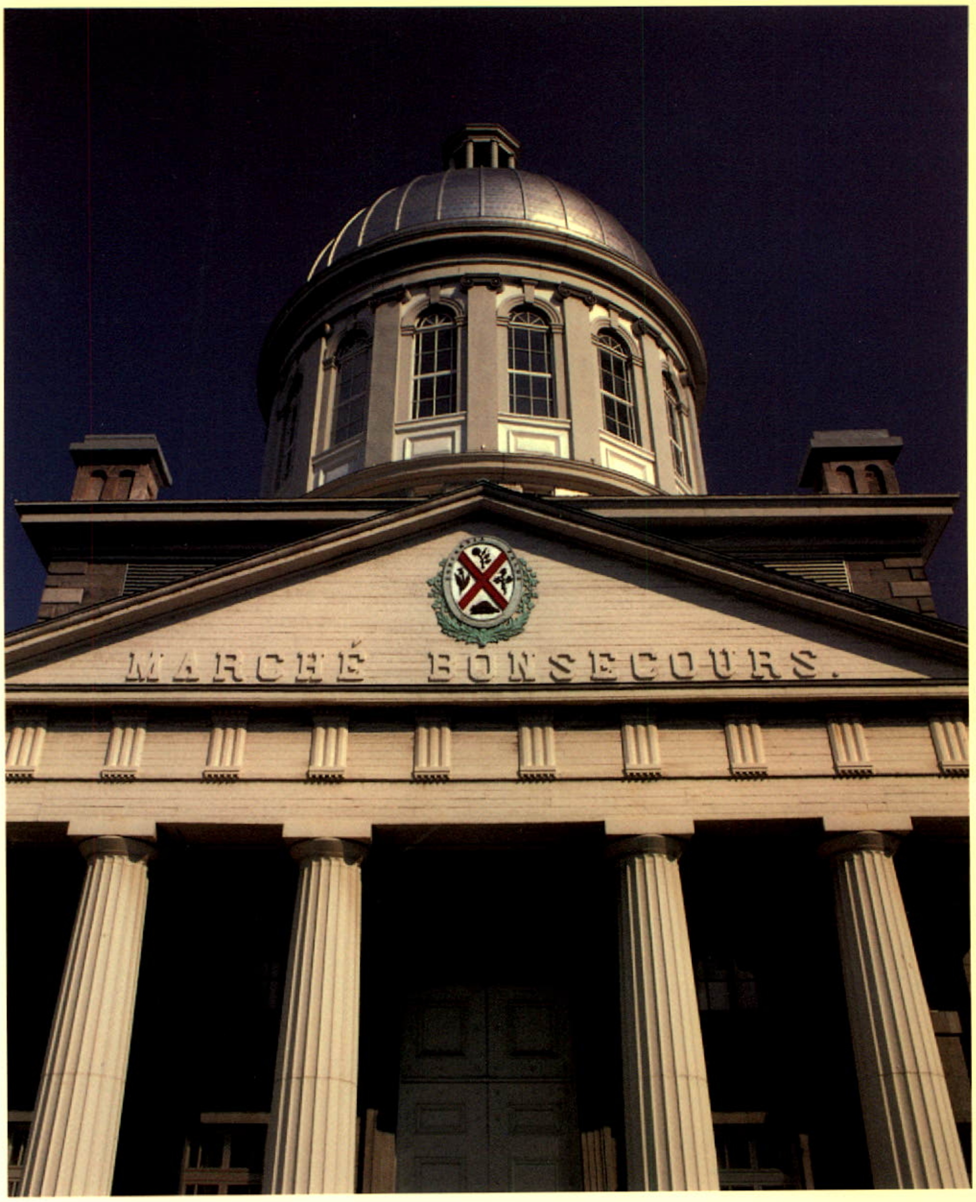
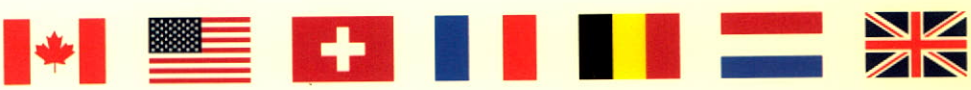
Annual Report 1991





Power Financial Corporation

Power Financial Corporation is an investment and management company. It holds substantial interests in the financial services field in Canada and the United States. Its European affiliates are invested in leading companies in financial services, industry, energy and communications.

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Front Cover

The Marché Bonsecours was built to house Montréal's market as well as its city hall. Montréal celebrates its 350th anniversary this year. Founded in 1642 as Ville-Marie, Montréal played a pivotal role in the building of Canada. Now a dynamic North American centre of three million people, it has in the last twenty-five years hosted an International Exhibition and the summer Olympic Games and continues to have special appeal for international businesses and organizations. Power Financial Corporation is headquartered in Montréal.

Power Financial Corporation
Financial Highlights

For the year ended December 31	Thousands 1991	1990
Share of earnings of subsidiaries and affiliates		
Great-West Lifeco Inc.	$ 100,373	$ 100,740
Investors Group Inc.	$ 37,736	$ 35,244
Pargesa Group[1]	$ 45,013	$ 46,914
Income from investments	$ 34,663	$ 58,163
Consolidated net earnings	$ 159,695	$ 184,653
Earnings per share	$ 1.77	$ 2.02

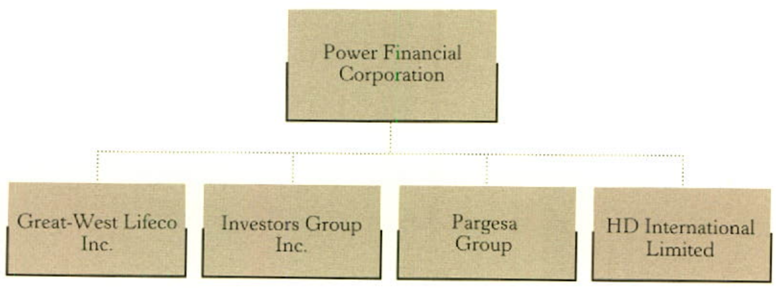
Cash and short-term investments	$ 139,942	$ 141,298
Investments in subsidiaries and affiliates	$ 1,720,775	$ 1,647,315
Shareholders' equity	$ 1,660,176	$ 1,585,927
Book value per share	$ 17.80	$ 16.89
Number of shares outstanding at December 31	84,341,213	84,252,563

[1]Includes the Corporation's share of non-operating income of affiliates of $22.3 million in 1991 and $36.2 million in 1990.

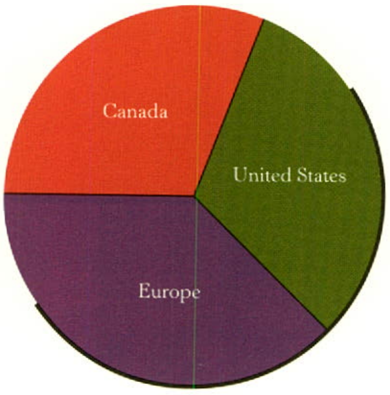
POWER FINANCIAL CORPORATION

Power Financial Corporation is an investment and management company. It holds substantial interests in the financial services field in Canada, the United States and Europe. Its European affiliates are also invested in leading companies in the energy, industrial, and communications sectors. The major shareholder of Power Financial Corporation is Power Corporation of Canada which holds 69.4 percent of its voting securities.

CORPORATE ORGANIZATION CHART



DISTRIBUTION OF INVESTMENTS



Great-West Lifeco Inc.

Great-West Lifeco was formed in 1986 to hold securities of The Great-West Life Assurance Company. As at year-end, Great-West Lifeco owned 99.4 percent of the outstanding common equity of The Great-West Life Assurance Company. Great-West Life operates through two national organizations, one in Canada and the other in the United States offering a wide range of insurance, retirement and investment products and services for individuals, businesses and organizations. Incorporated in Canada 100 years ago, Great-West Life has been active in the U.S. market since 1906. In Canada, Great-West Life is a major carrier of life and health insurance and retirement products in all markets. In the United States, the company's individual business is primarily in the business insurance and executive benefit planning markets, while its employee benefits operations provide a complete range of group products and services. Over 60 percent of Great-West Life assets are in the United States where Great-West Life is demonstrating steady and successful growth. Total assets of Great-West Life now exceed $20 billion and total income stands at $5.7 billion.

Investors Group Inc.

Investors Group Inc. is Canada's largest sponsor and distributor of mutual funds. It operates through the most extensive network of sales representatives in Canada. In addition to providing mutual funds, Investors also provides a range of financial products and services.

The Pargesa Group

The Pargesa Group comprises three affiliated European holding companies which hold significant positions in several major financial services, energy and industrial companies based in Europe. These three holding companies are: Pargesa Holding S.A. of Geneva, Groupe Bruxelles Lambert S.A. of Brussels, and Parfinance S.A. of Paris. Power Financial and the Frère Group of Belgium jointly control the Pargesa Group.

HD International Limited

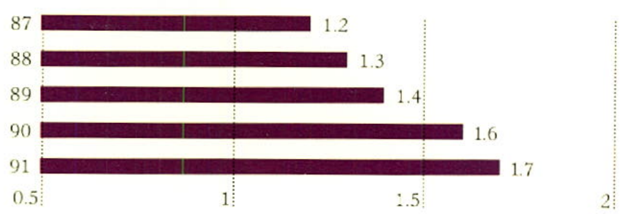
Based in London, England, HD International Limited is a global asset management company which specializes in international equity investments for institutional clients. Assets under management exceed $2 billion.

The quality of Power Financial's portfolio and its solid financial position ensured continuing stability in your Corporation's results despite the recession and unsettled market conditions that persisted in 1991. • Power Financial Corporation's share of earnings from its subsidaries and affiliates increased slightly during the year to $183.1 million from $182.9 million in 1990. This improvement was offset by a reduction in income from cash and short-term investments which aggregated $34.7 million in 1991 compared with $58.2 million in the previous year, as a result of a decline in interest rates, foreign exchange fluctuations and a lower balance of cash. Consequently, earnings from operations showed a marginal decline to $1.50 per share from $1.59 per share in 1990. Non-operating income consisting primarily of net gains on the sale of certain holdings in Europe was $22.3 million or $0.27 per share in 1991 compared with $36.2 million or $0.43 per share in 1990, resulting in net earnings for the year of $159.7 million or $1.77 per share as against $184.7 million or $2.02 per share in 1990.

NORTH AMERICA

Great-West Lifeco continued to achieve strong earnings in 1991 with net income of $116.2 million as against $116.7 million in 1990. These results reflect a continuation of improved group health insurance results, particularly in the United States, which was offset by unfavourable claims experience in the Canadian individual disability income line and by reduced margins on annuity lines. Independent ratings of AAA by Standard & Poor's Corporation, Aa 1 by Moody's Investors Service and A+ (superior) by A.M. Best Company place Great-West Life in the top one percent of North American insurance companies from a financial rating stand point. • Investors Group Inc. achieved record net income of $50.7 million as against $47.6 million in 1990. Market leadership, its exclusive sales force of financial planners and revised pricing policies introduced in late 1990 enabled Investors Group to increase market share and partake in the rapid growth of the Canadian mutual fund industry.

Power Financial Corporation Shareholders' Equity
(in billions of dollars)



Europe

Power Financial's share of earnings of its European affiliates was $45.0 million as against $46.9 million in 1990. While the European affiliates' operating income increased in 1991, the increase did not completely offset the decrease in non-operating income. • HD International continues to perform ahead of expectations. From a standing start in 1988, HD International has recently been listed by Barron's as the eighth best global equity manager based outside of the United States. In 1991, HDI's assets under management surpassed the $2 billion threshold and it contributed positively to the Corporation's earnings, despite the relatively early stage of its development.

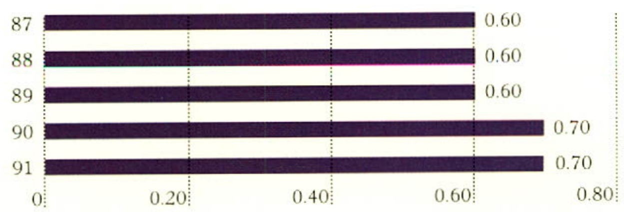
Group Developments

In December 1991, Pargesa Holding S.A. acquired an additional 7.5 percent interest in Groupe Bruxelles Lambert S.A. from a Power Financial affiliate. This transaction has brought together under one company – Pargesa Holding S.A. – the Power Financial group's 45.7 percent interest in GBL. In order to finance the purchase of these additional GBL shares, Pargesa raised SF 258 million through the issuance of share subscription rights. • Late in 1991, the decision was taken to terminate the operations of Power Financial Capital Corporation, a small Montreal-based merchant banking company established in 1988. While overall results were positive, the economic situation in Canada has been such that PFCC has not made a material contribution to Power Financial Corporation.

Dividends

Dividends were paid on the common shares at the rate of 17.5 cents per quarter during the year. Dividends paid to common shareholders have increased from 40 cents per share in 1985 to 70 cents per share in 1991, representing a 75 percent increase over the period.

Power Financial Corporation Annualized Dividend at Year-End
(in dollars per share)



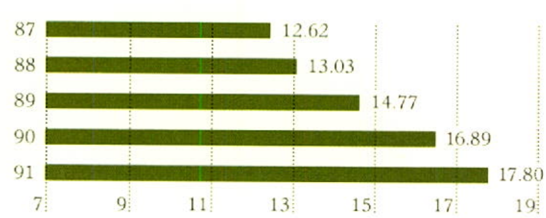
Board of Directors

The Members of the Board of Directors were saddened to learn of the death of their former fellow director and friend, Mr. William M. Fuller in January 1992. Mr. Fuller, Chairman and founder of Fuller Petroleum, Inc. of Fort Worth, Texas, had been a member of Power Financial's Board from 1988 to 1990. He had also been a director of Power Corporation of Canada from 1975 to 1987 and a member of Power Corporation's International Advisory Council since its inception in 1988. His contribution will be missed by the Directors.

