

POWER CORPORATION OF CANADA

Annual Report 1983



INDEX

Financial Highlights	1
Directors' Report to Shareholders	2
Financial Services	3
Pulp, Paper, Packaging, and Energy Resources	6
Publishing	7
Board of Directors and Officers	8
Financial Statements	9



	Thousands		
FOR THE YEAR ENDED DECEMBER 31	1983	1982	1981
Consolidated earnings before extraordinary and other items	\$ 59,992	\$ 44,482	\$ 87,796
– per share	\$ 2.32	\$ 1.71	\$ 3.41
Consolidated net earnings	\$ 62,569	\$ 48,585	\$ 98,690
– per share	\$ 2.42	\$ 1.87	\$ 3.83

AS AT DECEMBER 31

Investments – subsidiaries and affiliate	\$ 707,685	\$ 652,411	\$ 617,619
– other	\$ 273,725	\$ 272,812	\$ 284,065
Long-term debt	\$ 292,650	\$ 288,885	\$ 274,450
Shareholders' equity	\$ 687,187	\$ 639,366	\$ 614,316

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

The consolidated earnings of the Corporation of \$62.6 million compare with \$48.6 million in 1982. These earnings are equivalent to \$2.42 per share, as against \$1.87, after allowing for the payment of dividends on the non-participating preferred shares. They include extraordinary gains and other items of \$2.6 million, compared with \$4.1 million in 1982.

Dividends paid on the participating preferred and common shares amounted to 50 cents per share, compared with 87.5 cents in 1982.

The major portion of the Corporation's total earnings flows from its interests in subsidiaries and an affiliate which, in total, amounted to \$87.2 million, compared with \$65.9 million in 1982.

The Investors Group contributed \$68.9 million to the Corporation's earnings before extraordinary and other items, an increase of \$23.3 million or 51% from last year. The Great-West Life Assurance Company, which is 96.2% owned by Investors, earned \$55.5 million before other items in 1983, compared with \$36.8 million in the preceding year. Montreal Trustco Inc., 50.1% owned by Investors, earned \$11.0 million before other items in 1983,

compared with \$6.7 million in 1982. The earnings of the wholly-owned subsidiaries of Investors were \$16.9 million, before interest on debentures and provision for income taxes, compared with \$13.6 million in 1982.

The overall increase in earnings of Investors before extraordinary and other items is primarily due to an improvement in Great-West Life's Canadian individual annuity business and its U.S. group life and health business, Montreal Trust's real estate and intermediary operations and Investors' increase in management and distribution fee income resulting from the higher level of sales of mutual funds and fee increases implemented during the year.

The Corporation's share of the earnings of Consolidated-Bathurst Inc. was \$12.9 million, compared with \$19.7 million in 1982. The lower earnings reflect a major reduction in profit from the pulp and paper division, mainly in newsprint.

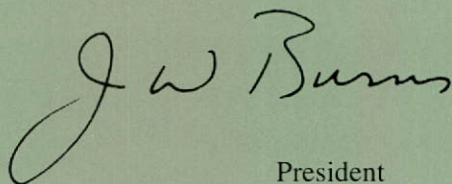
Gesca Ltée's contribution to the earnings of the Corporation was \$5.4 million in 1983, up from \$687,000 in the previous year.

In 1983, the Corporation invested a further \$2.8 million in shares of Pargesa Holding S.A., a Swiss corporation, and \$1.3 million (net) in an oil and gas exploration and development program in Alberta.

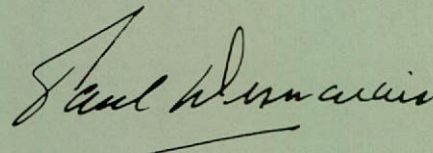
In November 1983, Mr. Paul Britton Paine, Q.C. resigned as Vice-Chairman of the Corporation to accept the appointment of Chairman of the Canadian Commercial Bank. However, Mr. Paine remains a member of the Board of the Corporation.

The directors wish to express their sincere appreciation for the untiring efforts of the management and staff of all the companies in the group.

