lending rate charged by two large Canadian banks.

The business of The Investors Group and its subsidiaries was transferred to a new company, Investors Group Inc. In October, 3 million treasury shares of Investors Group Inc., amounting to 12.6% of the shares outstanding, were offered to the public at \$18 a share. Your Corporation retained the balance of 87.4%.

In October your Corporation obtained approval from the Federal Banking Commission of Switzerland

to increase its interest in Pargesa. During the year and early in 1987 Power Financial increased its participation by 128,416 registered shares and 62,077 bearer shares for a cash consideration of \$138 million. These additional shares increased the Corporation's voting interest in Pargesa to 17.7% and its equity interest to 15.0%.

Your Corporation in January 1987, entered into an agreement with Banque Paribas (Suisse) S.A. for the placement of Sfr. 120 million in bonds maturing March 3, 1997. The bonds carry a coupon of 5% payable annually. The proceeds were used in part to repay the outstanding Swiss bank indebtedness of Sfr. 94 million.

In February 1987, the Corporation offered to the public 3 million of its common shares in Investors Group Inc., which in turn offered 1 million of its treasury shares, for a total offering of 4 million shares. The offering price was \$23.50 per share. Of the 4 million shares, 1,650,000 were offered outside Canada. The offer puts your Corporation's interest in Investors Group at 71.8%. The proceeds to

Power Financial of \$68.3 million will be used for general corporate purposes. The proceeds to Investors plus corporate funds will be used to repay a note of \$35 million due to Power Financial Corporation.

Dividend

Your Corporation's annual dividend rate was 40 cents at the end of 1985. It was increased to 50 cents in April 1986, and to 54 cents in February 1987.

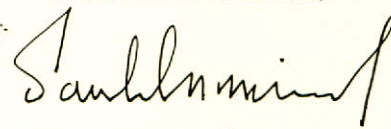
Outlook

The demand by individuals and corporations for financial and fiduciary services is continuing to expand at a rapid rate. Power Financial's operating companies are well placed to respond to that demand, as is apparent from the increases in sales and earnings which were recorded during the past year.

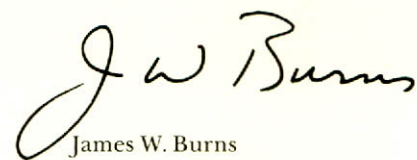
The companies' managements are experienced and responsible. Their services are innovative and competitive. Each of the companies is developing new products and services for introduction during 1987 as well as continuing to refine and improve traditional ones. The marketing networks for their delivery are solidly in place.

The directors wish to acknowledge the individual efforts of the men and women of the Power Financial group of companies who contributed so much towards making the Corporation's results possible.

On behalf of the Board,



Paul Desmarais, Jr.
President and
Chief Operating Officer



James W. Burns
Chairman and
Chief Executive Officer

February 18, 1987

Power Financial Corporation

Power Financial Corporation holds the dominant interest in three long established and publicly traded Canadian companies which develop and supply a comprehensive range of individual and corporate financial and fiduciary services. It also holds a significant equity position in a Swiss investment and holding company.

The three Canadian companies are:

Great-West Lifeco Inc. in which Power Financial has an 86% interest. Great-West Lifeco in turn has a 97.4% interest in The Great-West Life Assurance Company which is the largest Canadian shareholder-owned life insurance company, and one of the three largest in the country. Great-West Life also does extensive business in the United States where it is the second largest shareholder-owned life insurance company, in terms of premium income, headquartered west of the Mississippi.

Investors Group Inc. in which Power Financial had an 87.4% interest at

year-end, since reduced to 71.8%. Investors is, by far, the largest developer, manager and distributor of mutual funds in Canada. It is also the leading supplier of financial planning for individuals and corporations.

Montreal Trustco Inc. in which Power Financial has increased its holding to 60.5%. Montreal Trustco is the fourth largest trust company in Canada. It is the largest supplier of fiduciary services to corporations in addition to supplying comprehensive financial and fiduciary services to individuals.

All three companies – operating from within their respective jurisdictions of insurance, financial planning and personal and corporate financial and fiduciary services – reported exceptionally high levels of activity and profitability for 1986.

The total of their assets under administration, a measure of their growth performance, was \$53.1 billion at December 31, 1986,

compared with \$41.3 billion a year ago.

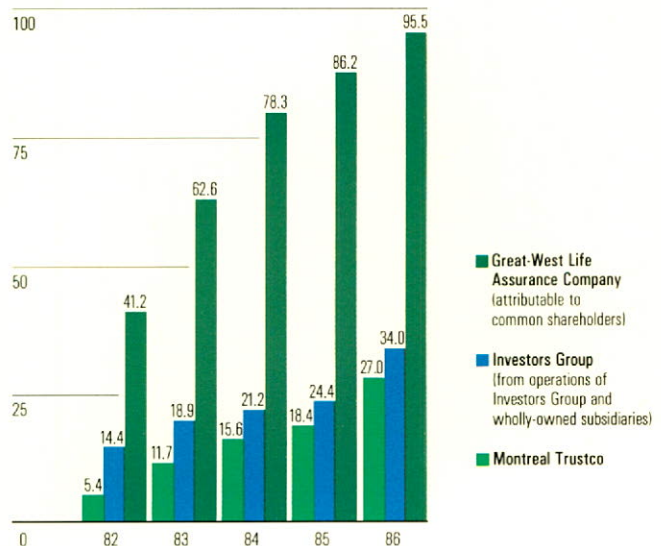
Power Financial also holds 17.7% of the outstanding voting shares, and 15.0% of the equity, of Pargesa Holding S.A. of Geneva. The large, multinational investment company has extensive holdings in investment and retail banking, and related financial services, in Europe, England and the United States.

The demand for the personal financial and fiduciary services supplied by the Power Financial group of companies is continuing to grow as the postwar generation reaches its peak earnings period and the preceding generation prepares for retirement. A comparable growth in demand for the group's corporate services is generated by the continuing adjustment of businesses to a post-industrial economic environment.

The Power Financial companies supply their services in Canada and the United States through 12 large and solidly established distribution networks. The networks are supported by a total of over 200 regional offices and 3,000 sales representatives, all of them intimately familiar with, and skilled in the employment of, the services they supply.

The geographical scope of the 12 distribution networks, extending across Canada and deep into the United States, and the diversity of the services they supply, are without a Canadian parallel.

Net Income of Operating Companies (millions of dollars)



Power Financial Corporation took several steps during the year to simplify its corporate structure, and to do so in ways which would permit a more realistic appreciation in the marketplace of the value of the Corporation's underlying assets.

The simplification of its corporate structure also placed Power Financial in a stronger position to pursue its basic objective of building on the individual strengths of its three operating companies.

The first step was taken early in the year with the establishment of Great-West Lifeco Inc. to hold the interests of the Power Financial group in The Great-West Life Assurance Company.

Ten million shares of Great-West Lifeco were subsequently offered to the

public at a price of \$20.625 each. Minority shareholders of The Great-West Life Assurance Company were offered 40 common shares of Great-West Lifeco in exchange for each share of Great-West Life Assurance Company. The shares sold to the public and exchanged by minority shareholders amounted to 14% of the outstanding shares of Great-West Lifeco with the balance of 86% retained by Power Financial Corporation.

Later in the year, the business conducted by The Investors Group and its subsidiaries was transferred to a new company, Investors Group Inc., and a public offering made of 3 million shares in the new company at \$18 a share. The offering amounted to 12.6% of the outstanding shares with the balance of 87.4% retained by Power Financial Corporation. A

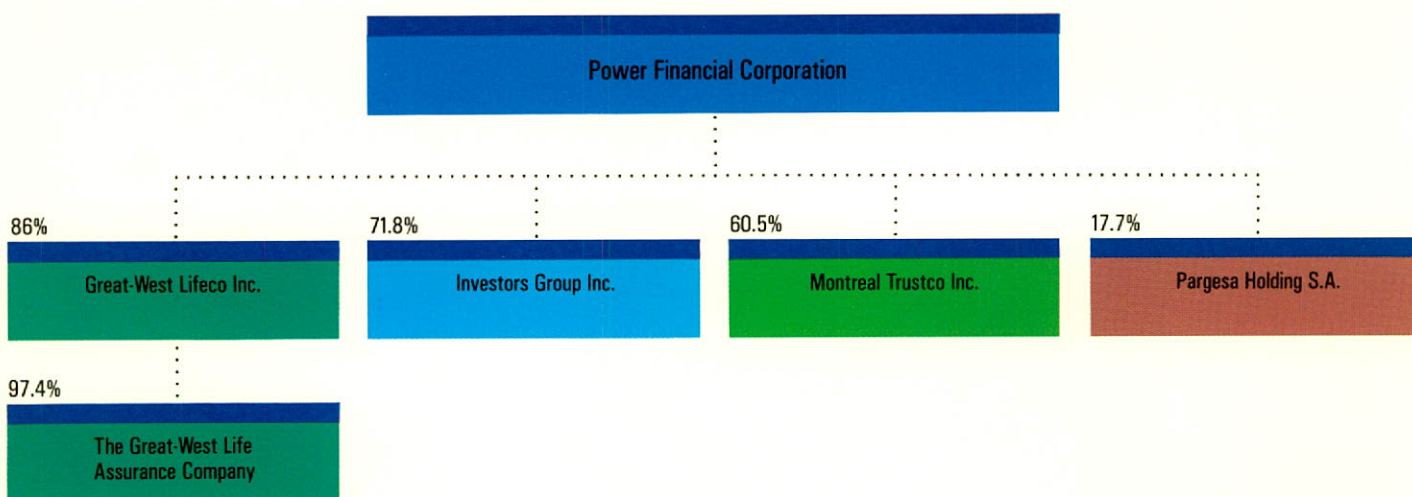
secondary offering of 3 million shares, combined with a one-million-treasury-share offering by Investors Group, subsequently reduced Power Financial's interest in Investors Group Inc. to 71.8%.