Outlook

In North America, the end of the economic downturn will point to increased demand for Great-West Life's life and health insurance products in 1992. At the same time, professional benefit managers and individual and corporate consumers have become increasingly concerned about the financial stability of some insurers as a result of the poor real estate market, a trend which bodes well for Great-West Life with its strong credit ratings. Power Financial's management believes that industry consolidation will offer interesting opportunities to companies such as Great-West Life. • Revised laws governing banks, trust companies and insurance companies will come into effect in Canada in 1992, granting additional powers to financial institutions and permitting them to acquire financial subsidiaries in fields that until now have been closed to them. As a result, insurance companies will be permitted to enter new areas of business. At the same time deposit-taking institutions will be permitted to acquire insurance companies. The government has indicated that regulations will constrain the involvement of deposit-takers in the marketing of life and health insurance products and will control the transfer of customer information between deposit-taking institutions and their insurance subsidiaries. The promulgation of such regulations is very important to the Canadian financial system and to consumers of financial services. • Mutual fund sales have reached record levels in Canada for the first two months of 1992. Sales growth will

Power Financial Corporation
Book Value per Share
(in dollars)



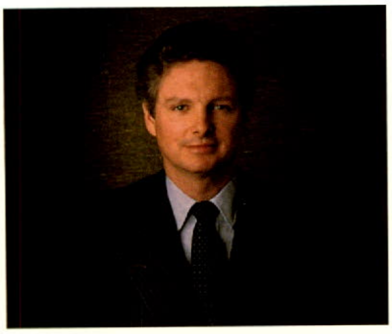
continue to be fueled by the increased contribution limits for Registered Retirement Saving Plans (RRSPs) and the changing demographics of an aging North American population. To respond to the growing demand, Investors Group added more than 200 financial planners to its sales force in 1991. Its country-wide network of 2,000 financial planners, along with an emphasis on middle income individuals, are expected to permit Investors to maintain its share of this growing market in upcoming years. • As the European community moves toward economic integration in 1992, Power Financial is well positioned to benefit from its substantial investments made overseas in the last ten years. Along with its partner, the Frère Group of Belgium, Power Financial has significant interests in some of Europe's leading financial and industrial companies. • Investment proposals in both Europe and North America are being reviewed. With the strength of the balance sheets of its constituent companies, the Power Financial group is well positioned to take advantage of investment opportunities. • In closing, your Directors wish to thank the officers and employees of the Power Financial group of companies for their contribution in making us the solid business organization that we are today.

On behalf of the Board,

Paul Desmarais, Jr.
Chairman

Robert Gratton
President and Chief Executive Officer

April 7, 1992



Great-West Lifeco holds 99.4 percent of the outstanding common shares of The Great-West Life Assurance Company, one of North America's largest and most financially secure life and health insurance companies. The year 1991 marked the 100th anniversary of Great-West Life's operations in Canada and the 85th year of conducting business in the United States. • Great-West Life's three major product lines are life insurance, health insurance and annuities, marketed to individuals and groups. At the end of the year, life insurance in force amounted to $168.0 billion; health insurance in force, $3.3 billion and annuities in force, $15.2 billion. Over the past five years, these three businesses have grown at compound annual growth rates of seven percent, twenty-four percent and nine percent respectively. During the same period, total assets have grown at an annual compound growth rate of ten percent and reached $20.3 billion at the 1991 year-end.

Major Developments

In 1991, despite recessionary pressures which adversely affected sales of all major product lines, Great-West Lifeco's net earnings remained strong at $116.2 million as against $116.7 million in the previous year. • The establishment of separate U.S. and Canadian operations in Great-West Life is expected to be completed in 1992, enabling the company to respond more effectively to the unique market requirements of the two countries. • The North American life and health insurance industry is undergoing major structural change. Deregulation of the financial services sector, combined with increasing insolvencies, is accelerating the consolidation of the industry. • Great-West Life is in a uniquely strong financial position. Independent credit ratings place Great-West Life in the top one percent of North American life insurance companies, at a time when consumers and professional benefits managers alike have become increasingly concerned about the number of insolvencies in the industry. As a well-capitalized dominant player in the life and health insurance industry, Great-West Life stands to benefit from fundamental change taking place in the industry.

Orest T. Dackow is President of The Great-West Life Assurance Company.

Great-West Life is a major North American life and health insurance company, with total assets in excess of $20 billion.

Great-West Life – Canada is organized along three lines of business: Retirement and Investment Services Division which provides investment services to both individuals and groups, Individual Insurance Operations, and Group Insurance Operations.

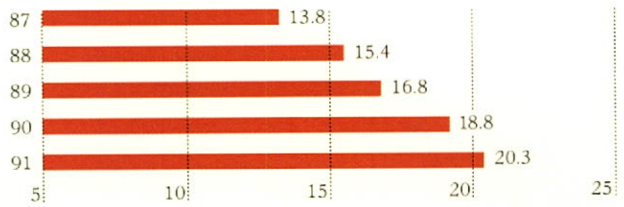
1991 DEVELOPMENTS

In 1991, Great-West Life – Canada showed mixed results. Business growth was slowed in all major lines of business as consumers and businesses alike responded to the effects of the recession. On the other hand, Canadian investment operations performed well. Total invested assets grew to $7.3 billion at the end of 1991 from $6.7 billion at the end of 1990. • Expense ratios improved during the year, as a result of an ongoing intensive focus on productivity and unit costs across all divisions. Increased competition, higher taxes and greater consumer expectations continue to underscore the need for lower costs in order to maintain a competitive position. In particular, Group insurance expense ratios, which are significantly lower than the majority of its competitors, have been a significant factor in maintaining the company's dominant position in this sector with more than 12 percent of the market. • Efforts to maintain Great-West Life's high-quality of service also paid off in 1991, with acceptable levels of persistency despite recessionary pressures. In the group insurance sector, the large case market continues to experience particularly high persistency levels, demonstrating Great-West Life's ability to outperform competitors in critical areas of service.

FUTURE INITIATIVES

Initiatives to improve service while reducing costs remain a high priority in 1992. In addition, Great-West Life continues to develop products and services that meet its customers' need for quality at a reasonable cost, and will also evaluate the potential for growth of existing products, and assess the feasibility of contracting external companies to supply its sales force with a total range of products. • In the *Retirement and Investment Services Division*, a new, PC based, client service system for Group clients will be introduced which will eliminate paper handling, reduce errors and speed up crediting of contributions

Great-West Lifeco Inc.
Total Assets
(in billions of dollars)



to pension plans and RRSP accounts. Another initiative is an increased emphasis on this division's segregated investment funds for individual RRSP clients. For many years, Great-West Life has been one of the most successful insurance companies in Canada in the provision of segregated specialized investment funds to corporate pension plans. As a result of these factors, the company is well positioned to take advantage of the very significant growth expected in mutual and investment funds during the 1990's. • For the *Individual Insurance Division*, the electronic application being introduced for deferred annuities in 1992 will be extended to universal life. Introduced ten years ago, universal life now accounts for approximately 40 percent of the annual premiums on new individual life insurance policies sold by Great-West Life in Canada. • In 1992, the *Group Insurance Division* will introduce a new client service, The Secure Account, which will eliminate the need for the beneficiary to make an immediate financial decision with respect to insurance proceeds. In addition, the initial phase of a new health and dental claims adjudication system, designed to improve customer service and overall productivity, will be implemented in 1992. Consistent with Great-West Life's long-term commitment to the highest quality service, a management position was created and tasked with responsibility for maintaining and improving client service.

Outlook

Great-West Life expects that its results in 1992 will reflect the beginning of a weak economic recovery. While the incidence of problem accounts could rise during the year as a result of the state of the economy, Great-West Life believes that the high quality of its portfolios coupled with continued strong underwriting standards will result in investment portfolios that outperform industry medians. • Over the longer term, recent amendments to the Canadian and British Insurance Companies Act will have a profound impact on the Canadian life insurance industry. These provisions will broaden the range of business powers available to companies governed by the Act.

John D. Green is President and Chief Executive Officer, Great-West Life – Canada.

Canada's largest shareholder-owned life and health insurer, Great-West Life celebrated its 100th anniversary in 1991.

Winnipeg, Manitoba is the home of
Great-West Life - Canada.

Great-West Life – United States accounts for more than 60 percent of Great-West Life's total premium income and with the strong growth of these operations the proportion represented by the U.S. unit will continue to grow. • Great-West Life – United States is currently in the final stages of its long-range plan to achieve operational autonomy. During the past year, several lines of business were transferred from the United States branch to Great-West Life's wholly-owned U.S. subsidiary, Great-West Life and Annuity Insurance Company. In addition, all remaining corporate functions, including Corporate Resources, Legal and Corporate Finance, were decentralized and autonomous operations were established in Denver. Following the transfer of all remaining business to the United States subsidiary which is planned for 1992, Great-West Life and Annuity will become Great-West Life's primary operating entity in the United States. • Great-West Life – United States has been reorganized during recent years to provide a more integrated marketing approach for its customers in keeping with the distinct nature of the U.S. market. The Employee Benefits Division provides a complete range of products and services for corporations, and public and non-profit organizations, the Financial Planning Division caters to individuals, marketing services primarily in the business insurance and executive benefit planning sectors. • Great-West Life determined as a matter of policy to reduce its exposure to commercial and industrial mortgages several years ago. In light of well-documented problems in U.S. debt markets, management has made a concerted effort to carefully manage its debt portfolio and actively address all troubled loans on a timely basis. Great-West Life's further response to these problems was to make no new mortgage loans in the U.S. market during 1991.

1991 DEVELOPMENTS

Great-West Life's emphasis on realistic product pricing, aggressive expense management, high-quality investments and the elimination of unprofitable business lines, allowed the U.S. operations to achieve its profitability goals in 1991 despite recessionary conditions. • For the *Employee Benefits Division*,

William T. McCallum is President and Chief Executive Officer, Great-West Life – United States.

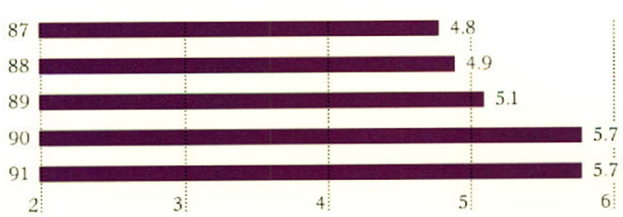
Great-West Life has been active in the U.S. for over 85 years. Independent ratings place Great-West Life among the top North American insurance companies.

earnings were up significantly, reflecting a positive response to the newly introduced integrated approach to marketing insurance and pension products. Client retention, a critical variable to success in this business, improved in all of its market segments in 1991. According to internal objective measures and ongoing client satisfaction surveys, the U.S. operations improved on already excellent client service levels during the year. A compensation program throughout the organization encourages and rewards high levels of service and client retention. • In the new *Financial Services Division*, insurance sales declined by 26 percent and annuity sales were down 33 percent, as a result of fierce pricing competition, a sluggish economy and heightened public concern regarding the financial security of the country's insurance companies. With its more integrated approach, substantial savings have been realized and comprehensive strategic plans developed for each market. In particular, tax-deferred savings products, marketed to government, hospital and education employees, represent an important strategic market for this division. Firmly established as one of the top five competitors in the United States, the Financial Services Division has developed a comprehensive five-year strategic plan to stimulate further growth and earnings in this sector. A second component of the savings market is Guaranteed Investment Certificates, which accounted for $166 million in premium compared to $288 million in 1990. This reduction reflects company policy to write GIC business only when acceptable margins are available.

Future Initiatives

With the reorganization of the U.S. operations, Great-West Life – United States is poised to take a more aggressive approach toward increasing sales and market share in the coming years. New products are being developed and the company continues to assess the profit potential of existing life and health products. Alternative distribution channels, primarily financial institutions, are being investigated, and new insurance and annuity products are being designed specifically for this market. • In 1992, the *Financial Services Division* will aggressively pursue new sales in the tax-deferred savings markets. The

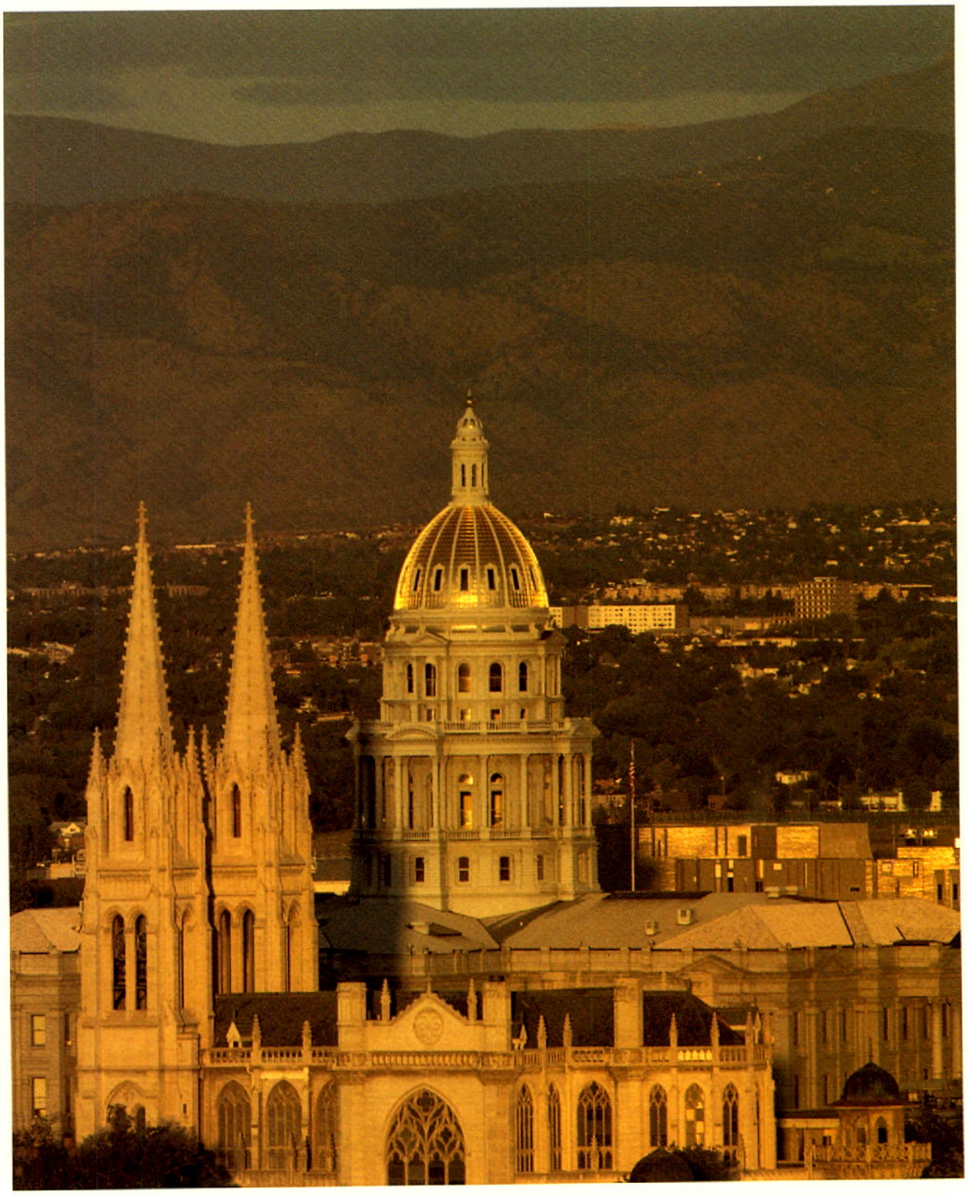
Great-West Lifeco Inc.
Total Income
(in billions of dollars)



introduction of new investment options and the Innovative Strategic Investment System will strongly enhance the company's ability to attract new business. The ISIS system provides a variety of strategic elements to customers such as access to outside mutual funds, a sophisticated voice response system and electronic links which enables clients to access critical information and process contributions directly through their payroll systems. • A major initiative of the *Employee Benefits Division* is to expand its market share. In late December, Great-West Life reached an agreement with Lincoln National Life giving Great-West Life the opportunity, on a preferred basis, to acquire a significant amount of group life and health business during the next year. This agreement is evidence of Great-West Life's ability to benefit from the consolidation taking place in the industry and will solidify its position as the tenth largest commercial benefits carrier in the United States.