On behalf of the Board,



President



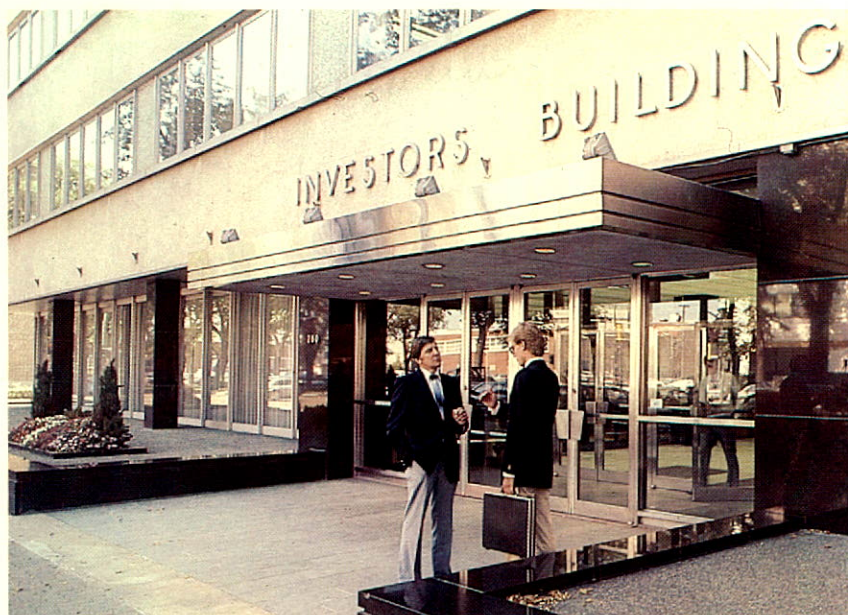
Chairman and
Chief Executive Officer

The Investors Group

Consolidated net operating income was \$74,040,000 compared with \$50,534,000 for the prior year. After allowing for preferred dividends, earnings per share were \$5.32 in 1983 compared with \$3.50 in 1982. Consolidated net income after extraordinary and other items was \$83,303,000 or \$6.03 per share compared with \$3.84 in 1982.

Before deducting the after-tax cost of debenture interest, earnings of the Company in 1983, excluding the contributions of The Great-West Life Assurance Company and Montreal Trustco Inc., were \$16,895,000 compared with \$13,585,000 in 1982. This improvement in earnings largely reflects the increase in management and distribution fee income resulting from the higher level of sales of mutual funds, management fee increases implemented during the year, and the growth in the asset value of mutual funds under management.

Investors field force of 1,028 sales representatives achieved outstanding results in 1983. Total sales of all products offered through the Company's wholly-owned subsidiaries were \$623 million compared with \$393 million in 1982, an increase of 58%. Sales of investment certificates declined from \$116 million in 1982 to \$82 million in 1983 which, in part, reflects the continuing impact of the negative provisions of the 1981 Federal Budget on the taxation of longer-term investment contracts. The decline in certificate sales was, however, more than offset by a remarkable increase in sales of Investors mutual funds. Total fund sales increased from \$193 million in 1982 to \$468 million in 1983, a sales record for the Company. Total assets under the



Top: Investors' head office in Winnipeg.

Bottom: Six of the eleven mutual funds offered by Investors.

administration of the Company and its wholly-owned subsidiaries were \$4.4 billion at year end, an increase of 25% over the prior year.

The Company's share of the earnings of Great-West Life for the year increased to \$53,349,000 from \$35,347,000 in 1982. The Company's share of the earnings of Montreal

Trustco Inc. increased from \$3,361,000 in 1982 to \$5,506,000 in 1983.

During the year dividends of \$1.65 per share were paid on the Company's common shares and Class A Non-Voting shares compared to \$1.60 per share in 1982.

The Great-West Life Assurance Company

Although the high level of inflation in health care costs persisted and mortality experience was less favorable, more normal levels of profitability were attained and earnings increased during the past year.

Sales of life insurance, measured by the amount of protection provided, amounted to \$13,023,000,000, an increase of 11% over the record established in 1982. Annuity sales of \$694,990,000 of revenue premiums were down 12%. Health insurance sales, expressed in terms of gross annual premiums, totalled \$138,253,000, a decrease of 34% from the previous year.

Life insurance business in force increased 9% to \$81,845,683,000. Annuity business in force, measured by the value of funds held, totalled \$4,785,530,000, up 16%. Health insurance in force, in terms of gross annual premiums, amounted to \$880,106,000, down 1% from the previous year, a result of aggressive pricing action taken to improve the line's profitability.