Finally, steps were taken with approval of the shareholders to place the interests held in the Canadian companies and in Pargesa Holding S.A. under the single corporate roof of a newly-constituted Power Financial Corporation.

One result of the reorganization is that the public can not only invest in Power Financial but in the companies in the Power Financial group. The shares of Great-West Lifeco Inc. and Investors Group Inc. are now traded on the Montreal, Toronto and Winnipeg exchanges. The

shares of Montreal Trustco Inc. continue to be traded on the Montreal and Toronto exchanges, and the shares of Pargesa on Swiss exchanges.

The offerings to the public of shares in Great-West Lifeco Inc. and Investors Group Inc., and the rights offers by Montreal Trustco Inc. and Pargesa Holding S.A. have enhanced the liquidity of these companies and brought out their underlying values. At the same time, their broader public exposure facilitates raising new capital, as it may be required, on Canadian and foreign markets.



Great-West Lifeco Inc.

Great-West Lifeco Inc. was organized for the purpose of holding a 97.4% interest in The Great-West Life Assurance Company. As a holding company, its financial results are primarily a reflection of the financial results of The Great-West Life Assurance Company.

Power Financial Corporation has an 86% interest in Great-West Lifeco. The balance of interest in Great-West Lifeco is held by the public as a result of an offering of 10 million shares at \$20.625 a share in June 1986, and the issue of 905,320 shares in exchange for shares in The Great-West Life Assurance Company.

The Great-West Life Assurance Company is the largest Canadian shareholder-owned life insurance company and ranks second in premium income and insurance in force and third in assets among all life insurance companies in the country. In the United States, where it is licensed

to do business in 48 states and the District of Columbia, it has the second largest premium income of shareholder-owned life insurance companies headquartered west of the Mississippi.

For the year ended December 31, 1986, Great-West Life Assurance reported total income of \$4.4 billion compared to \$3.4 billion a year ago. Net income attributable to common shareholders increased by 11% to \$95.5 million or \$47.74 a share compared with \$86.2 million or \$43.11 a share in 1985.

Sales of individual and group life and health products in both Canada and the United States reached record levels during the year. Sales of new life insurance in terms of the protection provided were increased by 19% to \$17.2 billion. Individual and group life insurance in force increased 12% to \$112.7 billion. Assets under administration, of which 55% are in the United States, increased 20% to \$13.0 billion. Investment

income increased 20% to \$1.2 billion.

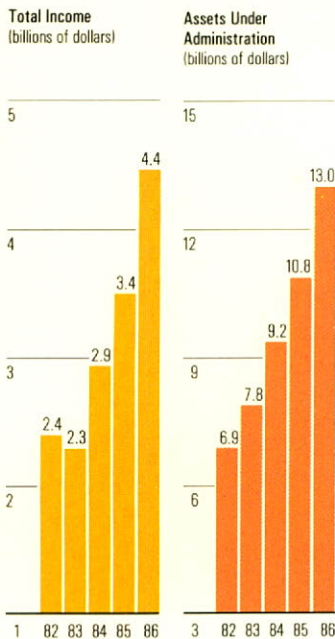
The Company's sales and service facilities for its disability income products was expanded during the year. Further expansion is anticipated through 1987 with the strengthening demand for these products. The Company's new Registered Retirement Income Fund was well received. Improvements in the design and pricing of annuity products also led to substantial increases in their sales.

Great-West Life Assurance earns a larger proportion of its income than any other Canadian company from group life and health policies, and from group pension business. This aspect of its operations again showed significant increases in both Canada and the United States.

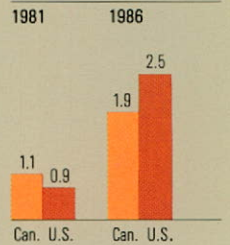
Group insurance sales generated \$90 million of new annualized premiums in Canada and \$150 million in the United States. Continuing growth in group sales is anticipated with the development of innovative client servicing facilities and the introduction of new products.

Private Healthcare Systems, Ltd., a partnership of United States commercial insurers established by the Company in 1985 to provide managed care services, made significant contributions to the Company's sales through 1986. The Company has been able to build on PHS services in the development of new and flexible employee healthcare programs that are increasingly attractive to employers.

The Great-West Life Assurance Company, with its Canadian head office in Winnipeg and its United States operations headquartered in Denver, Col., has 161 offices and an extensive agency network throughout North America. Sales and service are backed by sophisticated information systems. The largest Canadian shareholder-owned life insurance company and ranking among the three largest life insurance companies in the country, it also has the second largest premium income of shareholder-owned life insurance companies headquartered west of the Mississippi in the U.S. Of total assets under administration of \$13 billion, 55% are in the United States.

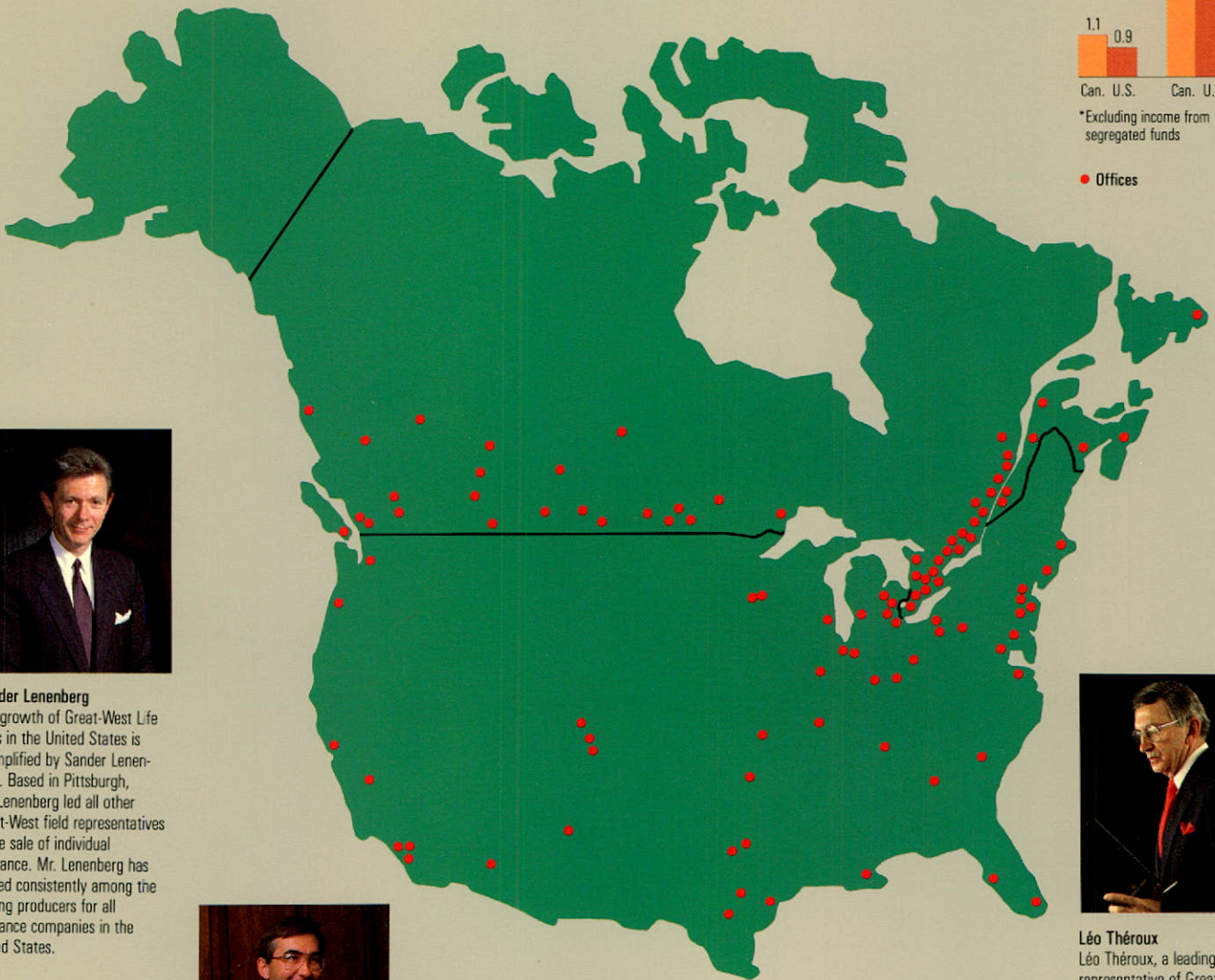


Total Income*
(billions of dollars)