Outlook

In the United States, healthcare reform will be widely debated as an election issue in 1992. It is expected that a consensus will develop in the short term. Great-West Life – United States is confident that the eventual outcome of this debate will support a continued combined public and private system in which Great-West Life will continue to play a leading role. • The U.S. operations of Great-West Life are well positioned to participate strongly in both the industry restructuring that is currently underway, and any economic upturn, as it emerges. Although considerable economic uncertainty exists, Great-West Life is cautiously optimistic about the outlook for earnings as a result of expense control measures and prospects for increased sales.

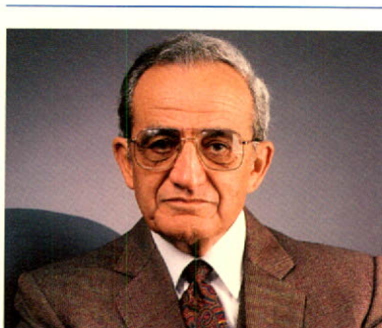


DENVER, COLORADO IS THE HOME
OF GREAT-WEST LIFE – UNITED STATES.

Investors Group Inc. is Canada's largest sponsor and distributor of mutual funds. Investors Group funds represented 18 percent of the total net assets of the member funds of the Investment Funds Institute of Canada at year-end 1991. Investors has been offering mutual funds for over 40 years and today provides a choice of 22 mutual funds and 3 pooled investment funds. • A significant factor in the success of Investors Group is its large trained sales force whose mission is to help average Canadians manage for capital growth over the long term. To maintain the strength of its sales force, Investors emphasizes the recruitment and continuous training of its financial planners, who are supported by the latest in computer technology and a broad range of carefully designed products and services. • At 1991 year-end, Investors had 3,075 employees and sales representatives in its head office and in 75 financial planning centres across Canada, serving close to one million individual and corporate client accounts.

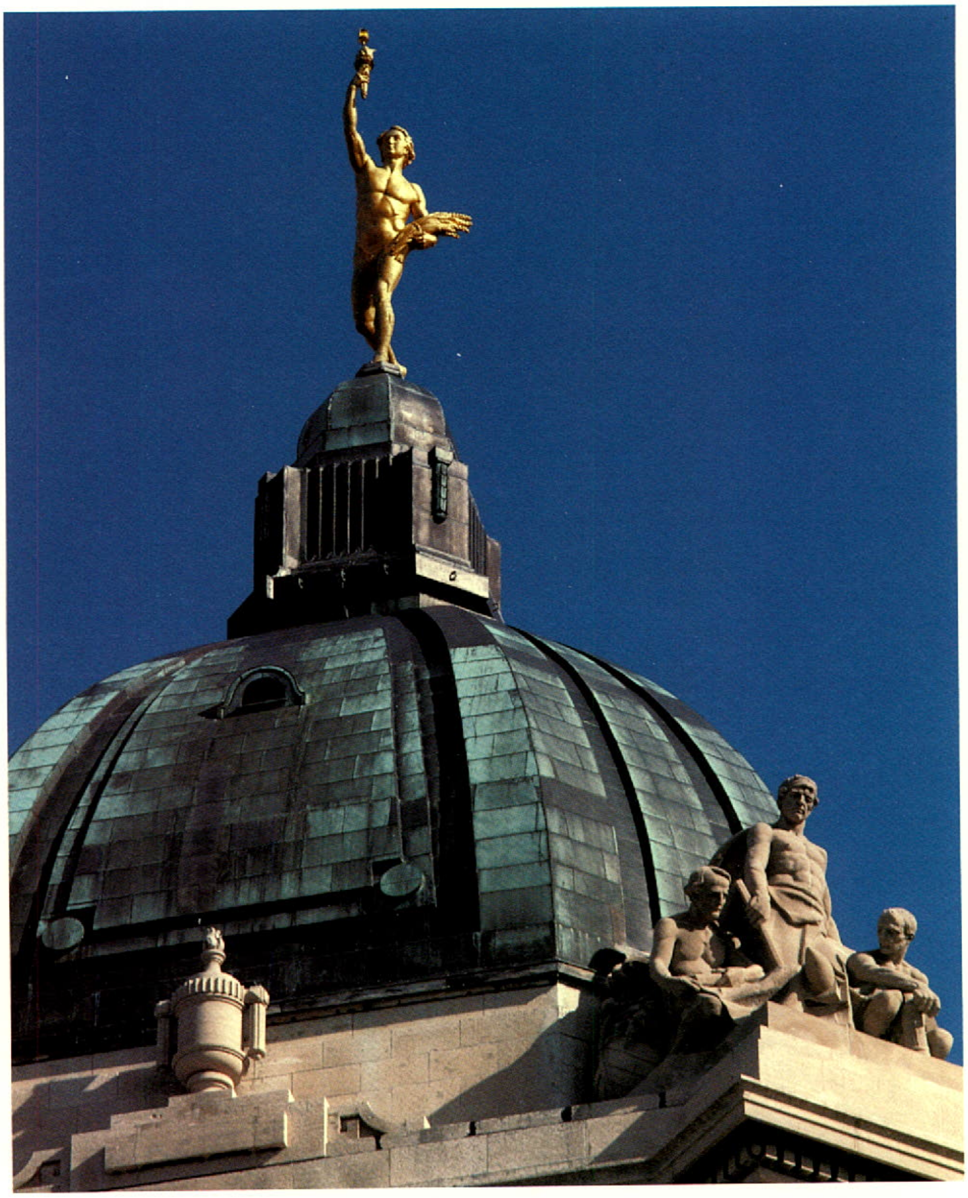
DEVELOPMENTS

In 1991, Investors Group's sales, assets and income levels surpassed any previous year in its history. Its revised pricing policy for mutual funds, introduced in late 1990, has been well received by the marketplace. Investors Group's sales of mutual funds increased by 47 percent in 1991 and represented 82 percent of its $2.8 billion in sales of financial products and services. • The 1991 redemption rate for Investors Group funds was 12 percent on an annualized basis compared with an industry average rate of 52 percent for the members of the Investment Funds Institute of Canada. The combination of the low redemption rate, strong mutual fund sales and the equity and bond market appreciation, resulted in a 23 percent increase in total assets under administration, which stood at $14.6 billion at year-end. • A corporate restructuring has been completed to create a sales and client service structure capable of providing improved support and service to the company's clients and sales representatives throughout its regional office network. As part of the restructuring, distribution and investment contract functions were separated. This will help simplify compliance with the differing regulations to which each line of business is



Arthur V. Mauro is Chairman and Chief Executive Officer of Investors Group Inc.

Investors Group serves individuals and corporations through Canada's largest network of trained professional sales representatives.



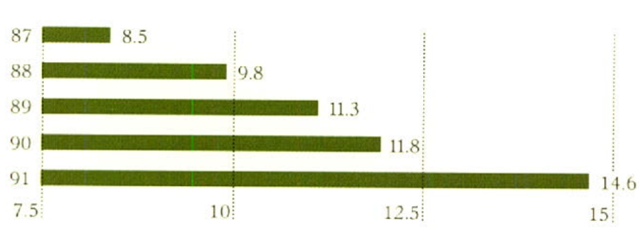
INVESTORS GROUP HEADQUARTERS
ARE IN WINNIPEG.

subject. • Investors Group's sales force was further expanded during the year with the addition of more than 200 new financial planners. In anticipation of continuing strong demand, the company plans an expansion of its current exclusive sales force of 1,941 financial planners to 2,500 by the year 1995. • Investors Group's quarterly dividend was increased by 10 percent from 20 cents to 22 cents per common share, for shareholders of record as of December 27, 1991. In addition, a two-for-one subdivision of Investors Group's shares received shareholder approval on December 16, 1991, and the shares commenced trading on a subdivided basis on January 9, 1992 on the Toronto Stock Exchange and the Montreal Exchange. Following this stock split, the foregoing dividend represents 11 cents per share.

Outlook

Increased sales for the mutual fund industry are expected to continue. The factors that are fueling this growth include ease of investment, increases in the contribution limits for registered retirement savings plans, increased concern over the adequacy of government-sponsored retirement plans, expanded knowledge of investment products by the general public, and changing demographics of an aging North American population. • This positive outlook is tempered by increasing competition, both foreign and domestic. Investors Group intends to maintain its position in the marketplace by building upon its network of professional planners and by providing a broad range of products and services designed to fit the needs of both individual and group clients.

Investors Group Inc.
Total Assets under Administration
(in billions of dollars)



The Pargesa group is a long-term investor in a select number of large European companies with substantial growth potential. The group is made up of three holding companies: Pargesa Holding S.A. (Geneva, Switzerland), Groupe Bruxelles Lambert S.A. (Brussels, Belgium), and Parfinance S.A. (Paris, France). • The group holds a diversified investment portfolio concentrated in corporations located in Belgium, France, Switzerland and Luxemburg. • Power Financial Corporation and the Frère group of Belgium together hold a 63.3 percent voting interest in the Pargesa group through Parjointco N.V., which is the majority shareholder in Pargesa.

PARGESA HOLDING S.A.

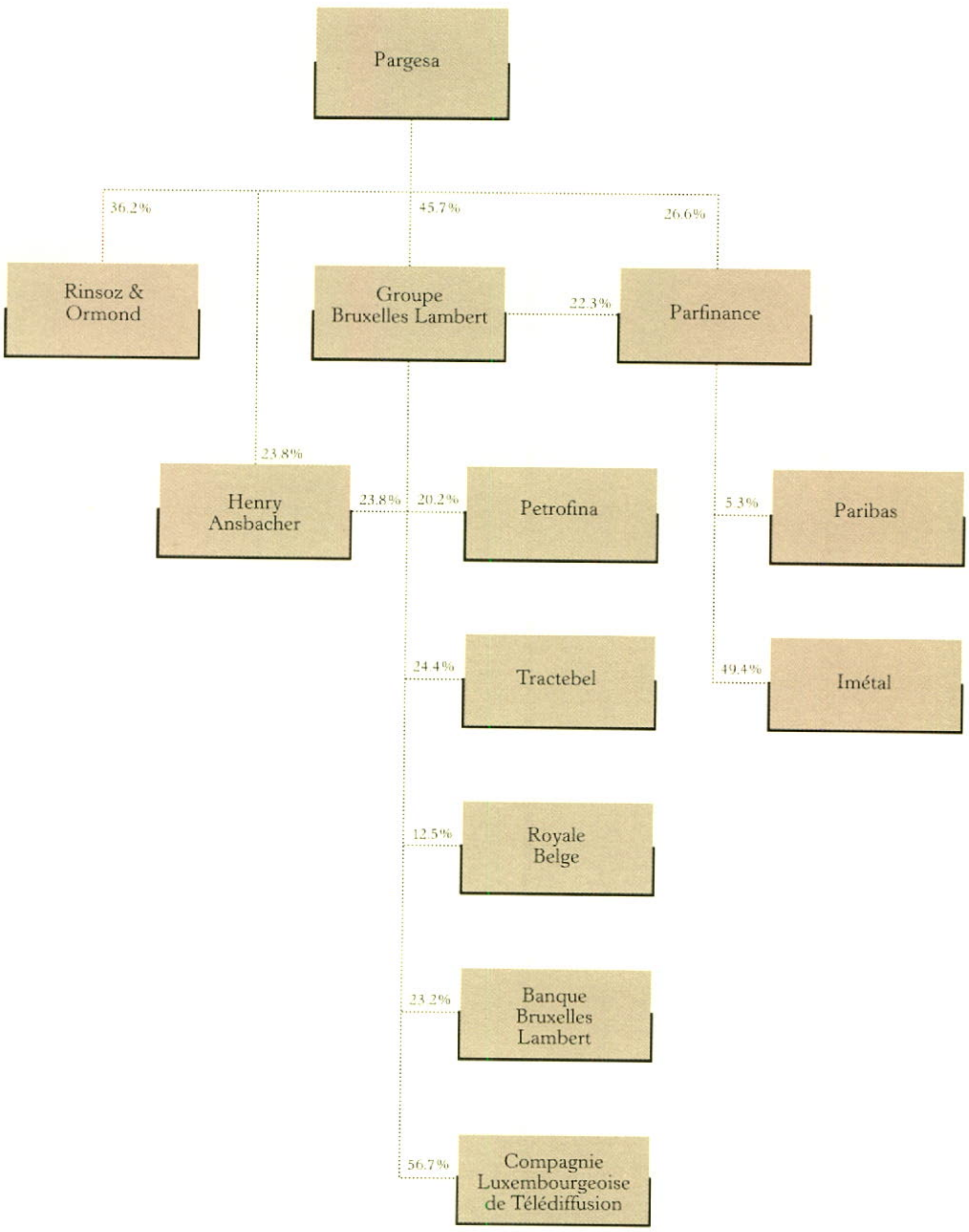
Based in Geneva, Pargesa Holding S.A. is the managing company for the Pargesa group. It is currently developing an investment portfolio in Switzerland through its directly held subsidiary Rinsoz & Ormond. At December 31, 1991 it held interests in Parfinance and Groupe Bruxelles Lambert of 26.6 percent and 45.7 percent respectively. Pargesa held a 36.2 percent interest in Rinsoz & Ormond and a 23.8 percent interest in Henry Ansbacher Holdings PLC. • Rinsoz & Ormond Holding S.A. is a diversified industrial group with important interests in the tobacco industry, in the production and distribution of food products, and in real estate. It held substantial cash and liquid investments at the year-end. Henry Ansbacher Holdings provides merger and acquisition services, corporate credit and financial advisory services. • As discussed in the Pargesa Group Investment Activities section beginning on page 38 of this report, the disposition of certain investments in 1990 and 1991, combined with a share issue, have resulted in a significant increase in the group's cash holdings.