Premium income recorded in 1983 amounted to \$1,601,316,000, a decrease of \$107,121,000 or 6% due to the lower level of sales in the Canadian annuity and the United States group health insurance lines of business.

Net investment income was \$687,792,000, representing an 11% increase over the previous year. Investible funds were \$1,617,000,000, up significantly from the 1982 level of \$1,237,000,000.

The largest part of the Company's income is paid out or credited to policyholders and their beneficiaries and in 1983, this totalled \$1,988,711,000. Direct payments were



Top: Great-West Life's new head office in Winnipeg.



Bottom: Oakville Place, one of the 31 centres in which Cambridge Shopping Centres Limited has an interest.

\$1,305,783,000, essentially unchanged from 1982, while \$682,928,000 was added to the policy reserves held to provide for future payments to policyholders.

Net income from operations attributable to shareholders amounted to \$55,492,000, representing \$27.74 per share compared with \$18.42 in 1982, an increase of 51%. The main factors affecting earnings were improvements in the Canadian individual annuity line of business and the United States group life and health insurance lines of business. Including other items of \$7,152,000, net income to

shareholders was \$31.32 per share, compared with \$20.61 in 1982. Dividends per share totalled \$10.50 in 1983, compared with \$10.00 in 1982.

Subsequent to year-end a subsidiary, Cambridge Shopping Centres Limited, the parent of Cambridge Leaseholds Limited, became a public company through the issue of 5,200,000 common shares and 2,600,000 common share purchase warrants for a total amount of \$81,900,000. Great-West Life continues to hold a substantial investment in the company.

Montreal Trustco Inc.

Nineteen eighty-three has been a banner year for the Company. Net income and corporate assets' growth have reached record levels. Almost every area of operations showed improvement. In addition, a number of important programs were completed to set an improved base for the future expansion and profitability of the Company.

The Company's net income, at \$11.7 million or \$1.29 per share, was 117% higher than last year's, which stood at \$5.4 million or 59 cents per share. Return on equity for the year reached 15.8%, and return on assets was 0.63%. Net operating income was \$11.0 million compared to \$6.7 million in 1982. The trust, real estate and intermediary operations all contributed to the strong rebound in net income.

Total revenues reached \$290,504,000 against \$274,679,000 in 1982. Fee and commission income from both real estate and fiduciary operations was \$95,318,000 against \$83,937,000 in 1982, an increase of 14%.

The spread earned on a taxable equivalent basis reached \$33,902,000 against \$26,331,000 in 1982. This much improved intermediary income was a result of strong balance sheet growth and somewhat more favourable interest spreads.

Operating expenses totalled \$84,570,000 against \$80,115,000 in 1982, for an increase of 5.6%. Provisions for mortgage losses declined by \$3,286,000, a significant improvement from the level experienced during the poor economic conditions of 1982.



One of the many Financial Services Centres of Montreal Trust.



Victoria Branch, British Columbia.

Corporate assets increased by 22.6% and passed the \$2 billion mark to reach \$2,036,752,000 at year end against \$1,660,799,000 in 1982.

Assets under administration also enjoyed good growth, increasing from \$16,132,000,000 to \$18,569,410,000 in 1983. Total assets under administration therefore stood at \$20,606,162,000 against \$17,792,799,000 at the end of last year, maintaining Montreal Trust as the third largest trust company in Canada.

Total dividends paid in fiscal 1983 amounted to 40 cents per share against 36.7 cents in 1982.

Shareholders' equity at year end stood at \$8.58 per share compared to \$7.69 per share at the end of the prior year.

Consolidated-Bathurst Inc.

In 1983, net earnings were \$33.3 million, or \$1.01 per common share, compared with \$53.4 million, or \$2.20 per common share in 1982. Before the extraordinary charge in the final quarter, however, earnings in 1983 were \$43.0 million, or \$1.44 per share. The extraordinary charge consisted of a write-down by \$12 million of the Corporation's investment in Sulpetro Limited occasioned by Sulpetro's issuance of convertible debentures in a restructuring of its bank borrowings.

Total Company operating earnings were down 22% on a dollar sales decline of 2.2%. In pulp and paper products, added industry newsprint capacity worked to constrain price levels, which did not recover until the summer quarter of 1983.