*Excluding income from segregated funds

• Offices



Sander Lenenberg
The growth of Great-West Life sales in the United States is exemplified by Sander Lenenberg. Based in Pittsburgh, Mr. Lenenberg led all other Great-West field representatives in the sale of individual insurance. Mr. Lenenberg has ranked consistently among the leading producers for all insurance companies in the United States.



Jim Motz
Group insurance sales in the United States generated \$150 million of new annualized premiums through 1986. Jim Motz, Vice President, Group Insurance, Denver, is also responsible for the Company's participation, with other U.S. commercial insurers, in Private Healthcare Systems, Ltd. which undertakes the management of the cost and quality of corporate, institutional and other group health care programs.



William T. McCallum
The combination of professional life underwriters, skilled sales managers, competitive products, an attractive compensation package, and an array of support services enabled sales of Great-West Life individual insurance products to reach record levels in the United States in 1986. Bill McCallum, Senior Vice-President, Individual, directs the company's U.S. individual operations from Denver.



Wayne Fingas
New product development is central to Great-West Life's marketing strategy. Wayne Fingas, Vice-President, Group Marketing, Winnipeg, was responsible for the successful introduction of new group disability income products through 1986 and for the further expansion of the Company's sales and service facilities for these products through the coming year.



Léo Théroux
Léo Théroux, a leading field representative of Great-West Life in Canada, typifies the quality of customer service which, with the breadth and adaptability of Great-West Life insurance products, underpins the Company's continuing increase in sales. Mr. Théroux represents Great-West Life along the St. Lawrence south shore from his base in Sorel, Quebec.

Investors Group Inc.

Investors Group Inc., in which Power Financial Corporation had an 87.4% interest as of December 31, 1986, increased net income, on a pro forma basis, by 40% to \$34 million or \$1.43 a share for the year ended December 31, 1986, compared with \$24.4 million or \$1.02 a share a year ago. Sales of the Company's financial products and services increased by 34% to \$1.4 billion. Assets under administration increased by 19% to \$7.5 billion.

Investors Group Inc. is a new company to which the business of The Investors Group and its wholly-owned subsidiaries was transferred September 30, 1986. Investors Group Inc. subsequently made a successful public offering of 3 million common shares, representing 12.6% of its shares outstanding, at \$18 a share.

The pro forma results are presented, for purposes of comparison, as if the

Company acquired its subsidiaries and became operational on January 1, 1985, and as if the 23,800,010 common shares outstanding since November 13, 1986, were issued and outstanding for the two years.

Investors Group is a major developer and supplier of mutual funds in the Canadian market. It is also a leader in financial planning for individuals and corporations.

Sales of the Company's mutual funds in 1986 increased by 42% to \$1.2 billion. Total net assets of Investors mutual funds now exceed \$4.4 billion. The total assets of equity-based funds increased by \$600 million to \$2.9 billion; those of fixed income funds increased by \$398 million to \$1.4 billion.

In October, the Company introduced the Investors Global Fund which is directed towards capitalizing on the opportunities to be found in the stronger world economies as well as those emerging in less mature markets. At year-end, the new fund had net assets of \$65 million. The 14th Investors mutual

fund, Investors Summa Fund, was introduced in January 1987. The Investors Summa Fund gives Canadians the opportunity to invest in companies which meet the highest standards of corporate citizenship.

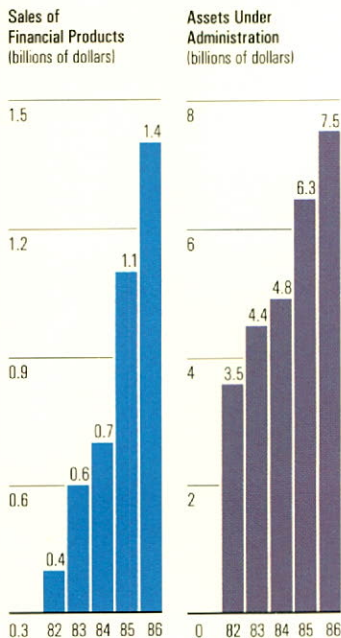
The number of mutual fund shareholder accounts increased during the year by 114,900 to 454,800.

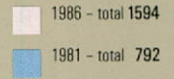
Much of the Company's success derives from the range and flexibility of its savings and investment vehicles, and the professional management skills and experience of its portfolio managers.

The number of financial planners representing the Company increased from 1,297 to 1,594 during the year. All are intensively trained. The training is undertaken in-house as well as through such courses as those provided by the Canadian Institute of Financial Planning leading to the designation of Chartered Financial Planner. Most of Investors' sales representatives also are licensed to sell life and health insurance as well as mutual funds and investment certificates.

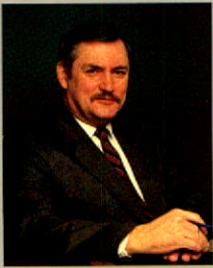
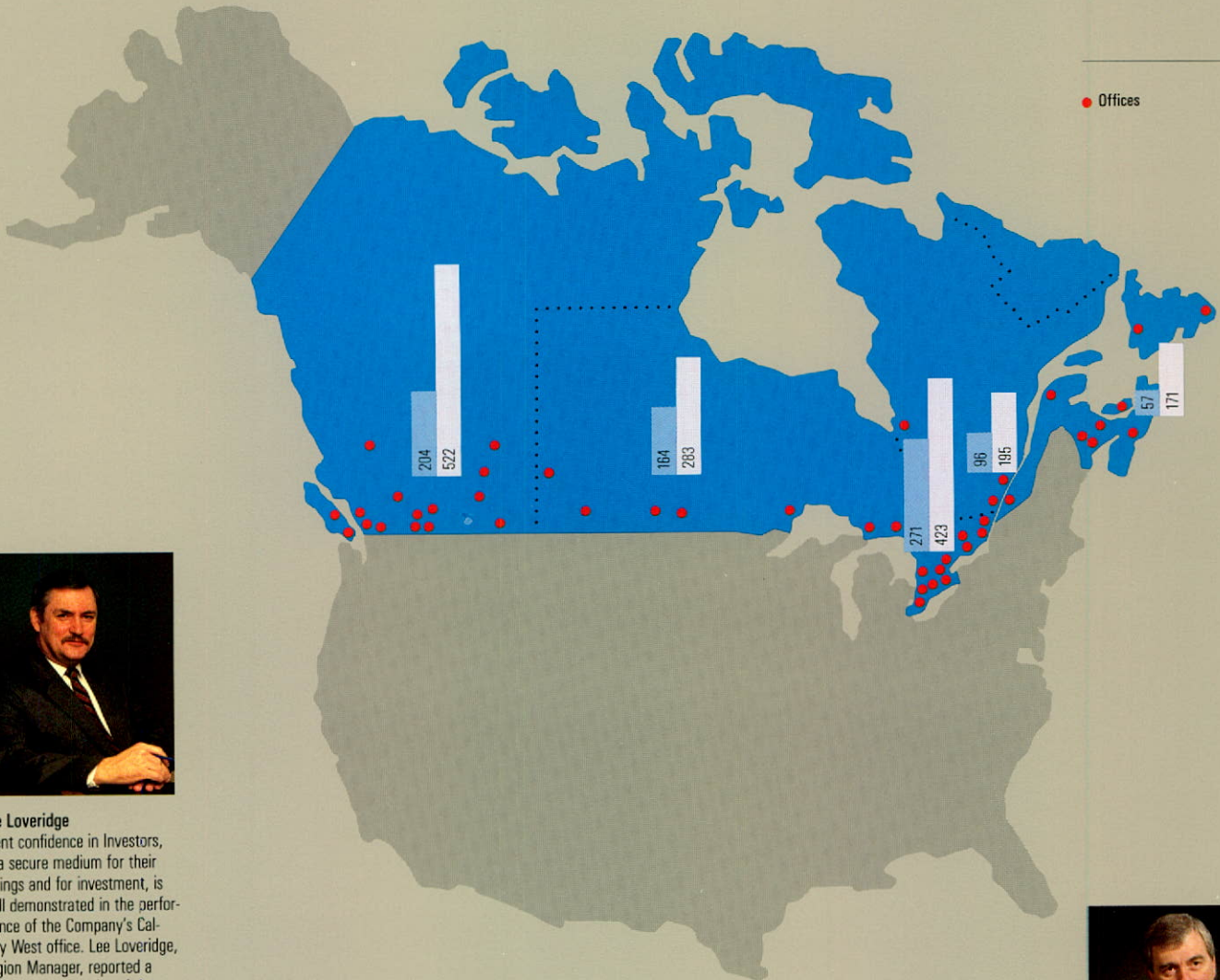
The Company further expanded by opening seven new financial planning centres – three in Quebec, three in Ontario and one in Alberta. It now has 62 financial planning centres across Canada.