Aimery Langlois-Meurinne is Managing Director of Pargesa Holding S.A. and Vice-Chairman and Managing Director of Parfinance S.A.

The Pargesa group holds interests in important European financial, energy, industrial and communications companies.

Pargesa Holding holds approximately $255 million in cash and short-term investments as at December 31, 1991. The levels of cash and net indebtedness of Parfinance and Groupe Bruxelles Lambert also provide them with considerable financial flexibility.

ORGANIZATION CHART



Includes controlling interests in holdings as at December 31, 1991.

Headquarters of Pargesa Holding S.A.
are in Geneva, Switzerland.

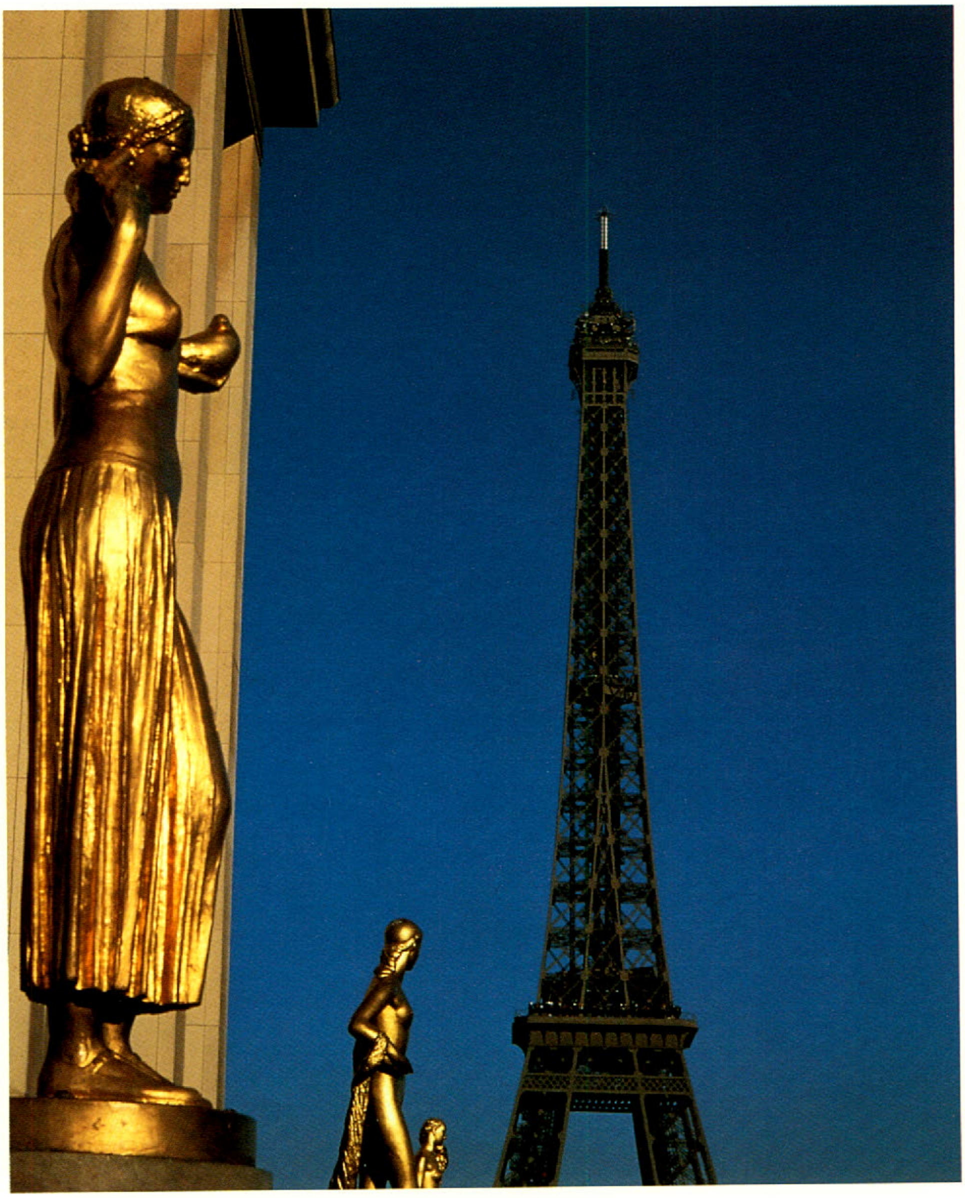
Parfinance was founded in Paris at the end of 1985, and began operations a year later. Parfinance's portfolio is largely composed of investments in two leading French companies, Compagnie Financière de Paribas and the Imétal Group, and cash and liquid assets. As discussed later in this report, Parfinance continued to augment its investments in the industrial sector during 1991, investing primarily in companies in which it can have strategic involvement.

COMPAGNIE FINANCIÈRE DE PARIBAS

Compagnie Financière de Paribas, the parent company of the Groupe Paribas, was founded in 1872 and is one of the world's leading financial institutions. It comprises three affiliated companies which offer financial and banking services: Banque Paribas, Compagnie Bancaire, and Crédit du Nord. • *Banque Paribas* numbers approximately 60 branches in France as well as 20 branches and 30 offices around the world. In France, the bank's commercial banking activities include asset financing, leasing, acquisition financing and financial consulting. Banque Paribas is active in French securities markets and is one of the major banks in the world market for ECU-denominated Eurobonds and swaps. • Founded in France in 1959, *Compagnie Bancaire* operates in France where it ranks among the leaders in the field of specialized financial services. Compagnie Bancaire's affiliates specialize in equipment financing (UFB – Locabail), consumer credit (Cetelem, Cofica), residential and commercial real estate (UCB and Locabail Immobilier), realty promotion (Sinvim) and savings vehicles (Cardit et Cortal). • *Crédit du Nord* was founded in 1848 and is among the oldest French private network banks. It now operates a number of important banking, financial and service companies. Crédit du Nord also operates on the world market in partnership with large European banks.

IMÉTAL GROUP

Imétal is a major industrial group which specializes in industrial minerals, construction materials and metal processing. It is a leading producer of industrial minerals for refractory products and, through its investment in French and Italian companies, has an important position in the growing European market for floor tiles in commercial and residential construction. Imétal recently completed an expansion phase carried out over the last two years. The principal acquisitions during this period were two U.S. industrial mineral companies: C-E Minerals and Dry Branch Kaolin, and a 25 percent stake in Stratmin Graphite, a Canadian producer.



PARIS, FRANCE IS THE
HOME OF PARFINANCE S.A.

The majority of the activities of Groupe Bruxelles Lambert are concentrated in Belgium, although the group also holds international investments. Groupe Bruxelles Lambert's portfolio essentially consists of investments in the following companies: Electrafina – which holds interests in Petrofina and Tractebel; Groupe Royale Belge; Parfinance – a shareholder in Compagnie Financière de Paribas and the Imétal Group; Banque Bruxelles Lambert; and Audiofina – a shareholder in Compagnie Luxembourgeoise de Télédiffusion.

PETROFINA

Petrofina is the largest Belgian industrial concern in terms of annual revenues and is the parent company of an international integrated oil and petrochemical group. The company is present in a total of 16 countries in Europe, the United States, Africa, the Middle East and the Far East. • Petrofina's proven reserves at the end of 1991 stood at 855 million barrels of oil equivalent compared to 849 million in 1990. Exploration resulted in several important discoveries in 1991, in Alaska, the North Sea and Italy. Its current North Sea development plans will allow the company to increase production in 1993. • The group's refineries processed 28.0 million tonnes of oil in 1991 compared to 27.6 million tonnes in 1990. • A major three-year investment plan launched in early 1992 will allow the company to adjust production to match the reduced demand for high-sulfur fuel and to increase its production of light fuel products. As a result of this plan, its Antwerp refinery will be a leader in Europe in efficiency, quality and environmental safety. • Sales of oil products increased by 1.4 percent in the recessionary U.S. market and in the stagnating European market. Sales of unleaded gasoline were up 18 percent in 1991 and now account for 60 percent of the group's total gasoline sales. • In 1991, major investments were also made in the petrochemical sector. Among others, these allowed for the successful introduction of two new products in Belgium, the introduction of high-tech equipment which further consolidates the industrial integration of the Antwerp refinery, and the implementation of a new high-density polyethylene unit. Further investments are expected in 1992.

HEADQUARTERS OF GROUPE BRUXELLES LAMBERT
ARE IN BRUSSELS, BELGIUM.

Tractebel

Tractebel specializes in holding public utilities such as electricity, gas and water networks. In addition, the company has interests in cable television, heating and air conditioning services, the management of commercial buildings, and waste management. It is also active in the physical and engineering facilities that support these various services. Tractebel operates in Belgium, continental Europe and abroad. Its workforce numbers 31,000 employees. • Tractebel is the main shareholder in Electrabel, Belgium's leading power company. Electrabel produces 94 percent of the country's electricity, 60 percent of which is nuclear generated. Major investments have recently been made in new steam/gas mixed generation units. • Electrabel also has major distribution activities. It controls 87 percent of the distribution of electricity in Belgium, 92 percent of the distribution of gas, and over 50 percent of the cable television networks. • Tractebel intends to develop its activities in the electricity and gas industry in Europe, North America and Southeast Asia. It will pursue a strategy of investment in other companies or investment in industrial production, transportation or distribution projects in which its expertise may be effectively utilized. • Tractebel's communications activities consist mostly of cable television and cellular telephone networks as well as the distribution of audiovisual products and value-added data processing services. • Tractebel holds over 66 percent of Coditel which, along with Electrabel, is the leading private European cable television operator and which ranks among the world's ten largest companies in this field. • Tractebel Ingénierie is responsible for the Group's industrial engineering activities in the areas of energy, highway construction, hydroelectric installations, real estate development, regional and urban development, and computer systems.

Compagnie Luxembourgeoise de Télédiffusion

Audiofina holds GBL's interests in the audiovisual industry. As at December 31, 1991, it held a 56.7 percent interest in Compagnie Luxembourgeoise de Télédiffusion. CLT is the largest international communications group in Europe in the areas of radio and television broadcasting, production and distribution. It is involved as well in the publishing industry. • CLT Multimedia owns five television networks in Germany, Belgium and The Netherlands, and also holds interests in ten radio stations. In the production and distribution field, CLT expanded its presence in the international television production market and made significant advances in the publishing industry in 1991.

Luxemburg is the home of
Compagnie Luxembourgeoise de Télédiffusion.

Royale Belge

Royale Belge was founded in 1853 and is now a leading insurance group in Belgium. The group is focused on the markets of Benelux and Northern Europe. Its activities have been reorganized within two major divisions designed to serve the private and corporate insurance markets. The group holds positions in principal Belgian insurance companies such as Urbaine UAP, Assurance Liégeoise, Lloyd Belge, Uranus, RB Réassurance, as well as in other financial institutions such as Banque IPPA, La Foncière Liégeoise and IPPA Luxembourg.

Banque Bruxelles Lambert

Banque Bruxelles Lambert is a leading Belgian commercial bank. With a network of 1,000 branches in Belgium, Banque Bruxelles Lambert is a dynamic institution. Banque Bruxelles Lambert is present in over 30 countries where it serves a diversified clientele and benefits from the sound reputation of Belgian banks. The bank is actively developing its deposit and customer base while consolidating its international network and actively moving into new financial services.

Pargesa Group Investment Activities

The evolution of the Pargesa group's investment portfolio in 1991 is a result of a strategy established in 1990. This strategy sought to deal with the expected impact of the European recession by focusing the group's efforts on specific industrial sectors which would yield positive returns. • In 1991, *Pargesa Holding S.A.* continued its policy of consolidating its principal permanent investments in Groupe Bruxelles Lambert, Parfinance and Rinsoz & Ormond. In addition, the group sold its 50 percent interest in Banque Internationale à Luxembourg to Crédit Communal de Belgique. Crédit Communal exercised its option to purchase the other half of the group's interest in January of 1992. • Pargesa held a 38.2 percent interest in Groupe Bruxelles Lambert at the beginning of 1991. In December 1991, it acquired a block of shares from its affiliate Canbel Holdings S.A. representing 7.5 percent of GBL's capital. This transaction increased Pargesa's interest in GBL to 45.7 percent. • In January 1991 Parfinance increased its capital by \$356 million (FF 1.6 billion).

Four French institutional investors subscribed to the majority of the new issue. These partners were UAP, AXA, Elf Aquitaine and AGF. Following the share issue, Pargesa and GBL retain effective control of Parfinance. In addition, Pargesa increased its investment in Rinsoz & Ormond from 15 percent to 36.2 percent during 1991. Early in 1992, its holding was further increased to 55 percent. • *Parfinance* pursued a parallel investment strategy, having disposed of 57 percent of Banque de Gestion Privée – SIB to the Crédit Agricole Mutuel de Paris et de l'Île de France. As a result of this transaction, Parfinance maintained a 20 percent holding at year-end 1991. • Parfinance's position in Paribas decreased from 6.9 percent in 1990 to 5.3 percent in 1991 due to the success of Paribas' share exchanges with Ciments Français, and Poliet and Lambert. • Parfinance increased its equity interest in the Imétal Group from 45.0 percent to 49.4 percent, and its voting interest from 48.6 percent to 51.1 percent. In addition, Parfinance has been granted authorization by the Minister of Finance of France to proceed to a maximum voting and equity interest of 66.66 percent of Imétal. In early 1992, Parfinance acquired additional voting rights in Imétal and now holds 58.5 percent of the newly increased voting rights. • There were two new investments in Parfinance's industrial portfolio in 1991, namely Compagnie Générale des Eaux (one percent interest) and Strafor Facom (six percent interest). • In 1991, *Groupe Bruxelles Lambert* pursued the investment strategy which was adopted in 1990. This strategy is essentially based on investment criteria which give priority to strong industrial sectors located in Belgium, Luxemburg, France and neighbouring countries, whereby it can have an influence in the strategic direction of its holdings. In 1991 and early 1992, GBL sold several of its holdings in the financial services sector and realized significant capital gains which contributed to its improved cash position. GBL is in an excellent position to invest in future strategic holdings in line with its development criteria. • During the year and in early 1992, GBL sold its 26.95 percent interest in Thilly Van Eessel, an insurance brokerage firm, as well as all of its shares, bonds and warrants issued by Banque Internationale à Luxembourg. It also sold its 24.9 percent position in Royale-Vendôme (which holds 50 percent of Royale Belge) to UAP. This transaction does not modify the terms of the joint company agreements between GBL and UAP. • In addition, GBL subscribed to a share issue by Electrafina, the principal shareholder of Petrofina, during the year.