Excluding sales of the Container Division in both years, those of North American Packaging operations were about 10% higher than in 1982 and operating earnings were better in 1983 by 21%. Operating earnings of Europa Carton, the Company's German packaging organization, improved 21% in Deutsche marks, but when translated into dollars were the same in 1983 as in 1982.

Capital expenditures declined to \$175 million in 1983 from \$242 million in 1982. The key Pulp and Paper project was the Bathurst/Bridgewater development. Packaging capital improvements totalled some \$31 million. During 1983, the Company invested \$11 million in exploration for oil and gas in Canada, which brought the total amount devoted to the energy investment portfolio to \$175 million at December 31, 1983.



The Bridgewater mill at Ellesmere Port, England, began operations in 1983.

A major development in 1983 made the Company's Container Division a 50% partner of a new national corrugated container company named MacMillan Bathurst Inc., effective July 1, 1983, becoming the second largest producer of corrugated containers in Canada.

A further development in North America Packaging's progress was the organization in January of 1984 of its companies and affiliates, other than MacMillan Bathurst, under CB Pak Inc. That company, a new subsidiary of Consolidated-Bathurst, consists of Domglas Inc., Twinpak Inc., and Domglas investments in Libbey-St. Clair Inc., the glass tableware company, and Diamond-Bathurst Inc., the U.S. glass bottle producer. CB Pak Inc. has filed a preliminary prospectus in anticipation of making a public offering of its common shares.

During the year, the Board maintained the quarterly dividend of \$.20 per common share, the same level as established in January 1982.

Gesca Ltée

Power Corporation's publishing interests are held through Gesca Ltée, a wholly-owned subsidiary which owns La Presse, Ltée and Les Publications J.T.C. Inc.

In addition to its primary activities in daily and weekly newspaper publishing, Gesca Ltée is engaged in the publication of books and school texts through Les Éditions La Presse, owned by La Presse, and Centre Éducatif et Culturel Inc., 50% owned by Les Publications J.T.C. Inc.

Les Journaux Trans-Canada (1982) Inc., a wholly-owned subsidiary of Les Publications J.T.C. Inc., publishes three regional dailies: Le Nouvelliste of Trois-Rivières, La Tribune of Sherbrooke and La Voix de l'Est of Granby. Les Journaux Trans-Canada also owns weekly newspapers and distribution companies.

The two main factors in Gesca Ltée's improved performance in 1983 were the general economic recovery and the sustained efforts of all companies in the group to control costs. For the year ended December 31, 1983, Gesca Ltée earned \$5,442,000 on revenues of \$124,709,000, compared to 1982 earnings of \$687,000 on revenues of \$109,338,000.

La Presse's improved results in 1983 originated in a recovery plan launched the year before to adapt the organization to the difficult conditions of the recession. The plan included strict controls aimed at reversing unfavorable trends in the company's performance.

Though higher revenues and tighter controls played a large part in 1983 earnings, an additional contributing factor of great importance was the new atmosphere pervading the organization. The spirit of



Top: Unveiling of the plaque commemorating the centennial year of La Presse.

Bottom: The three regional dailies owned by Les Journaux Trans-Canada (1982) Inc.

renewal was aptly expressed by the launching of the La Presse centennial year on October 20, 1983. This event was the culmination of a whole series of actions intended to build the future of La Presse and its people.

All of the companies owned by Les Publications J.T.C. Inc. reported significant increases in earnings in 1983. The very strong market penetration of the group's products attests to their ability to hold reader interest, and enables the group's com-

panies to offer advertisers a highly effective means of reaching the public. The group's newspapers are printed by the offset process, which provides superior reproduction and attractive opportunities for use of color. Management is well aware of the importance of continuing to provide high-quality products at competitive prices and of serving readers and advertisers through a sustained community presence.

Michel Bélanger
*Chairman of the Board, President and
Chief Executive Officer,
National Bank of Canada*

Charles R. Bronfman, O.C.
*Deputy Chairman of the Board and
Chairman of the Executive Committee,
The Seagram Company Ltd.*

*James W. Burns
President of the Corporation

*Peter D. Curry
Deputy Chairman of the Corporation

*Paul Desmarais, O.C.
*Chairman and Chief Executive Officer
of the Corporation*

Gérard Eskenazi
*Chairman, Banque de Paris et des
Pays-Bas (Suisse) S.A., and Deputy
Chairman and President, Groupe
Bruxelles Lambert S.A.*