The total number of Investors Group financial planners has more than doubled since 1981. The 1,594 men and women in the Company's sales force at the year-end have been carefully recruited and intensively trained in responsible financial planning for individuals and corporations. Growth of Investors across-Canada distribution network has been closely monitored to maintain the Company's strong position in Canada's mutual fund industry. Its marketing strategy is founded on the high standards of both its broad range of products and its service to clients. Mutual fund shareholder accounts increased 34% in 1986.



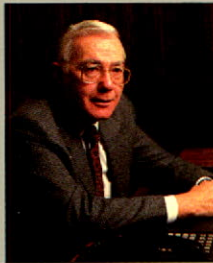


• Offices



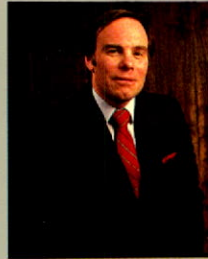
Lee Loveridge

Client confidence in Investors, as a secure medium for their savings and for investment, is well demonstrated in the performance of the Company's Calgary West office. Lee Loveridge, Region Manager, reported a 70% increase in sales of the Company's products. Ten sales representatives were added to the Calgary West office during the year and a further six have been added so far in 1987.



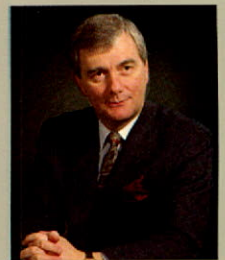
Sterling MacLeod

Investors Group Inc. sales increased by 34% to \$1.4 billion in 1986. Sales of mutual funds reached \$1.2 billion, maintaining the Company's position as the largest distributor of these funds. Sterling MacLeod is Senior Vice President, Sales, Winnipeg.



Henley Cunningham

Investors' mutual fund shareholders accounts increased by 114,900 to 454,800 during 1986. Backing up that growth in the number of the Company's clients is Henley Cunningham, Manager Client Relations, who is responsible for ensuring that all clients are serviced in a uniformly efficient manner. Investors' clients include small corporations as well as individuals.



Brian Walker

Investors 1,600 sales representatives emphasize responsible long-term financial planning in the sale of the Company's mutual funds and other products. Brian Walker, Saint John, N.B., leading first-year representative with \$5.8 million in sales in 1986, had 18 years experience in financial services and planning before joining the Company.

Montreal Trustco Inc.

Montreal Trustco Inc. more than doubled corporate assets through growth and acquisitions in 1986. At year-end, corporate assets were \$7.05 billion compared with \$3.1 billion at year-end 1985.

To help finance this growth, Montreal Trustco issued additional shares by way of a rights issue in which Power Financial Corporation participated. This participation, combined with additional open market share purchases, increased Power Financial's interest in Montreal Trustco Inc. from 55.4% to 60.5%.

Gross revenue increased by 54% to \$631.6 million from \$409.5 million a year ago. Net income increased by 47% to \$27 million or 94 cents a share from \$18.4 million or 75 cents a share. The per share earnings are restated to reflect the two-for-one share split July 4.

Total assets under administration increased by 28% to \$32.6 billion

from \$24.2 billion. Shareholders' equity doubled to \$350 million.

The Company's year-end results reflect the acquisitions of Credit Foncier effective August 1, and of the Bank of America Canada Mortgage Corporation effective November 28.

The acquisition of Credit Foncier, together with the Company's internal expansion program, significantly extended Montreal Trustco's distribution networks and broadened its client base. The number of personal services branches and real estate offices increased from 84 to 109. Income property lending branches increased from five to 14.

The Company's mortgage portfolio more than doubled during the year. Residential mortgages increased by 89% to \$2.7 billion. New loans exceeded expectations with 33% being generated through mortgage development officers located in the real estate branches.

The Company's two innovative investment affiliates – MT Associates Investment Counsel in Toronto and Montrustco Associates in Montreal – managed over \$3 billion of client assets in 1986.

A large number of new personal and corporate services were introduced dur-

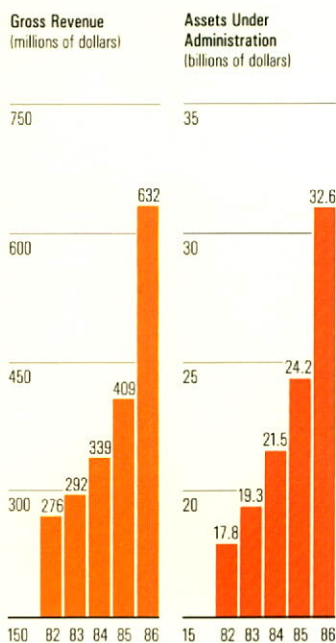
ing the year. Among them were custodial facilities for strip bonds which provide clients with secure and permanent safekeeping for bearer coupons. Other new services were:

A new system for record keeping, custody and redemption of Canada Savings Bonds; an innovative securities lending facility for pension clients; an Equity Index Fund which tracks the TSE 300 within plus or minus 0.5%; a daily interest savings/chequing account, Money Master, with four interest-rate tiers including the Montreal Trust T-bill rate on the entire balance when it exceeds \$10,000.

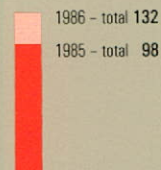
A new Dividend Section was added to the Montreal Trust Investment Fund in October for investing in quality preferred shares. The Company also introduced a new service to enable companies to offer low-cost loans to employees participating in stock purchase plans.

During the year the Company further enhanced its position as leading transfer agent by being once again the preferred choice for that role by companies going public, particularly those going public under the provisions of the Quebec Stock Savings Plan.

The number of Montreal Trust offices across Canada increased to 132 during 1986, the result of both internal growth and acquisitions. The range of personal and corporate services supplied through its offices also increased as the result of the introduction of innovative new products and services. Montreal Trust is represented in every key urban centre in Canada and also has representation offshore. The Company doubled assets between 1982 and 1985. It doubled assets again during 1986.



Retail Offices



• Offices



Dale Steinsvoll
With the acquisition of Credit Foncier, Montreal Trust is now one of the largest income property lenders in Canada. Dale Steinsvoll, formerly with Credit Foncier, is responsible for income property lending in Saskatoon.



Millie Roncone
Significant contributions were made to the increase in Montreal Trust's residential loan portfolio of \$2.7 billion through the Company's extensive real estate network. Millie Roncone, Mortgage Development Officer, led the Company in the generation of new residential mortgage business from real estate offices in the Toronto area.



Eric Strowlger
Montreal Trust's comprehensive client services include land assemblies for industrial and commercial investment. Eric Strowlger, 32 years with the Company, specializes in this demanding area of operations and has been a key player in land assemblies for industrial, residential and institutional development in the Montreal area.



Bob Lamb
The Cambridge branch is representative of a major expansion in the Southern Ontario market. Bob Lamb, manager of the branch, successfully opened the branch and exceeded budget by 100% in the first three months of operation.

Pargesa Holding S. A.

Pargesa Holding S. A., in which Power Financial Corporation has a 17.7% voting interest and a 15.0% equity interest, reported assets at December 31, 1986, of Sfr. 1,489 million compared with Sfr. 997.3 million a year earlier. Preliminary consolidated net income was Sfr. 146 million compared with Sfr. 103 million.

Pargesa Holding is an international investment group based in Geneva. The largest part of its portfolio is invested directly and indirectly in retail and merchant banking, and in related financial services. Power Financial, together with Groupes Frère Bourgeois/Erbe of Belgium and Compagnie de Participations Internationales (Benelux) have more than 50% of the voting rights attached to Pargesa's shares.