HD International's assets under management continue to grow, passing the $2 billion threshold for the first time in 1991. • The company, founded by James Heyworth-Dunne in 1987, specializes in international equity investment management. HD International uses its knowledge of world stock markets to invest its clients' funds in markets which are expected to provide the highest returns. At the same time, careful attention is paid to controlling risk. HD International's clients include major institutions based in North America, Europe, Japan and Australia. • A particularly important part of HD International's business is investment in Europe, a field in which the company has a strong reputation. While the Japanese stock market has performed poorly during the last two years, the changing structure of Europe has created many profitable investment opportunities. • HD International has consistently emphasized the need to develop its products to meet the needs of the most sophisticated clients by implementing the latest in technologies. The company's most innovative new product is its Country Allocation and Sector Choice product. CASC enables HD International's macroeconomic insights to be translated directly into country and sector exposures within a portfolio. In addition, trading techniques have been developed to keep transaction costs at a minimum. The prospects for this product are favourable and HD International is already managing CASC portfolios for clients based in North America and the Pacific Rim. • HD International continues to operate in one of the fastest growing areas of the investment management industry. Although competition is intense, the company has demonstrated in its first four years of operation that it has the resources and specialized expertise to extend its growth profitably.

James Heyworth-Dunne is Managing Director of HD International Limited.

HD International specializes in international equity investment management for institutional clients.

HEADQUARTERS OF HD INTERNATIONAL LIMITED
ARE IN LONDON, ENGLAND.

Contents

Operating Result Highlights

Power Financial Corporation's net earnings were $159.7 million in 1991, compared to $184.7 million in 1990. Earnings per common share were $1.77 in 1991, compared with $2.02 in 1990. The decrease in net earnings is primarily due to a $23.5 million decrease in income from investments.

Revenue and Results of Operations

The details of the share of earnings of subsidiaries and affiliates are as follows:

	Share of Earnings		
	1991	1990	Change
	Millions		
Subsidiaries:			
Great-West Lifeco Inc.	$ 100.4	$ 100.8	$ (0.4)
Investors Group Inc.	37.7	35.2	2.5
Affiliate:			
Pargesa group	45.0*	46.9*	(1.9)
	$ 183.1	$ 182.9	$ 0.2

* Includes the share of non-operating income of affiliates of $22.3 million (1990 – $36.2 million).

Reference is made to Note 3 of the consolidated financial statements for specific information concerning the Corporation's investments in its subsidiaries and affiliates carried at equity. A discussion of factors affecting the non-consolidated subsidiaries and affiliates has been included in the Great-West Life, Investors Group and Pargesa sections of this analysis.

Income from other investments including short-term investments decreased in 1991 to $34.7 million from $58.2 million in 1990. The decrease in income from investments is due to a lower average investment portfolio balance in 1991 as compared to 1990, to lower yields obtained on the portfolio in 1991, and to foreign exchange fluctuations. Interest expense remained stable at $41.0 million in 1991, the major component being interest expense of $26.8 million on the exchangeable debentures.

Assets

Cash and short-term investments, comprised essentially of treasury bills, bankers acceptances and other high-quality short-term financial instruments denominated in Canadian and United States funds, amounted to $139.9 million at the end of 1991, compared to $141.3 million in 1990. Investments in the subsidiaries and affiliates accounted for under the equity method aggregated $1.7 billion in 1991 compared to $1.6 billion in 1990.

As at December 31, 1990, Parjointco N.V., a 50 percent owned affiliate, held a voting interest of 60.8 percent in Pargesa Holding S.A. (Pargesa). Canbel Holdings S.A., also a 50 percent owned affiliate, held a voting interest of 7.9 percent in Groupe Bruxelles Lambert S.A. (GBL). As at December 31, 1990 Pargesa held a 38.2 percent interest in GBL. In December 1991, Canbel's interest in GBL was sold to Pargesa Holding S.A. increasing Pargesa's interest in GBL to 45.7 percent. Subsequently, the net assets of Canbel were transferred to Parjointco. As a result of a subscription to a share issue by Pargesa, Parjointco now holds a voting interest of 63.3 percent in Pargesa as at December 31, 1991.

Other investments of Power Financial represent $393.5 million compared to $405.9 million in 1990. These include 8,695,561 common shares of BCE Inc. with a carrying value of $328.3 million held against future conversion by holders of the Exchangeable Debentures.

Liquidity and Capital Resources

With cash and short-term investments of $139.9 million, Power Financial Corporation is in a liquid position. Normal cash requirements for operating expenses incurred by Power Financial and requirements for the payment of dividends to shareholders are adequately covered by dividend income from subsidiaries and affiliates and from internally-generated funds and its cash position. Power Financial has no arranged credit facilities in place and has made no significant commitment to the redeployment of its cash resources at this time. Substantial cash balances and credit are available to Power Financial Corporation and to the subsidiary and affiliated companies to enable them to act on selected long-term investment opportunities on a timely basis.

There were no significant changes in the composition of long-term debt in 1991. During the year, the Corporation's outstanding Swiss franc bonds depreciated against the Canadian dollar.

Shareholders' equity at the end of 1991 was $1,660 million as against $1,586 million in 1990. Foreign currency translation adjustments for 1991 were equal to net credits of $42.6 million as against $51.6 million in 1990. These adjustments relate principally to the Corporation's net investment in its European affiliate. Book value per common share at the year-end was $17.80 as against $16.89 in 1990, reflecting an increase of five percent. The number of Common Shares of the Corporation outstanding as at December 31, 1991 was 84,341,213 as compared with 84,252,563 in 1990. The Corporation issued 88,650 shares during the year pursuant to the exercise of options under its Employee Stock Option Plan.

Great-West Lifeco Inc.

Operating Result Highlights

Power Financial Corporation holds an 86.4 percent interest in Great-West Lifeco Inc., which in turn has a 99.4 percent interest in The Great-West Life Assurance Company. Power Financial's carrying value of Great-West Lifeco Inc. was $765.8 million as against $698.9 million in 1990. Great-West Life is an international corporation offering a wide range of insurance, retirement and investment products and services for individuals, businesses and organizations.

Net income before deducting minority and other interests was $155.1 million in 1991 compared with $156.2 million in 1990. Net income after these deductions was $116.2 million compared with $116.7 million in 1990. This represents a 14 percent return on common equity compared to 15.5 percent in 1990.

The primary reasons for continued strong earnings were a continuation of improved group health insurance results, particularly in the United States, offset by decreased margins on Canadian annuity business, unfavorable individual disability income experience, and the industry association assessment for a failed Canadian insurance company unrelated to the Power Financial Group.

Canada

Individual Insurance Operations

The individual insurance lines of business felt the effects of the recession in 1991, as consumers responded to financial pressures; individual life and disability income insurance sales each declined 14 percent in 1991, in terms of new annualized premium. Sales of term and participating whole life insurance declined 18 percent and 9 percent respectively, and sales of the universal life product declined 14 percent.

Group Insurance Operations

Group insurance sales declined 20 percent over 1990, reflecting the continued impact of the recession on the employee benefit market. Despite this, Great-West Life maintained its leading market share position, at more than 12 percent of the Canadian group insurance market.

Invested Assets

As at December 31, 1991	Canada	USA	Total
		Millions	
Government Bonds	$ 552	$ 1,778	$ 2,330
Other Bonds	3,211	4,945	8,156
Sub-total Bonds	3,763	6,723	10,486
Mortgages	2,696	3,739	6,435
Real estate and Stocks	723	253	976
Cash	22	477	499
Policyholder Loans	139	1,154	1,293
Total	$ 7,343	$ 12,346	$ 19,689
	37%	63%	100%

Investment Operations – Canada

Notwithstanding the fact that economic conditions were unfavourable, Canadian investment portfolios performed well. The yield on average invested assets was 11.54 percent compared to 11.62 percent in 1990. Total Canadian invested assets grew to $7.3 billion at the end of 1991, from $6.7 billion at the end of 1990. Bonds, as a percentage of the portfolio, increased from 46 percent to 51 percent in 1991. Mortgages declined to 37 percent of the portfolio in 1991 and real estate declined to under 5 percent of the Canadian portfolio from 5.4 percent in 1990 and over 9 percent five years ago.

In 1991, 82 percent of the Canadian bond portfolio was rated A or higher, and only 3.2 percent of the portfolio was rated BB or lower. At the end of 1991, the aggregate of bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more and real estate acquired by foreclosure totalled $20.6 million or 0.3 percent of total invested assets.

Discussion of Canadian Operating Results

Persistency in individual lines of business remained within acceptable limits. In Group insurance, persistency in the small and mid-sized markets was slightly lower than in 1990, reflecting the impact of the recession. Mortality experience remained satisfactory. Morbidity experience deteriorated in individual disability insurance, again reflecting recessionary times.

United States

Employee Benefits

Earnings were up significantly for the Employee Benefits Division in 1991. Market acceptance of Great-West Life's integrated approach to marketing insurance and pension products to corporate clients produced extremely positive results during the year. In late December, Great-West Life reached an agreement with Lincoln National Life giving it the opportunity, on a preferred basis, to acquire a significant amount of group life and health business during 1992. The acquisition is evidence of Great-West Life's continuing ability to benefit from consolidation taking place in the industry. It will also rank Great-West Life as the tenth largest commercial employee benefits carrier in the United States.

Financial Services

The new Financial Services Division combines insurance and savings products marketed to individuals.

Fierce pricing competition, combined with a sluggish economy and public concern over the financial security of U.S. insurance companies, contributed to declining sales in individual insurance in 1991. Insurance sales decreased 26 percent and annuity sales were down 33 percent. Despite this decline, Great-West Life maintained revenue premium at 1990 levels.

Investment Operations – United States

Despite the effects of the recession, investment returns were favorable and reflected Great-West Life's continuing goals of maintaining a portfolio of above-average quality and maximizing yield within these quality parameters. U.S. invested assets held at year-end earned an overall net investment yield of 9.21 percent compared to 9.41 percent in 1990. The decrease was primarily the result of the drop in interest rates during 1991, combined with the corporation's policy of avoiding higher risk investments. At the end of 1991, the aggregate of bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more and real estate acquired by foreclosure totalled $167.2 million or 1.4 percent of total invested assets, compared with $126.3 million or 1.1 percent as of year-end 1990.

Great-West Life began a formal program to reduce its exposure to commercial and industrial mortgages in early 1989. This program has continued to strengthen the corporation's financial position and has decreased the weighting of mortgages as a percentage of the total investment portfolio to 30 percent at year-end 1991, compared with 34 percent at year-end 1990 and 41 percent at year-end 1989.

In light of the well-documented problems in the U.S. debt markets, management has made a concerted effort for several years to tightly manage its debt portfolio and proactively address all troubled loans on a timely basis. Great-West Life's further response to these problems was that no new mortgage loans were made in the U.S. market during 1991.

Discussion of United States Operating Results

Revenue premium increased in the Employee Benefits Division and in the tax-deferred savings section of the Financial Services Division in 1991. Persistency rates increased in Employee Benefits, remained at 1990 levels in the tax-deferred savings area and were slightly below 1990 levels in the individual insurance and annuity area.

In terms of expenses, both Employee Benefits and Financial Services realized improvements in their competitive cost position. Reorganization, aggressive expense management, and increased productivity contributed significantly to improving expense ratios in 1991.

Great-West Life – Liquidity, Capital Resources and the Future

During the year, The Great-West Life Assurance Company transferred an additional amount of assets totalling $1.3 billion to its wholly-owned U.S. subsidiary, Great-West Life & Annuity Insurance Company.

On August 1, 1991, The Great-West Life Assurance Company issued $75 million of Cumulative Redeemable Auction Perpetual Preferred Shares at $25.00 Canadian per share for use in its Canadian operations.

Great-West Life continues to be ranked AAA by Standard & Poor's Corporation, Aa 1 by Moody's Investors Service and A + (Superior) by A.M. Best Company despite industry-wide financial rating downgrades and the failure of one Canadian and several U.S. insurance companies. These ratings place Great-West Life in the top one percent of insurance companies from a financial rating standpoint.

Great-West Life intends to continue to maintain its surplus ratios at levels sufficient to provide absolute assurance of benefit payments for policyholders and to continue to have superior credit ratings in its operating companies.

Although considerable economic uncertainty exists, the corporation and its subsidiaries are well positioned to participate strongly in both the industry restructuring that is currently underway, and any economic upturn as it emerges. The earnings outlook should improve with any general economic recovery, in particular, if the United States real estate markets begin to stabilize and improve.

Operating Result Highlights

Power Financial Corporation holds a 74.4 percent interest (1990 –74.3 percent) in Investors Group Inc. The carrying value of Power Financial's interest in Investors is $262.8 million as against $240.4 million in 1990. In 1991, Investors Group achieved record net income of $50.7 million as compared to $47.6 million in 1990. Gross revenue amounted to $432.5 million, compared with $387.1 million in 1990, an increase of 11.7 percent. Operating expenses, which are components of net investment and fee income amounted to $193.5 million in 1991, compared with $154.3 million in 1990.

Revenues and Assets under Administration

Sales of financial products and services amounted to $2.8 billion, which surpassed the previous record of $2.2 billion established in 1990.

The following table provides an analysis of the sales of financial products and services in 1991 and 1990 and an analysis of assets under administration as at December 31, 1991.

December 31	Sales		Assets under Administration	
	1991	1990	1991	1990
	Millions			
Mutual Funds:				
Equity Funds	$ 951	$ 660	$ 5,051	$ 3,765
Fixed Income Funds	880	535	3,542	2,644
Money Market Funds	399	312	363	362
Pooled Pension Funds	40	40	334	294
	2,270	1,547	9,290	7,065
Life Insurance, Annuities and Trust Products	202	202	3,154	2,556
Investment Certificates and Corporate Assets	305	452	2,139	2,228
	$ 2,777	$ 2,201	$ 14,583	$ 11,849
Increase	$ 576	26%	$ 2,734	23 %

This significant increase in the sale of mutual funds reflects industry trends as the investing public's demand for mutual fund products continues to accelerate.