Rowland C. Frazee
*Chairman and Chief Executive Officer,
The Royal Bank of Canada*

**William M. Fuller
Chairman, Fuller Petroleum, Inc.

**Pierre Genest, Q.C.
Partner, Cassels, Brock

Jean-Paul Gignac, O.C.
Director

*Roland Giroux, O.C.
Director

Pierre Haas
Chairman, Paribas International

Jean-Yves Haberer
*Chairman and Chief Executive Officer,
Compagnie Financière de Paribas, and
Chairman and Chief Executive Officer,
Banque Paribas*

F. Ross Johnson
*President and Chief Operating Officer,
Nabisco Brands, Inc.*

Robert H. Jones
*Chairman and Chief Executive Officer,
The Investors Group*

*A. F. Knowles, C.A.
*Senior Vice-President of the
Corporation*

**Paul Britton Paine, Q.C.
*Chairman of the Board, Canadian
Commercial Bank*

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

William E. Simon
Chairman of the Board, Wesray Corp.

Peter N. Thomson
*Chairman and President, West Indies
Power Corporation Limited*

*William I. M. Turner, Jr.
*Chairman and Chief Executive Officer,
Consolidated-Bathurst Inc.*

Paul Desmarais, O.C.
Chairman and Chief Executive Officer

Peter D. Curry
Deputy Chairman

James W. Burns
President

A. F. Knowles, C.A.
Senior Vice-President

André Desmarais
Vice-President

Paul Desmarais, Jr.
Vice-President

John A. Rae
Vice-President

André Gervais, C.G.A.
Controller

Paul Morimanno, C.A.
Secretary-Treasurer

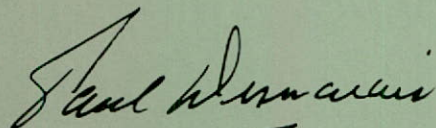
Francine Poissant
Assistant Secretary

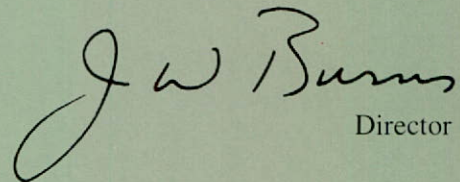
	Power Corporation of Canada	10
	The Investors Group	19
	The Great-West Life Assurance Company	27
	Montreal Trustco Inc.	34
	Gesca Ltée	35
	Consolidated-Bathurst Inc.	36

Consolidated Balance Sheet
As at December 31

	Thousands	
ASSETS	1983	1982
CURRENT ASSETS		
Cash and short-term investments	\$ 4,887	\$ 14,385
Accounts receivable	8,704	5,186
Income taxes recoverable	8,874	9,387
	22,465	28,958
INVESTMENTS		
Subsidiaries and affiliate at equity (<i>note 2</i>)	707,685	652,411
Other investments (<i>note 3</i>)	273,725	272,812
	981,410	925,223
FIXED ASSETS AT COST		
Less: accumulated depreciation	9,686	9,148
	4,973	4,244
	4,713	4,904
	\$ 1,008,588	\$ 959,085

Approved by the Board of Directors


Director


Director

	Thousands	
LIABILITIES	1983	1982
CURRENT LIABILITIES		
Accounts payable and accrued charges	\$ 881	\$ 908
Interest payable	3,291	4,517
Current portion of long-term debt	18,900	18,900
	23,072	24,325
LONG-TERM DEBT (note 4)	292,650	288,885
DEFERRED INCOME TAXES	5,679	6,509
SHAREHOLDERS' EQUITY		
Stated capital (note 5)		
Non-participating preferred shares	14,337	16,398
Participating preferred shares	18,074	18,074
Common shares	159,865	159,865
Retained earnings – appropriated (note 7)	119,525	131,841
– unappropriated	375,386	313,188
	687,187	639,366
	\$ 1,008,588	\$ 959,085

Statement of Consolidated Earnings
For the year ended December 31

	Thousands	
	1983	1982
Share of earnings of subsidiaries and affiliate (<i>note 2</i>)	\$ 87,212	\$ 65,929
Income from investments	7,047	8,438
	94,259	74,367
Operating expenses	6,424	6,193
Interest on long-term debt	27,136	34,483
Provision for depreciation	707	812
Recovery of income taxes		(11,603)
	34,267	29,885
Earnings before extraordinary and other items	59,992	44,482
Extraordinary and other items (<i>note 6</i>)	2,577	4,103
Net earnings	\$ 62,569	\$ 48,585
Earnings per participating preferred and common share		
Before extraordinary and other items	\$ 2.32	\$ 1.71
After extraordinary and other items	\$ 2.42	\$ 1.87