Participation in Pargesa gives Power Financial access to an international financial services network through which it can

augment and expand its operations in Europe and the United States as appropriate. At the same time, Power Financial has, through Pargesa, a unique and highly advantageous entree to European capital markets.

Pargesa's policy, like Power Financial's, is to pass on to its shareholders the dividends from its investments in operating companies. During the year, Pargesa raised its annual dividend from Sfr. 55 to Sfr. 60. Also during the year, Pargesa raised a total of Sfr. 500 million in new funds, including funds raised through the issue of 275,000 bearer shares and 275,000 registered shares.

Pargesa has extensive direct and indirect interests in banking in Switzerland, Luxemburg, Belgium, England, the United States and France. They include Banque Paribas (Suisse) S.A., Geneva, one of the larger Swiss banks; Banque Internationale à Luxemburg, the oldest and largest private banking institution in the Grand Duchy with 50 domestic branches and

overseas representation; and Banque Bruxelles Lambert with 980 branches in Belgium.

Pargesa has an interest in Henry Ansbacher Holdings Plc, London, and through Lambert Brussels Corporation, in Drexel Burnham Lambert in New York. It also has an interest in Banque de Gestion Privée/SIB, through Parfinance, France.

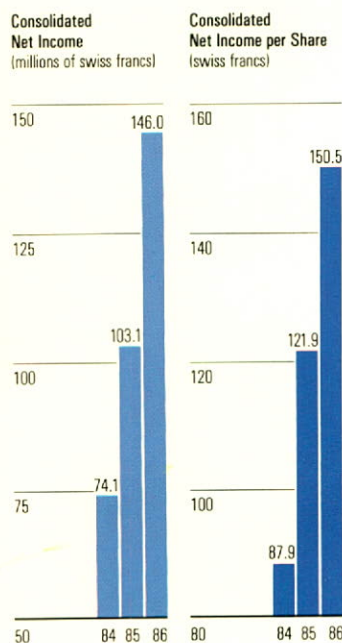
The breadth of Pargesa's banking interests extends from retail to investment banking on two continents and includes financing international trade, insurance and ship brokerage.

During the year, Pargesa together with Groupe Bruxelles Lambert established a new company, Parfinance. The two companies together control 53% of Parfinance which is capitalized at FF 2.5 billion. Parfinance will hold the group's principal investments in France. These include: control of Banque de Gestion Privée/SIB, significant participation as part of the core group of shareholders in Compagnie Financière de Paribas, and effective control, along with the AXA group of insurance companies, of the Schneider group, a large diversified manufacturer. Parfinance also has an 8% interest in la Société Métropole T. V., which owns the franchise for France's "sixième chaîne" television network.

With this base Pargesa will be able to respond to the increasing investment opportunities in France, including those offered by the French government in its privatization program.

Pargesa also holds investments in broadcasting, real estate, energy and agri-products, in Europe and overseas.

The investment of Power Financial Corporation in Pargesa Holding S.A. gives the Company unique access to international developments in banking and related activities, and to a broad range of other activities including broadcasting, real estate development, energy and agri-products. More than half of Pargesa's portfolio, with total assets at year-end of Sfr. 1,489 million, is in banking and related activities in Switzerland, Luxemburg, Belgium, France, England and the United States. Pargesa's financial services network presents opportunities to augment and expand the financial services networks of other members of the Power Financial group in North America and elsewhere.

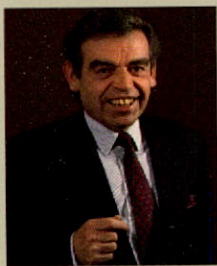




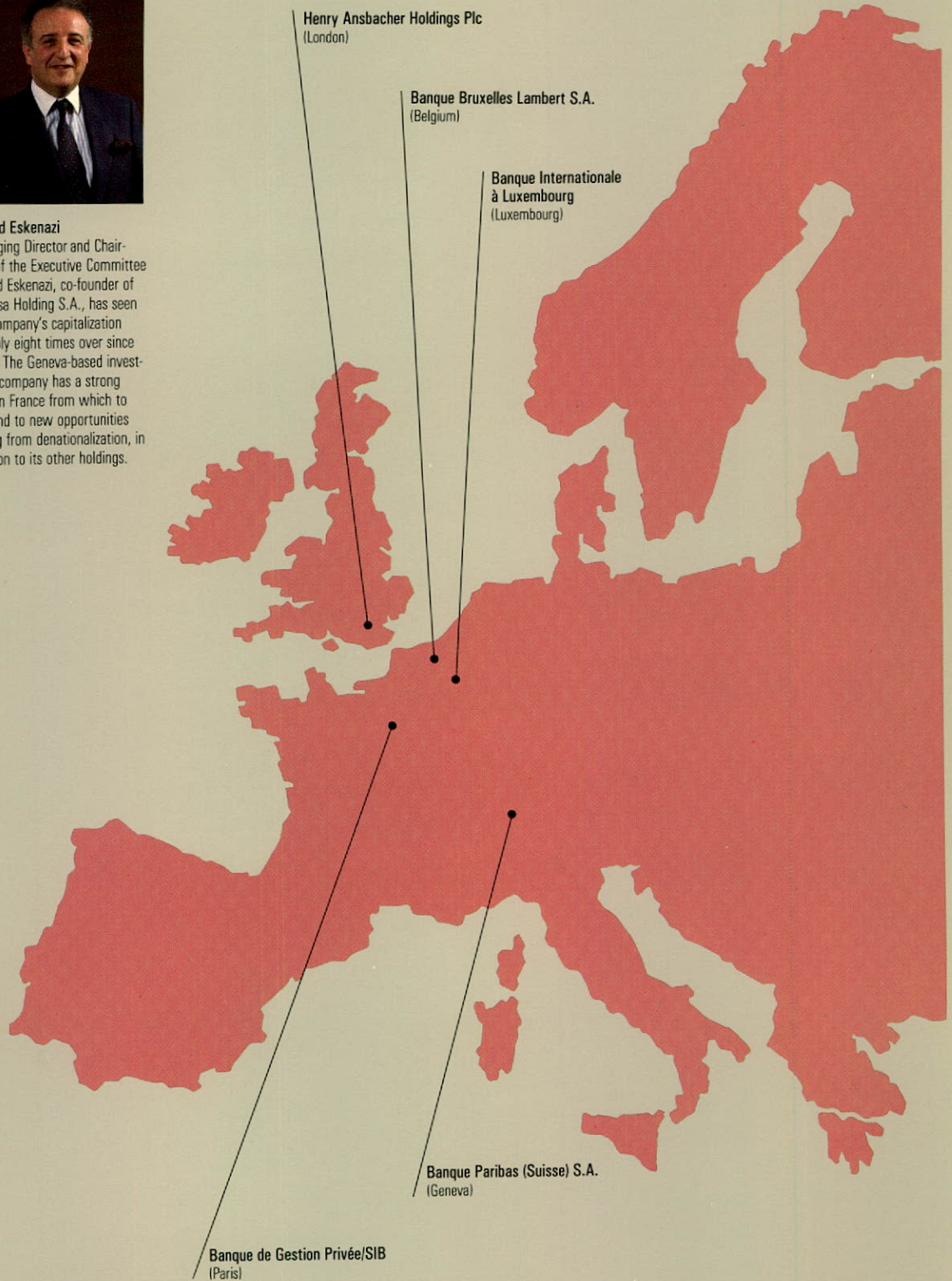
Gérard Eskenazi
 Managing Director and Chairman of the Executive Committee
 Gérard Eskenazi, co-founder of Pargesa Holding S.A., has seen the Company's capitalization multiply eight times over since 1982. The Geneva-based investment company has a strong base in France from which to respond to new opportunities arising from denationalization, in addition to its other holdings.



Albert Frère
 Managing Director and co-founder of Pargesa Holding S.A., Albert Frère brought to the Company a broad background in business and finance in Belgium. Pargesa's holdings, while weighted in favor of banking and related activities, include extensive interests in broadcasting, real estate, energy and agri-products in Europe and offshore through its investment in Groupe Bruxelles Lambert.



Pierre Scohier
 A director of Pargesa Holding S.A. and member of its executive committee, Pierre Scohier is also Chief Executive Officer of Compagnie de Participations Internationales (Luxembourg) which participated in the founding of Pargesa.