The corporation strives to ensure that the assets under administration which comprise the portfolios it manages are of superior quality. The corporation evaluates the quality of the assets in these portfolios by engaging the Canadian Bond Rating Service to assess its Bond, Mortgage and Money Market Funds. Recently, the AAA rating of Investors Bond Fund and Money Market Fund and the AA (High) rating of Investors Mortgage Fund were reconfirmed.

Liquidity, Capital Resources and the Future

Investors maintains sufficient cash and liquid assets to fund its operations and meet its obligations. The corporation's holdings of these assets were $99.3 million as at December 31, 1991 and liquidity is further provided by the corporation's ability to raise funds in domestic debt markets. Investors maintains lines of credit which total $200 million with various Canadian chartered banks to meet its short-term funding requirements. As at December 31, 1991, none of these facilities were utilized. During 1992, Investors management will continue to monitor capital markets in order to identify opportunities to raise funds at attractive rates.

Investors monitors capital adequacy on an ongoing basis. Common shareholders' equity amounted to $288.5 million at December 31, 1991 or 13.5 percent of total assets as compared with 11.6 percent in 1990.

Canadian chartered banks have minimum capital requirements based on standards developed by the Bank for International Settlements (BIS) as a common measure of capital adequacy. A minimum capital ratio of eight percent was to be achieved by Canadian banks prior to year-end 1992. Although Investors Group is not subject to these minimum capital requirements, the strength of its capital resources is evident when its capital ratio is calculated in accordance with these guidelines. The capital ratio for the corporation was 20.5 percent as at December 31, 1991. During 1991, the Canadian Bond Rating Service reaffirmed the corporation's rating of A (High) and management of Investors believes that the corporation's current capital is strong and will adequately support its various activities in 1992.

At a meeting held December 16, 1991, the shareholders of Investors approved a special resolution to subdivide the common shares on a two-for-one basis. As a result of the subdivision, 47,842,420 common shares of the corporation are now issued and outstanding.

The Pargesa Group

Operating Result Highlights

Power Financial Corporation jointly holds a 63.3 percent voting interest (1990 – 60.8 percent) in Pargesa Holding S.A. The carrying value of Power Financial's interest in Pargesa is $692.2 million in 1991 as against $708.0 million in 1990. The share of earnings of the European affiliates was $45.0 million in 1991 as against $46.9 million in 1990. While the European affiliates' operating income increased in 1991, the increase did not completely offset the decrease in non-operating income.

Corporate Investment Activities

Reference is made to the Pargesa Group section of the Annual Report for descriptions of the group's holdings.

Pargesa Holding S.A.

Pargesa invested approximately $84 million[1] (SF 100 million) in GBL and $17 million (SF 20 million) in Parfinance in order to maintain its relative shareholdings as a result of share issues by these two companies during the year.

[1]Canadian dollar amounts are approximate using currency conversion rates in effect at December 31, 1991.

Pargesa and GBL sold one half of their interest in Banque Internationale à Luxembourg to Crédit Communal de Belgique. Crédit Communal exercised its option to purchase the other half of the Group's interest in January of 1992.

Pargesa made significant changes to its capital structure during the year. It repurchased debentures and, in November 1991, a share issue by way of a rights offering in the amount of $219 million (SF 257.4 million) was announced.

The proceeds of the share issue were used to acquire a block of shares of GBL from Canbel Holdings S.A. at a cost of $211 million (SF 248 million). Pargesa thereby increased its percentage ownership of GBL from 38.2 percent to 45.7 percent.

Pargesa Holding S.A. is in a highly liquid position, with cash and cash equivalents on hand at year-end of approximately $255 million (SF 300 million).

Groupe Bruxelles Lambert S.A.
In February 1991, GBL sold its 52.4 percent holding in Prominvest, a company which invests in small and medium-sized companies.

In March 1991, GBL and UAP agreed to modify their respective holdings in Royale-Vendôme – which controls 50 percent of Royale Belge – while maintaining joint control. UAP now holds 74.9 percent of Royale-Vendôme and GBL retains a 25.1 percent voting position. The new distribution of capital will not result in any change to the joint company agreements between GBL and UAP signed in 1987.

During the year, GBL subscribed to an issue of shares by Electrafina in the amount of $159 million (BF 4.3 billion). Electrafina is the principal shareholder of Petrofina.

In June 1991, GBL raised $255 million (BF 6.9 billion) through the exercise of warrants issued by the company in 1986.

Parfinance S.A.
In January 1991, Parfinance increased its capital by $356 million (FF 1.6 billion). Four French institutional investors subscribed to the majority of the new issue. These partners were UAP, AXA, Elf Aquitaine, and AGF. Following the share issue, the Pargesa group retains effective control of Parfinance.

Parfinance's position in Paribas decreased from 6.9 percent in 1990 to 5.3 percent in 1991 due to the success of Paribas' share exchanges with Ciments Français, Poliet and Lambert.

Parfinance sold its majority holding in Banque de Gestion Privée – SIB to the Caisse Régionale de Crédit Agricole Mutuel de Paris et d'Île de France. It maintains a 20 percent holding at year-end 1991.

Parfinance increased its equity percentage in Imétal from 45.0 percent in 1990 to 49.4 percent in 1991.

The Future
The Pargesa group has continued the implementation of its investment strategy announced in 1990. Pargesa is invested in long-term positions in companies and groups whereby it can have an influence in the strategic direction of its holdings. With significant cash holdings, the Pargesa group is in a liquid position and can respond to selected long-term investment opportunities expeditiously.

December 31 Corporation	Equity Interest 1991	Controlling Interest 1991(1)	Net Earnings 1990(2)	Shareholders' Equity 1990(2)	Direct and Indirect Contributions to Income from Holdings 1990(2 and 3)	
	%	%		Millions		%
Financial Services						
Compagnie Financière de Paribas	1.9	5.3	$ 538	$7,041	$ 14.5	9.0
Royale Belge S.A.	5.7	12.5	96	1,807	12.4	7.6
					26.9	16.6
Industrial and Services						
Imétal S.A.	18.0	49.4	84	825	15.5	9.6
Compagnie Luxembourgeoise de Télédiffusion	10.4	56.7	37	281	3.0	1.9
					18.5	11.5
Oil & Gas, Energy						
Petrofina S.A.	3.8	20.2	758	4,855	23.9	14.7
Tractebel S.A.	3.9	24.4	272	3,379	8.5	5.3
					32.4	20.0
Other participations and capital gains					84.2	51.9
					$ 162.0(4)	100.0%

1 Total of direct group holdings in percentage as at December 31, 1991.

2 Figures from the latest available published annual accounts and using currency conversion rates in effect at December 31, 1990.

3 1991 income from holdings (when published) will reflect changes in Pargesa's ownership interests effected during the year.

4 Corresponds to 1990 Income from Holdings of SF 192 million, which was a component of Pargesa's 1990 net earnings of SF 198 million.

Power Financial Corporation
Consolidated Balance Sheet

As at December 31	Thousands 1991	1990
Assets		
Current assets		
Cash and short-term investments	$ 139,942	$ 141,298
Dividends and interest receivable	14,164	15,655
Income taxes recoverable	15,316	5,910
	169,422	162,863
Investments		
Subsidiaries and affiliates at equity (Note 3)	1,720,775	1,647,315
Other investments (Note 4)	393,545	405,928
	2,114,320	2,053,243
Fixed assets at cost	11,294	9,912
Less accumulated depreciation	1,122	579
	10,172	9,333
Other assets	3,762	5,218
	$ 2,297,676	$ 2,230,657
Liabilities		
Current liabilities		
Accounts payable and accrued charges	$ 6,100	$ 3,823
Dividends payable	16,672	17,505
Interest payable	11,855	12,157
	34,627	33,485
Exchangeable debentures (Note 4)	334,779	334,779
Other long-term debt (Note 5)	173,542	181,194
Deferred income taxes	94,552	95,272
Shareholders' equity		
Stated capital (Note 6)	664,150	667,128
Retained earnings	953,409	867,225
Foreign currency translation adjustments	42,617	51,574
	1,660,176	1,585,927
	$ 2,297,676	$ 2,230,657

Approved by the Board of Directors

Paul Desmarais [signature]

Director

[signature]

Director

Power Financial Corporation
Consolidated Statement of Earnings

For the year ended December 31	Thousands 1991	1990
Share of earnings of subsidiaries and affiliates (Note 3)	$ 160,810	$ 146,702
Share of non-operating income of affiliates (Note 3)	22,312	36,196
Income from investments	34,663	58,163
	217,785	241,061
Operating expenses	14,672	10,777
Interest expense	41,075	41,032
Amortization and depreciation	9,047	6,882
Recovery of income taxes	(6,704)	(2,283)
	58,090	56,408
Net earnings	$ 159,695	$ 184,653
Earnings per share	$ 1.77	$ 2.02

Consolidated Statement of Retained Earnings

For the year ended December 31	Thousands 1991	1990
Retained earnings, beginning of year	$ 867,225	$ 759,388
Add		
Net earnings	159,695	184,653
	1,026,920	944,041
Deduct		
Dividends		
Preferred shares	10,702	14,287
Common shares	59,022	56,860
Share of charges to retained earnings of subsidiaries and affiliates (Note 3)	3,787	5,669
	73,511	76,816
Retained earnings, end of year	$ 953,409	$ 867,225

Consolidated Statement of Changes in Financial Position

For the year ended December 31	Thousands 1991	1990
Operations		
Net earnings	$ 159,695	$ 184,653
Non-cash charges (credits)		
Earnings not received in cash	(106,165)	(117,303)
Amortization and depreciation	9,047	6,882
	62,577	74,232
Change in non-cash working capital items	(1,380)	(31,776)
Cash from operations	61,197	42,456
Dividends paid		
Preferred shares	(11,551)	(14,290)
Common shares	(59,006)	(54,746)
	(70,557)	(69,036)
Financing activities		
Issue of common shares	1,222	884
Repayment of long-term debt	(500)	(1,404)
Redemption of shares	(4,200)	(4,200)
	(3,478)	(4,720)
Investment activities		
Purchase of investments	(4,309)	(189,200)
Additions to fixed assets	(1,618)	(9,301)
Other	17,409	2,249
	11,482	(196,252)
Decrease in cash and short-term investments	(1,356)	(227,552)
Cash and short-term investments, beginning of year	141,298	368,850
Cash and short-term investments, end of year	$ 139,942	$ 141,298

1. Summary of significant accounting policies

The accounting principles followed by Power Financial Corporation and its subsidiaries and affiliates 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 Office of the Superintendent of Financial Institutions.

Principles of consolidation and presentation

The consolidated financial statements include the accounts of the Corporation, its wholly-owned subsidiaries and its subsidiary Power Financial Capital Corporation.

Investments in other subsidiaries and affiliates are accounted for on the equity basis or on the modified equity basis in the case of The Great-West Life Assurance Company. The Corporation regards itself as a holding and management company whose principal subsidiaries operate in regulated industries which prohibit the interchangeability of assets; the Corporation believes that the equity method provides an informative presentation to the shareholders. Condensed financial statements of the subsidiaries are presented on pages 50 and 51 of this Report.

Pro-forma consolidated financial statements, presented on pages 52 to 61 of this Report, reflect the retroactive adoption of the new recommendations of the Canadian Institute of Chartered Accountants, effective for fiscal years beginning on or after January 1, 1992, which require the consolidation of all subsidiary companies.

Investments

Other investments are stated at cost less write down.

Depreciation

The Corporation's aircraft is depreciated on a straight-line basis over its estimated useful life of 15 years with a residual value of 25%. Leasehold improvements, furniture and equipment are depreciated at the maximum rates permitted for income tax purposes.

Amortization of goodwill

The goodwill, being the difference between the cost of the investment in corporations accounted for on the equity basis and the fair value of the underlying net assets at the dates of acquisition, is included in the carrying value of these investments. Such goodwill is being amortized over twenty years using the straight-line method.

Income taxes

The Corporation follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred mainly in respect of certain investments recorded at a cost which is in excess of their cost for income tax purposes.

Foreign currency translation

All assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at transaction dates for non-monetary items. All income and expenses are translated at average rates prevailing during the year. Exchange gains and losses are included in earnings except for foreign currency adjustments relating to the self-sustaining equity investments and financing related thereto which are deferred in the shareholders' equity section of the balance sheet.

Pensions

The Corporation participates in a funded pension plan for employees and an unfunded supplementary employee retirement plan for executive officers. Direct contributions are being made to the funded pension plan and current service costs are charged to earnings. The actuarially determined cost of the unfunded supplementary employee retirement plan is being charged to earnings over the estimated service life of those officers.

2. Change in accounting policy

Effective January 1, 1991, a subsidiary of the Corporation revised the presentation of its financial statements on a retroactive basis in accordance with recommendations issued by the Canadian Institute of Chartered Accountants. These recommendations redefine the type of events and transactions that should be reported as other items. The Corporation's share of these other items is now included in the share of earnings of subsidiaries and affiliates. Adoption of the recommendations has no impact on the current or prior years' consolidated net earnings.

Certain of the 1990 comparative figures have been reclassified to be consistent with the financial statement presentation adopted in 1991.