Statement of Consolidated Retained Earnings
For the year ended December 31

	Thousands	
	1983	1982
APPROPRIATED (note 7)		
Balance, beginning of year	\$ 131,841	\$ 149,596
Share of changes in special reserves made by The Great-West Life Assurance Company	(12,316)	(17,755)
Balance, end of year	<u>\$ 119,525</u>	<u>\$ 131,841</u>
UNAPPROPRIATED		
Balance, beginning of year	\$ 313,188	\$ 269,545
Add:		
Net earnings	62,569	48,585
Gain on first preferred shares purchased for cancellation	781	424
Share of changes in special reserves made by The Great-West Life Assurance Company	12,316	17,755
	<u>388,854</u>	<u>336,309</u>
Deduct:		
Dividends		
Non-participating preferred shares	709	793
Participating preferred shares	1,390	2,433
Common shares	11,369	19,895
	<u>13,468</u>	<u>23,121</u>
Balance, end of year	<u>\$ 375,386</u>	<u>\$ 313,188</u>

Statement of Changes in Consolidated Financial Position
For the year ended December 31

	Thousands	
	1983	1982
SOURCE OF FUNDS		
Earnings before extraordinary and other items	\$ 59,992	\$ 44,482
Non cash charges (credits)		
Provision for depreciation	707	812
Deferred income taxes	(162)	331
Earnings not received in cash	(49,403)	(29,939)
	11,134	15,686
Disposal of investments		19,541
Issue of long-term debt	22,665	33,335
	33,799	68,562
USE OF FUNDS		
Net additions to fixed assets	538	286
Purchase of investments	4,853	9,095
Reduction of long-term debt	18,900	18,900
Acquisition of first preferred shares for cancellation	1,280	414
Dividends		
Non-participating preferred shares	709	793
Participating preferred shares	1,390	2,433
Common shares	11,369	19,895
	39,039	51,816
Increase (decrease) in working capital	(5,240)	16,746
Working capital (deficiency), beginning of year	4,633	(12,113)
WORKING CAPITAL (DEFICIENCY), END OF YEAR	\$ (607)	\$ 4,633

Notes to Consolidated Financial Statements
December 31, 1983

Note 1. Summary of Significant Accounting Policies

The accounting principles followed by Power Corporation of Canada and its subsidiaries and affiliate are in accordance with generally accepted accounting principles, except that the accounting practices followed by The Great-West Life Assurance Company are as prescribed or permitted by the Department of Insurance of Canada as described in the notes to the financial statements of that company as presented on page 31 of this Report.

Principles of consolidation and presentation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned investment subsidiaries.

Investments in other subsidiaries and affiliate are accounted for on the equity basis. A full consolidation of the financial statements of Power Corporation and its subsidiaries has not been prepared as such statements would not present fairly the financial position of the Corporation. Financial statements of the major non-consolidated subsidiaries and affiliates are presented on pages 19 to 36 of this Report.

The difference between the cost of the investment in corporations accounted for on the equity basis and the book value of the underlying net assets at the dates of acquisition is included in the carrying value of these investments.

Note 2. Subsidiaries and Affiliate at Equity

	Subsidiaries		Affiliate	Total
	The Investors Group	Gesca Ltée	Consolidated - Bathurst Inc.	
Voting shares	99.4%	100%	39.8%	
Equity interest	97.2%	100%	39.8%	
	Thousands			
Carrying value, December 31, 1982	\$383,215	\$20,469	\$248,727	\$652,411
Additional investments	721			721
Share of earnings	68,882 (a)	5,442	12,888	87,212
Share of extraordinary and other items	8,998		(3,848)	5,150
Dividends	(28,399)	(2,250)	(7,160)	(37,809)
Carrying value, December 31, 1983	\$433,417 (b)	\$23,661 (c)	\$250,607 (d)	\$707,685
Share of equity, December 31, 1983	\$433,611 (b)	\$23,658 (c)	\$208,707 (d)	\$665,976

a) Includes \$51,850,000 share of earnings, before deduction of carrying charges, derived from The Great-West Life Assurance Company, a subsidiary of The Investors Group.