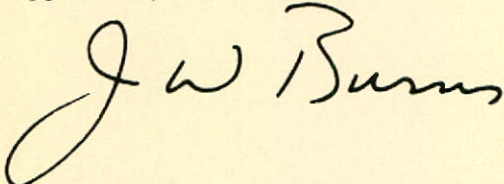


Power Financial Corporation

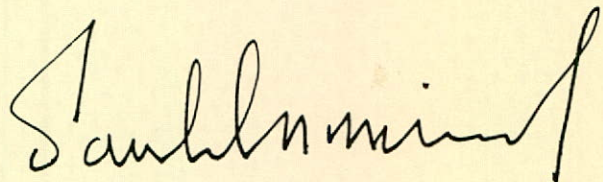
Balance Sheet
as at December 31, 1986
(Note 2)

	Thousands	
	1986	1985
Assets		
Current assets		
Cash and short-term investments (Note 10)	\$ 169,122	\$ 4,239
Dividends and interest receivable	4,077	40
Income taxes receivable		813
	173,199	5,092
Investments (Note 4)		
Subsidiaries	854,118	753,566
Affiliate	253,714	82,039
Other investments	5,092	4,901
	1,112,924	840,506
	\$ 1,286,123	\$ 845,598
Liabilities		
Current liabilities		
Bank loans	\$	\$ 6,993
Accounts payable and accrued charges	1,135	11,500
Dividends payable	13,194	8,796
Interest payable	3,501	833
Income taxes payable	6,655	
Current portion of long-term debt	1,500	
	25,985	28,122
Long-term debt (Note 5)	161,727	87,804
Shareholders' Equity		
Stated capital (Note 6)	681,493	585,130
Retained earnings	395,863	144,542
Foreign currency translation adjustments	21,055	
	1,098,411	729,672
	\$ 1,286,123	\$ 845,598

Approved by the Board of Directors



Director



Director

Statement of Earnings
for the year ended December 31, 1986
(Note 2)

	Thousands	
	1986	1985
Share of earnings of subsidiaries (Note 4)	\$ 140,765	\$ 116,088
Income from investments	6,741	3,428
	147,506	119,516
Operating expenses	6,066	2,381
Interest expense	9,852	2,037
Recovery of income taxes	(1,046)	
	14,872	4,418
Earnings before extraordinary and other items	132,634	115,098
Extraordinary and other items (Note 7)	172,572	578
Net earnings	\$ 305,206	\$ 115,676
Earnings per share		
Before extraordinary and other items	\$ 1.49	\$ 1.32
After extraordinary and other items	\$ 3.54	\$ 1.33

	Thousands
Operations	
Earnings before extraordinary and other items	\$ 132,634
Non cash charge (credit)	
Earnings not received in cash	(75,094)
Amortization of goodwill	479
	58,019
Increase in dividends and interest receivable	(4,037)
Decrease in bank loans	(6,993)
Other	(11,235)
Cash from operations	35,754
Dividends paid	
Preferred shares	(4,923)
Common shares	(37,778)
	(42,701)
Financing activities	
Issue of preferred shares	100,000
Issue of common shares	563
Issue of long-term debt	66,750
Repayment of long-term debt	(4,500)
Share issue expenses	(2,280)
Redemption of preferred shares	(4,200)
	156,333
Investment activities	
Disposal of investments	803,650
Purchase of investments	(788,153)
	15,497
Increase in cash and short-term investments	164,883
Cash and short-term investments, beginning of year	4,239
Cash and short-term investments, end of year	\$ 169,122

Statement of Retained Earnings
for the year ended December 31, 1986
(Note 2)

	Thousands	
	1986	1985
Retained earnings, beginning of year		
As previously reported		
Surplus arising from conversion of preferred shares	\$ 7,790	\$ 7,790
Contributed surplus arising from premium on capital stock	46,777	46,777
Appropriated retained earnings	188,309	158,208
Unappropriated retained earnings	319,931	270,948
Increase in net assets resulting from the dissolution of the predecessor parent corporation	83,638	83,853
Surplus assigned to stated value of common shares issued	(501,903)	(501,339)
As restated	144,542	66,237
Add (deduct)		
Net earnings	305,206	115,676
Other	323	(314)
	450,071	181,599
Deduct		
Dividends		
Preferred shares	7,204	4,958
Common shares	39,895	30,893
Share issue expenses, net of income taxes of \$530,000	1,750	1,206
Share of charges to retained earnings of subsidiaries	5,359	
	54,208	37,057
Retained earnings, end of year	\$ 395,863	\$ 144,542

Note 1. Summary of significant accounting policies

280 Broadway Holding Corp., formerly known as The Investors Group, was incorporated on April 5, 1940 and was continued under the Canada Business Corporations Act by certificate of continuance dated December 4, 1986 which also changed its name to Power Financial Corporation and reorganized its capital structure.

The accounting principles followed by Power Financial Corporation and its subsidiaries are in accordance with generally accepted accounting principles, except that the accounting practices followed by The Great-West Life Assurance Company are as prescribed or permitted by the Department of Insurance of Canada.

The investments in subsidiaries are accounted for on the equity basis or on the modified equity basis in the case of The Great-West Life Assurance Company. A full consolidation of the financial statements of Power Financial Corporation and its subsidiaries has not been prepared as such consolidation would not be appropriate in the circumstances and the Corporation believes that the equity method provides a more informative presentation to the shareholders. Condensed consolidated financial statements of these subsidiaries are presented on pages 24 to 27 of this Report.

Amortization of goodwill

The goodwill, being the difference between the cost of the investment in corporations accounted for on the equity basis and the book value of the underlying net assets at the dates of

acquisition, is included in the carrying value of these investments; such goodwill to the extent it relates to the cost of shares purchased subsequent to 1984 is being amortized to earnings.

Investments

The investment in affiliate and the other investments are stated at cost.

Foreign currency translation

All assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and all income and expenses are translated at average rates prevailing during the year. Exchange gains or losses are included in earnings except for foreign currency adjustments relating to the translation of the self-sustaining equity investment which are deferred in the shareholders' equity section of the balance sheet.

Income taxes

The Corporation follows the tax allocation basis in accounting for income taxes.

Pensions

The Corporation has a pension plan for employees, which is being funded, and the current service cost portion is charged to earnings as incurred.

Note 2. Reorganization

On June 12, 1986, the Corporation and two of its wholly-owned subsidiaries transferred their common shares of The Great-West Life Assurance Company to Great-West Lifeco Inc. in exchange for non-interest bearing demand notes of \$197,250,000 and 66,976,675 common shares of Great-West Lifeco Inc. having a stated capital of \$331,257,000 being the carrying value of the assets acquired less the aggregate face value of the above notes.

Effective September 30, 1986, the Corporation transferred to Investors Group Inc. (a newly acquired subsidiary) all of the common and preferred shares of Investors Syndicate Limited, Investors Group Trustco Inc., I. G. Investment Management Ltd., and I. G. Investment Corp., notes receivable from I. G. Investment Management Ltd. and other miscellaneous assets, net of liabilities assumed in exchange for a note of \$50,000,000 due January 16, 2006 bearing interest at the rate of 10.6% per annum, a non-interest bearing demand note of \$70,000,000 and 20,800,000 common shares of Investors Group Inc. having a stated capital of \$76,901,000 being the carrying value of the net assets acquired less the aggregate face value of the above notes.

Upon the continuance of the Corporation under the Canada Business Corporations Act by certificate of continuance dated December 4, 1986, the capital structure was reorganized by (A) providing an authorized share capital consisting of (i) an unlimited number of first preferred shares, issuable in series, of which 1,287,152 shares are designated as First Preferred Shares 1969 Series, 1,896,000 shares are designated as First Preferred Shares, 1978 Series and 4,000,000 shares are designated as Series A Floating Rate Cumulative Redeemable First Preferred Shares; (ii) an unlimited number of second preferred shares, issuable in series, and; (iii) an unlimited number of common shares, (B) redesignating the 1,287,152 issued Preferred Shares 1969 Series as First Preferred Shares 1969 Series and the 1,896,000 issued Preferred Shares, 1978 Series as First Preferred Shares, 1978 Series, (C) converting each of the 6,104,461 issued Class A non-voting shares into a common share, and (D) subdividing the resulting 12,946,566 issued common shares into 84,152,679 common shares on the basis of 6.5 common shares for each issued common share.