3. Subsidiaries and affiliates at equity

	Subsidiaries		Affiliates	
	Great-West Lifeco Inc.	Investors Group Inc.	Parjointco N.V. and Canbel Holdings S.A.(a)	Total
Voting and equity interest, December 31, 1990	86.4%	74.3%	50%	
	Thousands			
Carrying value, December 31, 1989	$ 634,133	$ 222,734(c)	$ 417,048	$ 1,273,915
Purchase of investments	1,194		176,415	177,609
Share of earnings	100,740	35,244	10,718	146,702
Share of non-operating income			36,196	36,196
Share of charges to retained earnings	(2,349)	(3,320)		(5,669)
Share of foreign currency translation adjustments	(415)		(14,400)	(14,815)
Foreign currency translation adjustments			105,467	105,467
Amortization of goodwill	(332)		(6,163)	(6,495)
Dividends and interest	(34,057)	(14,240)	(17,298)	(65,595)
Carrying value, December 31, 1990	$ 698,914	$ 240,418(c)	$ 707,983	$ 1,647,315
Share of equity, December 31, 1990	$ 682,875	$ 242,236(c)	$ 543,381	$ 1,468,492
Voting and equity interest, December 31, 1991	86.4%	74.4%	50%	
Carrying value, December 31, 1990	$ 698,914	$ 240,418(c)	$ 707,983	$ 1,647,315
Share of earnings	100,373	37,736	22,701	160,810
Share of non-operating income			22,312	22,312
Share of charges to retained earnings	(245)	(769)	(2,773)(b)	(3,787)
Share of foreign currency translation adjustments	1,165		16,197	17,362
Foreign currency translation adjustments			(37,890)	(37,890)
Amortization of goodwill	(332)		(8,058)	(8,390)
Dividends	(34,057)	(14,596)	(28,304)	(76,957)
Carrying value, December 31, 1991	**$ 765,818**	**$ 262,789(c)**	**$ 692,168**	**$ 1,720,775**
Share of equity, December 31, 1991	**$ 750,367**	**$ 264,668(c)**	**$ 542,885**	**$ 1,557,920**

(a) As at December 31, 1990, Parjointco N.V. ("Parjointco") held a voting interest of 60.8% and an equity interest of 51.7% in Pargesa Holding S.A. ("Pargesa"), and Canbel Holdings S.A. ("Canbel") held a voting and equity interest of 7.9% in Groupe Bruxelles Lambert S.A. ("GBL"). In December 1991, Canbel's interest in GBL was sold to Pargesa. Subsequently, the net assets of Canbel were transferred to Parjointco and the shares of Canbel were sold. As a result of the subscription to a share issue by Pargesa, Parjointco holds a voting interest of 63.3% and an equity interest of 57.1% in Pargesa as at December 31, 1991.

(b) Includes a charge of $7,018,000 which relates to a retroactive change in accounting principles of an affiliate of Parjointco. The effect of this change is not material to 1991 earnings.

(c) Includes note of $50,000,000 having terms identical to the 10.6% Debentures, 1986 Series, issued by the Corporation.

4. Exchangeable debentures

The exchangeable debentures are due on April 30, 2014 and bear interest until April 15, 1996 at an annual rate equal to the greater of 8% and the percentage which the dividend paid on common shares of BCE Inc. is of $38.50 plus 1%; thereafter, the 8% minimum rate will not apply. Holders of debentures have the right to purchase after April 14, 1992, 8,695,561 common shares of BCE Inc. at a price of $38.50 per share to be paid by the redemption of such debentures. These shares, held by a wholly-owned subsidiary, are included in other investments at a cost of $37.75 per share.

5. Other long-term debt

	Thousands 1991	Thousands 1990
6% Series "A" redeemable debentures, due September 1, 1994 to Investors Syndicate Limited and secured by certain assets	$ 900	$ 1,400
Swiss franc bonds due March 3, 1997 bearing interest at 5% payable annually in arrears (Sfr 120,000,000)	101,928	109,080
9⅞% 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	23,796	25,296
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	50,000
	176,624	185,776
Deduct: Debentures, 1978 Series purchased for cancellation	3,082	4,582
	$ 173,542	$ 181,194

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

6. Stated capital

Authorized

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

Issued and outstanding	1991		1990	
	Number of shares	Stated capital	Number of shares	Stated capital
		Thousands		Thousands
First Preferred Shares 1969 Series	1,287,152	$ 32,179	1,287,152	$ 32,179
First Preferred Shares, 1978 Series	1,056,000	26,400	1,224,000	30,600
Series A First Preferred Shares	4,000,000	100,000	4,000,000	100,000
Common shares	84,341,213	505,571	84,252,563	504,349
		$ 664,150		$ 667,128

6. Stated capital (continued)

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 of a major Canadian chartered bank plus 1¼ %, redeemable at $25 per share. 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 are redeemable at $25 per share.

3,696,750 common shares have been reserved for issuance pursuant to the Employee Stock Option Plan. Options were outstanding at December 31, 1991 to purchase, until March 11, 2001, up to an aggregate of 2,307,150 (1990 - 2,291,000) shares, at various prices from $13.75 to $21.06 per share. During the year, 88,650 (1990 - 60,000) shares were issued under this Plan for an aggregate consideration of $1,222,000 (1990 - $884,000).

7. Pension plans

The Corporation maintains a defined benefit pension plan which covers its employees. As at December 31, 1991, the approximate present value of the accrued pension obligations was $2,198,000 (1990 - $1,919,000) and the approximate present value of the pension fund assets available to meet these obligations was $2,243,000 (1990 - $1,966,000). The actuarially determined obligations of the unfunded supplementary employee retirement plan as at December 31, 1991 were $4,731,000 (1990 - $3,606,000) and the accrued cost to that date was $2,502,000 (1990 - $1,393,000).

8. Other

a) 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 material to the Corporation or its subsidiaries and affiliates.

b) Segmented information

The nature of the business is that of a holding and management corporation whose principal subsidiaries operate in regulated industries. Great-West Lifeco Inc. operates in the life insurance sector in Canada and in the United States; Investors Group Inc. operates in the investment and fund management sector in Canada. Power Financial Corporation holds long-term investments in affiliates primarily located in Europe.

	Total assets		Revenues		Net earnings		Share of earnings	
	1991	1990	**1991**	1990	**1991**	1990	**1991**	1990
	Thousands							
Life insurance	**$20,280,817**	$18,849,865	**$5,677,975**	$5,700,632	**$116,173**	$116,682	**$100,373**	$100,740
Investment and fund management	**$2,138,670**	$ 2,227,519	**$ 432,486**	$ 387,095	**$ 50,715**	$ 47,620	**$ 37,736**	$ 35,244

To the Shareholders of Power Financial Corporation

We have audited the consolidated balance sheets of Power Financial Corporation as at December 31, 1991 and 1990 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Montreal, Quebec
April 7, 1992

Deloitte & Touche
Chartered Accountants

Condensed Consolidated Financial Statements

December 31	Thousands 1991	1990
Condensed Summary of Operations		
Premium income	$ 3,744,786	$ 3,906,342
Other income	1,933,189	1,794,290
	5,677,975	5,700,632
Paid or credited to policyholders and beneficiaries	4,811,598	4,880,152
Commissions and other operating expenses	678,364	644,739
Income taxes	32,923	19,556
	5,522,885	5,544,447
Net income from operations	155,090	156,185
Minority and other interests	(38,917)	(39,503)
Net income	$ 116,173	$ 116,682
Earnings per share	$ 1.473	$ 1.479
Condensed Balance Sheet		
Bonds	$10,486,051	$ 8,925,316
Mortgages and sale agreements	6,434,636	6,804,039
Other assets	3,360,130	3,120,510
Total assets	$20,280,817	$18,849,865
Policy reserves	$16,465,223	$15,346,342
Other policy benefit liabilities	1,242,691	1,109,226
Other liabilities	928,330	918,433
Minority and other interests	776,183	685,499
Common shareholders' equity	868,390	790,365
Total liabilities and shareholders' equity	$20,280,817	$18,849,865

Notes

The company's total interest in the capital stock and surplus of The Great-West Life Assurance Company is $893,279,000 ($815,724,000 in 1990). Of this amount $702,421,000 ($597,646,000 in 1990) was appropriated to cover various contingencies as required by the Office of the Superintendent of Financial Institutions.

Segregated funds are not reflected in these condensed consolidated financial statements.

Investors Group Inc.
Condensed Consolidated Financial Statements

December 31	1991 (Thousands)	1990 (Thousands)
Condensed Income Statement		
Gross revenue		
Investment and loan income	$ 228,444	$ 230,003
Fee income	204,042	157,092
	$ 432,486	$ 387,095
Investment and loan income, net of expenses	$ 19,421	$ 17,826
Fee income, net of expenses	43,728	35,830
Income before income taxes	63,149	53,656
Income taxes	12,434	6,036
Net income	$ 50,715	$ 47,620
Earnings per share	$ 2.12	$ 1.98
Condensed Balance Sheet		
Cash and temporary investments	$ 96,581	$ 179,917
Marketable securities	623,297	571,092
Mortgages and loans	1,280,266	1,327,698
Other assets	138,526	148,812
Total assets	$ 2,138,670	$ 2,227,519
Certificate liabilities	$ 465,289	$ 574,213
Guaranteed trust accounts	1,146,737	1,160,519
Long-term debt	152,851	153,464
Other liabilities	85,265	80,594
Common shareholders' equity	288,528	258,729
Total liabilities and shareholders' equity	$ 2,138,670	$ 2,227,519

Basis of Presentation

The following financial statements have been prepared on a pro-forma basis to illustrate the effect of a change in accounting policy with respect to the consolidation of subsidiaries adopted effective January 1, 1992. These pro-forma financial statements give retroactive effect to the consolidation of subsidiaries, regardless of differences in the nature of their business or regulatory restrictions on the interchangeability of assets or distribution of profits. Under the accounting policy in effect prior to 1992, and employed in the 1991 financial statements to which these pro-forma statements are appended, the financial position, results of operations and changes in financial position of the Corporation presented the results of certain subsidiaries, namely Great-West Lifeco Inc. and Investors Group Inc. on the equity basis (see note 3 to the 1991 financial statements on page 45).

The adoption of this accounting policy changes the composition of the balance sheet of the Corporation, by including the assets and liabilities of its subsidiaries, aggregated by category of asset rather than in terms of the Corporation's interest in the shareholders' equity of each subsidiary. Similarly, the statements of earnings and changes in financial position present the aggregated revenues, expenses, receipts, and disbursements by category for its subsidiaries, rather than the Corporation's interest in the earnings and dividends of each subsidiary.

The change in policy has no impact on the net earnings and earnings per share, but substantively changes the presentation of the assets, liabilities, revenues and expenses of the relevant subsidiaries. These changes are purely matters of financial statement presentation reflecting the adoption of new recommendations of the Canadian Institute of Chartered Accountants and do not reflect any change in the strategic or operational policies of the Corporation, or its subsidiaries.

In the opinion of management, the effect of the change in accounting policy is so significant that these 1991 pro-forma financial statements have been prepared to provide readers with a basis of comparison for financial reporting which will be followed by the Corporation in 1992.

Pro-Forma Consolidated Balance Sheet

As at December 31, 1991	Thousands
Assets	
Cash and short-term investments	$ 735,675
Investments (Note 2)	
Stocks	1,288,798
Bonds	10,571,551
Mortgages and other loans	9,007,876
Real estate	632,290
	21,500,515
Investment in affiliates at equity (Note 3)	692,168
Other assets (Note 4)	773,851
	$ 23,702,209
Liabilities	
Actuarial reserves including provisions for claims of $981,854	$ 17,707,914
Deposit liabilities (Note 5)	2,172,488
Long-term debt (Note 6)	611,172
Deferred income taxes	114,507
Other liabilities	467,805
	21,073,886
Minority interests (Note 7)	968,147
Shareholders' equity	
Stated capital (Note 8)	664,150
Retained earnings	953,409
Foreign currency translation adjustments	42,617
	1,660,176
	$ 23,702,209

Power Financial Corporation
Pro-Forma Consolidated Statement of Earnings

For the year ended December 31, 1991	Thousands
Revenues	
Premium income	$ 3,744,786
Net investment income	2,196,296
Fee income	204,042
Share of earnings of affiliates (Note 3)	45,013
	6,190,137
Expenses	
Insurance claims, benefits and changes in actuarial reserves	4,811,598
Commissions and other operating expenses	895,581
Interest expense	216,914
Income taxes (Note 10)	38,653
	5,962,746
Earnings before minority interests	227,391
Minority interests (Note 7)	67,696
Net earnings	$ 159,695
Earnings per share	$ 1.77

Pro-Forma Consolidated Statement of Retained Earnings

For the year ended December 31, 1991	Thousands
Retained earnings, beginning of year	$ 867,225
Add	
Net earnings	159,695
	1,026,920
Deduct	
Dividends	
Preferred shares	10,702
Common shares	59,022
Excess over stated value of shares purchased for cancellation and share issue expenses of subsidiaries, and share of charges to retained earnings of an affiliate	3,787
	73,511
Retained earnings, end of year	$ 953,409

PRO-FORMA CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 1991	Thousands
Operations	
Net earnings	$ 159,695
Non-cash charges (credits)	
Actuarial reserves and provisions for claims	1,252,346
Amortization and depreciation	38,707
Deferred income taxes	(43,679)
Minority interests	67,696
Change in non-cash working capital items	(81,042)
Cash from operations	1,393,723
Dividends paid	
Minority shareholders of subsidiaries	(32,972)
Preferred shares	(11,551)
Common shares	(59,006)
	(103,529)
Financing activities	
Issue of participating shares	1,222
Issue of preferred shares by a subsidiary	75,000
Repayment of long-term debt	(1,113)
Redemption of shares	(4,200)
	70,909
Investment activities	
Purchase of investments – net	(1,351,915)
Other	(5,856)
	(1,357,771)
Increase in cash and short-term investments	3,332
Cash and short-term investments, beginning of year	732,343
Cash and short-term investments, end of year	$ 735,675

1. Summary of significant accounting policies

The accounting principles followed by Power Financial Corporation and its subsidiaries and affiliates are in accordance with generally accepted accounting principles, except that the accounting practices followed by The Great-West Life Assurance Company ("Great-West Life") are as prescribed or permitted by the Office of the Superintendent of Financial Institutions.

Basis of presentation

These pro-forma consolidated financial statements are presented as supplementary information and reflect the retroactive adoption of the new recommendations of the Canadian Institute of Chartered Accountants which require, effective for fiscal years beginning on or after January 1, 1992, the consolidation of all subsidiary companies.

Principles of consolidation

The pro-forma financial statements include the accounts of the Corporation, its wholly-owned investment subsidiaries and its principal operating subsidiaries as follows: Great-West Lifeco Inc. (interest of 86.4%), which holds 99.4% of the common shares of Great-West Life, and Investors Group Inc. (interest of 74.4%).

The Corporation accounts for its investment in affiliates using the equity method.

Investments

Investments, other than those held by Great-West Life, are accounted for as follows:

Stocks are carried at cost; where there has been a loss in value that is other than a temporary decline, the stock is written down to recognize the loss. Bonds, mortgages and other loans are valued at amortized cost plus accrued interest less provisions for losses. Real estate investments are valued at cost less provisions for losses.

Investments held by Great-West Life are accounted for as follows:

Investments in stocks in the life account are carried at cost less an adjustment which consists of realized gains and losses as well as a market value adjustment which is a portion of the difference between adjusted book value and year-end market value of all stocks. The adjustment at December 31, 1991 amounted to $103,595,000. Stocks in respect of accident and health business are carried at cost.

Investments in bonds, mortgages and other loans are carried at amortized cost, with the securities of the life account adjusted by the unamortized balance of losses or gains on sales of securities. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield, and is deferred and amortized over the period to maturity of the security sold. The unamortized balances at December 31, 1991 are $87,203,000 of net gains for bonds and $8,231,000 of net gains for mortgages.

Investments in real estate are carried at a written-down value of $490,630,000 plus an adjustment which consists of net realized losses, as well as a market value adjustment which is a portion of the difference between adjusted book value and market value of all real estate holdings. The adjustment at December 31, 1991 amounted to $128,011,000.

Income taxes

The Corporation follows the tax allocation basis in accounting for income taxes. Deferred income taxes represent taxes deferred mainly in respect of certain investments recorded at a cost which is in excess of their cost for income tax purposes and as a result of claims made in excess of charges in the accounts for capital cost allowances, and other timing differences relating to mortgage reserves and certificate selling costs. Deferred income taxes relating to Great-West Life are calculated on a present value basis.

1. Summary of significant accounting policies (continued)

Actuarial reserves
Policy reserves represent the amount which, in the judgement of the Valuation Actuary of Great-West Life, is required, together with future premiums and investment income, to provide for future policy benefits, administrative expenses and taxes on insurance and annuity policies and are calculated using assumptions considered to be appropriate to the policies in force. Policy reserves recognize the deferral of certain costs of acquiring policies. The amount of unamortized deferred acquisition costs deducted in arriving at the policy reserves was $515,038,000 at December 31, 1991.

Amortization of goodwill
Goodwill, being the difference between the cost of the investment in corporations and the fair value of the underlying net assets at the dates of acquisition, is being amortized over twenty years using the straight-line method.

Certificate liabilities
Investment certificates included in deposit liabilities (note 5) entitle certificate holders to receive at maturity a definite sum of money. A portion of payments made by installment certificate holders is added to certificate liabilities and the balance to service fee income. The portion of the certificate liabilities, when combined with the interest compounded at government approved rates, will accumulate to equal the specified maturity value at the maturity date. The aggregate accumulated certificate liabilities always exceed the aggregate cash surrender values of the outstanding investment certificates.

Foreign currency translation
All assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. The Corporation and its subsidiaries follow the current rate method of foreign currency translation for their net investments in self-sustaining foreign operations. All income and expenses are translated at average rates prevailing during the year. Exchange gains and losses are included in earnings except those related to self-sustaining investments and financing related thereto which are deferred in the shareholders' equity section of the balance sheet.

Pensions
The Corporation and its subsidiaries participate in funded defined benefit pension plans for employees and an unfunded supplementary employee retirement plan for certain executive officers. Direct contributions are being made to the funded pension plans and current service costs are being charged to earnings. The actuarially determined cost of the unfunded supplementary employee retirement plan is being charged to earnings over the estimated service life of the officers and employee groups covered by the plan.

2. Investments

	Held by Great-West Life (Note 1)	Held by the Corporation and other subsidiaries	Total	Market Value
		Thousands		
Stocks	$ 357,456	$ 931,342	$ 1,288,798	$ 1,425,540
Bonds	10,486,051	85,500	10,571,551	11,370,875
Mortgages and other loans	7,727,610	1,280,266	9,007,876	9,225,726
Real estate	618,641	13,649	632,290	703,598
	$ 19,189,758	$ 2,310,757	$ 21,500,515	$ 22,725,739

3. Investment in affiliates at equity

		Parjointco N.V. and Canbel Holdings S.A.(a)
		Thousands
Carrying value, January 1, 1991	$	707,983
Share of earnings		22,701
Share of non-operating income		22,312
Share of charges to retained earnings		(2,773)(b)
Share of foreign currency translation adjustments		16,197
Foreign currency translation adjustments		(37,890)
Amortization of goodwill		(8,058)
Dividends		(28,304)
Carrying value, December 31, 1991	$	692,168
Share of equity, December 31, 1991	$	542,885

(a) As at January 1, 1991, Parjointco N.V. ("Parjointco") held a voting interest of 60.8% and an equity interest of 51.7% in Pargesa Holding S.A. ("Pargesa"), and Canbel Holdings S.A. ("Canbel") held a voting and equity interest of 7.9% in Groupe Bruxelles Lambert S.A. ("GBL"). In December 1991, Canbel's interest in GBL was sold to Pargesa. Subsequently, the net assets of Canbel were transferred to Parjointco and the shares of Canbel were sold. As a result of the subscription to a share issue by Pargesa, Parjointco, 50% held by the Corporation, holds a voting interest of 63.3% and an equity interest of 57.1% in Pargesa as at December 31, 1991.

(b) Includes a charge of $7,018,000 which relates to a retroactive change in accounting principles of an affiliate of Parjointco; the effect of this change is not material to 1991 earnings.

4. Other assets

		Thousands
Other assets comprise the following:		
Dividends and interest receivable	$	362,921
Premiums in course of collection		155,454
Fixed assets, net of accumulated depreciation		63,740
Other		191,736
	$	773,851

5. Deposit liabilities

		Thousands
Deposit liabilities comprise the following:		
Guaranteed trust accounts	$	1,146,737
Certificate liabilities		465,289
Policyholder funds		548,247
Other		12,215
	$	2,172,488

6. Long-term debt

		Thousands
Long-term debt comprises the following:		
Exchangeable debentures, due April 30, 2014 (i)	$	334,779
Swiss franc bonds due March 3, 1997 bearing interest at 5% payable annually in arrears (Sfr. 120,000,000)		101,928
$9\frac{7}{8}$% 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 (ii)		23,796
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 (ii)		50,000
10.45% Debentures, 1989 Series due June 15, 1999 (iii)		100,000
Other		3,751
		614,254
Deduct: Debentures, 1978 Series purchased for cancellation		3,082
	$	611,172

(i) Exchangeable debentures, due April 30, 2014 bear interest until April 15, 1996 at an annual rate equal to the greater of 8% and the percentage which the dividend paid on common shares of BCE Inc. is of $38.50 plus 1%; thereafter, the 8% minimum rate will not apply. Holders of debentures have the right to purchase after April 14, 1992, 8,695,561 common shares of BCE Inc. at a price of $38.50 per share to be paid by the redemption of such debentures. These shares are included in stocks at a cost of $37.75 per share.

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

(iii) The Debentures, 1989 Series grant the holder the option of redeeming all or any debentures on June 15, 1994 at a price equal to the principal amount plus accrued and unpaid interest to June 15, 1994.

The maximum aggregate amount of sinking fund and annual principal payments on long-term debt in each of the next five years is as follows: $2,470,000 in 1992; $2,550,000 in 1993; $103,541,000 in 1994; $2,330,000 in 1995 and $1,785,000 in 1996.

7. Minority interests

		Thousands
Minority interests include:		
Participating policyholders of a subsidiary	$	419,499
Preferred shareholders of subsidiaries		351,238
Common shareholders of subsidiaries		197,410
	$	968,147
Earnings attributable to minority interests include:		
Earnings of a subsidiary attributable to participating policyholders	$	15,429
Dividends to preferred shareholders of subsidiaries		22,780
Earnings of subsidiaries attributable to common shareholders		29,487
	$	67,696

8. Stated capital

Authorized

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

Issued and outstanding

	Number of shares	Stated capital
		Thousands
First Preferred Shares 1969 Series	1,287,152	$ 32,179
First Preferred Shares, 1978 Series	1,056,000	26,400
Series A First Preferred Shares	4,000,000	100,000
Common shares	84,341,213	505,571
		$ 664,150

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 of a major Canadian chartered bank plus 1¼%, redeemable at $25 per share. 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 are redeemable at $25 per share.

3,696,750 common shares have been reserved for issuance pursuant to the Employee Stock Option Plan. Options were outstanding at December 31, 1991 to purchase, until March 11, 2001, up to an aggregate of 2,307,150 shares, at various prices from $13.75 to $21.06 per share. During the year, 88,650 shares were issued under this Plan for an aggregate consideration of $1,222,000.

9. Pension plans

The Corporation and its subsidiaries maintain defined benefit plans which cover their employees. As at December 31, 1991, the approximate present value of the accrued pension obligations was $274,901,000 and the approximate present value of the pension fund assets available to meet these obligations was $328,432,000. The actuarially determined obligations of the unfunded supplementary employee retirement plan as at December 31, 1991 were $4,731,000 and the accrued cost to that date were $2,502,000.

10. Income taxes

The following schedule reconciles the statutory and effective tax rate:

Combined basic Canadian federal and provincial tax rate	44.6%
Dividend income	(13.4)
Lower effective tax rates on income not subject to tax in Canada	(11.0)
Equity in net income of affiliates	(7.5)
Miscellaneous	1.8
	14.5%

11. Other

a) The Corporation, its subsidiaries and affiliates have transactions with each other in the normal course of business at competitive prices; such transactions, which relate to the products and services of subsidiaries, are not material and have no effect on net earnings. All other transactions have been eliminated.

b) Segregated funds of the life insurance subsidiary are not reflected in the pro-forma consolidated balance sheet. The market value of these assets is $2,436,482,000 as at December 31, 1991.

12. Segmented information

The Corporation carries on its activities through one principal class of business, namely financial services.

	Fees and investment income	Earnings before minority interests	Minority interests	Net earnings	Identifiable assets
			Thousands		
Financial services					
Great-West Lifeco Inc.	$ 5,677,975	$ 155,090	$ 54,717	$ 100,373	$20,280,817
Investors Group Inc.	432,486	50,715	12,979	37,736	2,138,670
Corporate activities	79,676	21,586		21,586	1,282,722
	$ 6,190,137	$ 227,391	$ 67,696	$ 159,695	$23,702,209

Corporate activities include the share of earnings of Pargesa.

Great-West Lifeco Inc. operates in the life insurance sector in Canada and the United States. Pargesa, controlled by Parjointco, holds long-term investments in affiliates primarily located in Europe. The Corporation's other subsidiaries operate in Canada.

Power Financial Corporation
Five Year Financial Statistics

December 31	1991	1990	1989	1988	1987
			Millions		
Balance sheet					
Total assets	**$2,297.7**	$2,230.7	$2,064.0	$1,463.7	$1,466.6
Investment in subsidiaries and affiliates	**1,720.8**	1,647.3	1,273.9	1,310.9	1,236.6
Cash and short-term investments	**139.9**	141.3	368.9	58.8	143.6
Exchangeable debentures	**334.8**	334.8	334.8		
Other long-term debt	**173.5**	181.2	163.7	173.1	203.2
Shareholders' equity	**1,660.2**	1,585.9	1,410.2	1,267.2	1,236.7
Statement of earnings					
Share of earnings of subsidiaries and affiliates	**160.8**	146.7	189.2	173.8	154.7
Share of non-operating income of affiliates	**22.3**	36.2			
Income from investments	**34.7**	58.2	67.9	16.3	17.8
Expenses, depreciation and taxes	**58.1**	56.4	54.9	28.3	27.6
Earnings before extraordinary and other items			202.2	161.8	144.9
Extraordinary and other items*			99.0	(4.2)	37.5
Net earnings	**159.7**	184.7	301.2	157.6	182.4
Earnings per share					
Earnings before extraordinary and other items			2.24	1.78	1.59
Net earnings	**1.77**	2.02	3.42	1.73	2.04
Dividends per share	**0.70**	0.675	1.60	0.60	0.585
Market price					
High	**23.13**	21.50	21.50	17.13	25.25
Low	**17.50**	16.25	14.50	12.00	10.00
Year-end	**20.00**	18.25	21.13	14.63	14.25

*Effective January 1, 1990 the Corporation prospectively changed its reporting of extraordinary items to conform with the recommendations issued by the Canadian Institute of Chartered Accountants.

André Bisson, C.M.(2)
President,
Maxwell Communications
(Canada) Inc.

James W. Burns, O.C.(1)
Deputy Chairman,
Power Corporation
of Canada

André Desmarais(1)
President and
Chief Operating Officer,
Power Corporation of
Canada

Paul Desmarais, C.C.(1)(3)
Chairman and Chief
Executive Officer,
Power Corporation
of Canada

Paul Desmarais, Jr.(1)(3)
Chairman of the
Corporation and
Vice-Chairman of
Power Corporation
of Canada

Gérald Frère(3)
Managing Director,
Frère-Bourgeois S.A.

Robert Gratton(1)
President and Chief
Executive Officer
of the Corporation

Kevin P. Kavanagh
President and Chief
Executive Officer,
Great-West Lifeco Inc.

A. F. Knowles, C.A.(1)
Deputy Chairman,
Power Corporation
of Canada

Aimery Langlois-Meurinne
Managing Director,
Pargesa Holding S.A.

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

Sylvia Ostry, C.C.(2)
Chairman, Centre for
International Studies,
University of Toronto

**The Honourable
P. Michael Pitfield, P.C., Q.C.**(2)
Vice-Chairman,
Power Corporation
of Canada

Michel Plessis-Bélair, FCA(1)
Senior Vice-President,
Finance of the Corporation
and Executive Vice-President
and Chief Financial Officer of
Power Corporation of Canada

Raymond Royer, O.C.(2)(3)
President and Chief
Operating Officer,
Bombardier Inc.

Guy St-Germain, C.M.(3)
President,
Placements Laugerma Inc.

OFFICERS

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Chairman
of the Board

Robert Gratton
President and
Chief Executive Officer

Michel Plessis-Bélair, FCA
Senior Vice-President,
Finance

André Gervais, FCGA
Vice-President,
Administration
and Taxation

Jacques J. Helbronner
Vice-President

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

Jeannine Robitaille
Assistant Secretary

Edward Johnson
Vice-President,
General Counsel
and Secretary

Denis Le Vasseur, C.A.
Controller

(1) *Member of the Executive Committee*
(2) *Member of the Audit Committee*
(3) *Member of the Compensation Committee*

Copies of the annual reports of Power Financial Corporation's subsidiary companies, Great-West Lifeco Inc. and Investors Group Inc. are available from:
The Secretary, Power Financial Corporation,
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Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au secrétaire, Corporation Financière Power,
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TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
Montréal, Toronto, Winnipeg

STOCK LISTINGS

Common Shares
The Montreal Exchange
The Toronto Stock Exchange
TheWinnipeg Stock Exchange

First Preferred Shares 1969 Series
The Montreal Exchange
The Winnipeg Stock Exchange

Series A First Preferred Shares
The Montreal Exchange
The Toronto Stock Exchange