Note 2. Reorganization (cont'd)

Pursuant to an amalgamation agreement dated November 6, 1986 among the Corporation, its predecessor parent corporation and a wholly-owned subsidiary of the Corporation:

- a) the predecessor parent corporation was amalgamated with the wholly-owned subsidiary of the Corporation to continue as 152586 Canada Inc.;
- b) the Corporation issued on December 5, 1986 82,525,052 common shares and 4,000,000 Series A First Preferred Shares to the holders of common shares and Series A First Preferred Shares of the predecessor parent corporation in exchange for 86,525,052 common shares of 152586 Canada Inc.;
- c) the assets of 152586 Canada Inc., consisting principally of 59.3% of the issued common shares of Montreal Trustco Inc. and 14.9% of the equity of Pargesa Holding S.A., were distributed to the Corporation upon the assumption by the Corporation of the liabilities of 152586 Canada Inc.;
- d) 152586 Canada Inc. was dissolved resulting in the addition of \$83,638,000 (1985-\$83,853,000) to the retained earnings of the Corporation;
- e) 82,596,774 common shares of the Corporation held by the predecessor parent corporation and acquired by 152586 Canada Inc. as a result of the amalgamation were cancelled upon the dissolution of 152586 Canada Inc. and the stated capital account was accordingly reduced by \$635,000;
- f) the stated capital account for the common shares of the Corporation was increased by \$501,903,000, being an amount equal to the stated capital of the 82,525,052 issued common shares of the predecessor parent corporation (of which \$564,000 relates to 41,000 common shares issued in 1986) and retained earnings reduced by such amount;
- g) the Corporation established an Employee Stock Option Plan for key employees of the Corporation and its subsidiaries having provisions identical to the plan of the predecessor parent corporation.

Note 3. Change in presentation of financial statements

- a) In 1985, the accounts of wholly-owned operating subsidiaries were consolidated with those of the Corporation; in 1986, the investment in such wholly-owned operating subsidiaries was sold to Investors Group Inc. and that investment is now accounted for on the equity basis.
- b) The financial statements include the accounts of the predecessor parent corporation after eliminating inter-

corporate transactions.

The comparative figures for 1985 have been restated to give retroactive effect to the reorganization described in note 2 and to conform with the presentation adopted in 1986. The statement of changes in financial position does not include comparative figures as such information is not considered meaningful in the circumstances.

Note 4. **Investments**a) *Subsidiaries*

	Investors Group Inc.	Great-West Lifeco Inc.	The Great-West Life Assurance Company	Montreal Trustco Inc.	Total
Voting and equity interest, December 31, 1986	87.4%	86.0%		60.5%	n/a
	Thousands				
Carrying value, December 31, 1985	\$ 146,901(i)	\$ 535,251	\$ 508,945	\$ 97,720	\$ 753,566
Purchase of investments	50,048	535,251	517	66,380	652,196
Gain resulting from issue of common shares	36,879	146,504			183,383
Share of earnings	33,407	47,999	45,184	14,175	140,765
Share of extraordinary and other items	1,905	(1,607)	(2,102)		(1,804)
Share of charges to retained earnings	(1,023)	(3,597)		(739)	(5,359)
Disposal of investments	(70,000)	(197,250)	(535,229)		(802,479)
Amortization of goodwill				(479)	(479)
Dividends	(28,552)	(15,071)	(17,315)	(4,733)	(65,671)
Carrying value, December 31, 1986	\$ 169,565(ii)	\$ 512,229	\$ —	\$ 172,324	\$ 854,118
Share of equity, December 31, 1986	\$ 169,517(ii)	\$ 505,431	\$ —	\$ 151,110	\$ 826,058

i) Represents the carrying value of net assets at September 30, 1986 (Note 2); the share of earnings and the share of extraordinary and other items include the pre-acquisition net operating income and extraordi-

nary items of Investors Group Inc. from January 1, 1986 to September 30, 1986 which share of net income is also included in dividends received.

ii) Includes note of \$50,000,000.

b) *Affiliate*

The investment in affiliate represents a voting interest of 17.6% and an equity interest of 14.9% in Pargesa Holding S.A.. The Corporation intends to account for this investment by the equity method commencing in 1987.

c) *Other investments*

The other investments include a loan of Sfr. 1,590,000 to a director in connection with the exercise of an option granted by the Corporation on shares of Pargesa Holding S.A.

Note 5. **Long-term debt**

	Thousands	
	1986	1985
Swiss bank loans of Sfr. 90,000,000 (1985 - Sfr. 69,421,000) (Note 10)	\$ 77,031	\$ 47,108
6% Series "A" redeemable debentures, due September 1, 1994 to Investors Syndicate Limited and secured by certain assets	4,900	9,400
9 $\frac{7}{8}$ % Debentures, 1978 Series due October 4, 1998 with a sinking fund requirement of \$1,500,000 per annum, which may be increased to \$2,500,000 at the Corporation's option	31,296	31,296
10.6% Debentures, 1986 Series due January 16, 2006 with a sinking fund requirement of \$1,785,000 per annum in each of the years 1992 to 2005, both inclusive	50,000	
	163,227	87,804
Deduct instalment due within one year	1,500	
	\$ 161,727	\$ 87,804

The Debentures, 1978 Series and the Debentures, 1986 Series are secured by a floating charge on the assets of the Corporation.

Note 6. **Stated capital**

Authorized

First preferred shares, issuable in series – unlimited
 Second preferred shares, issuable in series – unlimited
 Common shares – unlimited

Issued and outstanding

First Preferred Shares 1969 Series
 First Preferred Shares, 1978 Series
 Series A First Preferred Shares
 issued for cash
 Common shares*

1986		1985	
Number of shares	Stated Capital	Number of shares	Stated Capital
Thousands		Thousands	
1,287,152	\$ 32,179	1,287,152	\$ 32,179
1,896,000	47,400	2,064,000	51,600
4,000,000	100,000		
84,080,863	501,914	84,039,957	501,351
	\$ 681,493		\$ 585,130

* After giving effect to the conversion, subdivision, issuance and cancellation of shares as described in note 2.

The First Preferred Shares 1969 Series are entitled to a \$1.25 annual cumulative dividend and are redeemable at \$25 per share.

The First Preferred Shares, 1978 Series are entitled to an annual cumulative dividend at a floating rate equal to ½ of the prime rate plus 1¼%, redeemable at \$26 per share to August 31, 1988, decreasing to \$25¼ per share during the period to August 31, 1991 and \$25 per share thereafter. Under the terms of the First Preferred Shares, 1978 Series, the Corporation is required to purchase 168,000 shares at \$25 per share on September 1 in each year to 1993 inclusive. The holders of the shares outstanding on September 1, 1993 have the right to have the Corporation redeem them on that date; otherwise 20% of the shares then outstanding will be purchased by the Corporation on September 1 in each of the years 1994 to 1998.

The Series A First Preferred Shares are entitled to an annual cumulative dividend at a floating rate equal to 70% of the prime rate of two major Canadian chartered banks and will be redeemable after November 14, 1991 at \$25 per share.

2,359,000 common shares have been reserved for issuance pursuant to the Employee Stock Option Plan. Options were outstanding at December 31, 1986 to purchase, until August 4, 1996, up to an aggregate of 1,625,000 shares at various prices from \$13.75 to \$26.31. During the year, 41,000 shares were issued under this Plan for an aggregate consideration of \$564,000.

In December 1986, the Corporation purchased and cancelled fractional shares representing 94 common shares at a cost of \$1,000.

Note 7. **Extraordinary and other items**

Gain resulting from issue of common shares
 by subsidiaries, net of income taxes
 of \$9,007,000
 Share of extraordinary and other items
 of subsidiaries

Thousands	
1986	1985
\$ 174,376	\$
(1,804)	578
\$ 172,572	\$ 578

Note 8. Income taxes

The Corporation has, upon the dissolution of its predecessor parent corporation, accumulated non-capital losses for tax

purposes. The benefits resulting from the use of these losses have not been accounted for in these financial statements.

Note 9. Related party transactions

The Corporation, its subsidiaries and affiliates have transactions with each other in the normal course of business at

competitive prices; such transactions are not significant to the Corporation or its subsidiaries and affiliates.

Note 10. Subsequent events

- a) On January 29, 1987, the Corporation received payment of a note from a subsidiary amounting to \$122,250,000.
- b) Pursuant to an underwriting agreement dated January 30, 1987, the Corporation will issue on March 3, 1987, Swiss franc bonds in the principal amount of Sfr. 120 million at a price equivalent to 100.5%. The bonds will mature on March 3, 1997 and carry a coupon of 5% payable annually in arrears. The net proceeds of approximately Sfr. 116.7 million will be used to repay the Swiss bank loans of Sfr. 90 million and for general corporate purposes.
- c) Pursuant to underwriting agreements dated February 16, 1987, the Corporation sold to underwriting groups 3,000,000 common shares of Investors Group Inc. at a net price of \$22.75 resulting in proceeds of approximately \$68,250,000. Concurrently, Investors Group Inc. sold 1,000,000 common shares out of treasury at the same price for proceeds of approximately \$22,750,000. The closing date for these transactions will not be later than March 26, 1987. The proceeds of the treasury issue, together with other corporate funds, will be used by Investors Group Inc. to repay its demand note to the Corporation in the amount of \$35,000,000.
-

Auditors' Report

To the Shareholders of
Power Financial Corporation

We have examined the balance sheet of Power Financial Corporation as at December 31, 1986 and the statements of earnings, 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 financial statements present fairly the financial position of the Corporation as at December 31, 1986 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 which are consistent with those applied in the preparation of the restated accounts (see Notes 2 and 3) of the preceding year.

Montreal, Quebec
February 18, 1987

Touche Ross & Co.
Chartered Accountants

Condensed Financial Statements

Great-West Lifeco Inc.

Great-West Lifeco Inc. 24



Investors Group Inc. 26



Montreal Trustco Inc. 27

	Thousands	
Condensed Summary of Operations	1986	1985
Premium income	\$ 3,188,615	\$ 2,319,703
Other income	1,251,078	1,095,604
	4,439,693	3,415,307
Paid or credited to policyholders and beneficiaries	3,853,916	2,904,464
Commissions, operating expenses and other	438,174	389,314
Income taxes	12,865	5,694
	4,304,955	3,299,472
Net income from operations	134,738	115,835
Other items	(10,677)	4,784
Minority interest	(26,060)	(34,399)
Net income before the following item	98,001	\$ 86,220
Pre-acquisition net income	44,784	
Net income	\$ 53,217	
Earnings per share		
Net income from operations	\$ 0.707	
Net income	\$ 0.683	
Pro-forma earnings per share		
Net income from operations	\$ 1.310	\$ 1.070
Net income	\$ 1.258	\$ 1.077

	Thousands	
Condensed Balance Sheet	1986	1985
Bonds	\$ 3,868,170	\$ 2,904,374
Mortgages and sale agreements	5,917,062	4,833,997
Segregated investment funds	1,546,832	1,342,539
Other assets	1,757,472	1,720,112
Total assets	\$ 13,089,536	\$ 10,801,022
Policy reserves	\$ 8,864,533	\$ 6,973,391
Segregated investment funds	1,546,832	1,342,539
Other policy benefit liabilities	668,364	590,481
Demand notes payable to parent company	122,250	
Other liabilities	788,767	840,107
Minority and other interests	511,079	481,283
Common shareholders' equity	587,711	573,221
Total liabilities and shareholders' equity	\$ 13,089,536	\$ 10,801,022

Notes

The condensed summary of consolidated operations for 1986 includes the full year results of The Great-West Life Assurance Company with net income reduced by pre-acquisition net income. The comparative figures for 1985 are those of The Great-West Life Assurance Company reclassified to conform with the consolidated financial statements of Great-West Lifeco Inc..

The pro forma earnings per share are presented to show what Great-West Lifeco's earnings in 1986 and 1985 would have been if Great-West Lifeco had acquired The Great-West Life Assurance Company at the beginning of 1985.

The company's total interest in the common capital and surplus of The Great West Life Assurance Company is \$615,968,000. Of this amount \$356,875,000 is appropriated to cover various contingencies as required by the Department of Insurance of Canada.

December 31, 1986

	Thousands	
Condensed Income Statement	1986	1985
Investment income	\$ 149,303	\$ 144,935
Management and distribution fees	126,476	91,929
Other	9,246	7,444
	285,025	244,308
Interest on certificate and trust liabilities	90,577	85,426
Management and distribution costs	94,857	68,049
Other	53,869	60,292
Income taxes	11,684	6,174
	250,987	219,941
Net operating income before adjustment	34,038	\$ 24,367
Pre-acquisition net operating income	24,047	
Net operating income	9,991	
Extraordinary items	1,905	
Pre-acquisition extraordinary items	(1,905)	
Net income	\$ 9,991	
Earnings per share		
Net operating income and net income	\$ 0.45	
Pro forma earnings per share		
Net operating income	\$ 1.43	\$ 1.02
Net income	\$ 1.51	\$ 1.02

Condensed Balance Sheet

Cash and short-term investments	\$ 67,088	
Marketable securities	458,209	
Mortgages on real estate	813,264	
Other assets	65,310	
Total assets	\$ 1,403,871	
Certificate liabilities	\$ 672,320	
Guaranteed trust accounts	432,896	
Demand note payable to parent company	35,000	
Long-term debt	50,000	
Other liabilities	76,908	
Common shareholders' equity	136,747	
Total liabilities and shareholders' equity	\$ 1,403,871	

Note

The pro forma earnings per share as set out in the consolidated income statement are presented to show what the corporation's earnings per share in 1986 and 1985 would have been if Investors Group Inc. had acquired the wholly-owned subsidiary companies at the beginning of 1985 rather than at September 30, 1986.

December 31, 1986

	Thousands	
Condensed Income Statement	1986	1985
Gross revenue	\$ 631,644	\$ 409,481
Operating revenue		
Fiduciary	\$ 73,088	\$ 64,204
Financial intermediary	67,680	45,747
Real estate	19,655	14,835
	160,423	124,786
Operating expenses	(131,324)	(106,901)
Income taxes	(2,093)	521
Net income	\$ 27,006	\$ 18,406
Net income per common share	\$ 0.94	\$ 0.75

Condensed Balance Sheet

Cash and short-term investments	\$ 883,929	\$ 729,466
Securities	816,505	287,411
Corporate and government loans	476,438	268,172
Mortgages	4,686,542	1,768,385
Other assets	190,876	47,793
Total assets	\$ 7,054,290	\$ 3,101,227
Deposits	\$ 801,607	\$ 511,584
Investment certificates	5,402,785	2,208,272
Long-term debt	351,625	85,225
Other liabilities	58,505	31,460
99 year debentures	60,000	60,000
Subordinated debt	30,000	30,000
Preferred shares	100,000	20,000
Common shareholders' equity	249,768	154,686
Total liabilities and shareholders' equity	\$ 7,054,290	\$ 3,101,227

Note

On August 1, 1986, Montreal Trustco Inc. acquired all of the outstanding shares of Credit Foncier and on November 28, 1986, all of the outstanding shares of Bank of America Canada Mortgage Corporation. These transactions were accounted for under the purchase method. The financial statements of these companies have been consolidated with those of the corporation from the respective dates of acquisition.

Board of Directors

***Douglas A. Berlis, Q.C.**
Counsel, Aird & Berlis

André Bisson, C.M.
Senior Vice-President and
General Manager,
The Bank of Nova Scotia

James W. Burns
Chairman and Chief Executive
Officer of the Corporation and
Deputy Chairman of Power
Corporation of Canada

***Peter D. Curry**
Director

Paul Desmarais, C.C.
Chairman and Chief Executive
Officer of Power Corporation of
Canada

Paul Desmarais, Jr.
President and Chief Operating
Officer of the Corporation

Gérard Eskenazi
Managing Director and
Chairman of the Executive
Committee, Pargesa Holding S.A.

Robert Gratton
Chairman, President and Chief
Executive Officer, Montreal
Trustco Inc.

Kevin P. Kavanagh
President and Chief Executive
Officer, The Great-West Life
Assurance Company

A. F. Knowles, C.A.
Deputy Chairman of the
Corporation and President
and Chief Operating Officer of
Power Corporation of Canada

Arthur V. Mauro, Q.C.
President and Chief Executive
Officer, Investors Group Inc.

**The Honourable
P. Michael Pitfield,
P.C., Q.C.**
Vice-Chairman of the
Corporation

Yves Pratte, Q.C.
Partner, Clarkson, Tétrault

Raymond Royer
President and Chief Operating
Officer, Bombardier Inc.

***A. M. Runciman**
Director

*Member of the Audit Committee

Officers

James W. Burns
Chairman and
Chief Executive Officer

A. F. Knowles, C.A.
Deputy Chairman

**The Honourable
P. Michael Pitfield,
P.C., Q.C.**
Vice-Chairman

Paul Desmarais, Jr.
President
and Chief Operating Officer

Michel Plessis-Bélair, C.A.
Senior Vice-President,
Finance and Administration

J. Edward Johnson
Vice-President and Secretary

Paul Morimanno, C.A.
Vice-President and Treasurer

André Gervais, C.G.A.
Vice-President and Controller

Jeannine Robitaille
Assistant Secretary

Power Financial Corporation

Registered Office
759 Victoria Square
Montréal, Québec H2Y 2K4

Transfer Agent and Registrar
Montreal Trust Company
Halifax, Saint John, Montreal,
Toronto, Winnipeg, Regina,
Calgary, Vancouver

Stock Listings
Comon Shares
The Montreal Exchange
The Toronto Stock Exchange
The Winnipeg Stock Exchange
First Preferred Shares, 1969 Series
The Montreal Exchange
The Winnipeg Stock Exchange
First Preferred Shares, Series A
The Montreal Exchange
The Toronto Stock Exchange