Investments

Other investments are stated at cost less write downs.

Fixed assets and depreciation

Fixed assets are stated at cost. The fixed assets are depreciated at the maximum rates permitted for income tax purposes.

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.

Pensions

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

b) Includes 1,269,849 5% cumulative redeemable preferred shares, 1969 series.

c) Includes advances of \$1,062,000.

d) Includes debentures of \$990,000.

Note 3. Other Investments

	Thousands			
	1983		1982	
	Book Value	Market Value	Book Value	Market Value
Quoted securities at cost				
Banque Nationale du Canada	\$ 24,973	\$ 20,958	\$ 24,973	\$ 14,036
Canadian Pacific Limited	181,547	169,673	181,547	121,255
Pargesa Holding S.A.	25,549	34,746	22,717	26,748
Other	1,983	1,042	2,782	1,079
	234,052	\$226,419	232,019	\$163,118
Unquoted investments at cost less write downs	39,673		40,793	
	\$273,725		\$272,812	

Note 4. Long-Term Debt

	Thousands	
	1983	1982
Eighteen-month revolving bank loan bearing interest at the prime rate, extendible semi-annually and secured by certain investments*	\$ 26,000	\$ 3,335
Two-year revolving bank loan bearing interest at the prime rate, extendible yearly, and convertible into six-year term loan bearing interest at the prime rate plus 3/8% and secured by certain investments	15,000	15,000
Term bank loan maturing September 30, 1988 to September 30, 1991 bearing interest at the prime rate to September 30, 1984, at the prime rate plus 1/4% from October 1, 1984 to September 30, 1987 and at the prime rate plus 3/8% from October 1, 1987 until maturity and secured by certain investments*	50,000	50,000
Term bank loans maturing May 31, 1985 to November 30, 1988 bearing interest at the prime rate to November 30, 1984 and at the prime rate plus 1/4% from December 1, 1984 until maturity and secured by certain investments*	74,250	74,250
Income debentures maturing June 30, 1984 to December 31, 1988 bearing interest at half prime rate plus 1 1/2% and secured by certain investments	93,800	112,700
Income debentures maturing June 30, 1985 bearing interest at half prime rate plus 2% and secured by certain investments	52,500	52,500
	311,550	307,785
Deduct: Instalments due within one year	18,900	18,900
	\$292,650	\$288,885

Instalments due on long-term debt over the next five years are as follows:
 1984-\$18,900,000; 1985-\$90,412,000; 1986-\$37,912,000;
 1987-\$39,912,000; 1988-\$39,412,000.

*Under the bank loan agreements, funds can be borrowed by way of bankers' acceptances. As at December 31, 1983, bankers' acceptances outstanding amount to \$85,000,000 at an average cost of 10.2%.

Note 5. Stated Capital

	Thousands	
	1983	1982
Non-participating preferred shares		
First preferred shares without nominal or par value		
issuable in series (i)		
Authorized – Unlimited number of shares		
Issued – 286,732 shares \$2.375 cumulative redeemable		
1965 series	\$ 14,337	\$ 16,398
15¢ participating preferred shares without nominal or par value (ii)		
Authorized – Unlimited number of shares		
Issued – 2,780,674 shares	\$ 18,074	\$ 18,074
Common shares without nominal or par value (iii)		
Authorized – Unlimited number of shares		
Issued – 22,737,256 shares	\$159,865	\$159,865

(i) Redeemable at \$50.50 plus accrued and unpaid dividends and non-voting except under certain conditions. During the calendar year 41,237 shares were redeemed and cancelled. The Corporation, through a sinking fund, is committed to retire 26,500 such shares in each twelve-month period from May 1 to April 30.

(ii) Entitled to ten votes per share; entitled to a non-cumulative dividend of 15 cents per share per annum before dividends on the common shares and having the right to participate, share and share alike, with the holders of the common shares in any dividends in any year after payment of a dividend of 15 cents per share on the common shares.

(iii) Entitled to one vote per share.

Note 6. Extraordinary and Other Items

	Thousands	
	1983	1982
Write down of investments, net of income taxes	\$ (2,573)	\$
Loss on sale of assets, net of income taxes		(172)
Corporation's share of extraordinary and other items of unconsolidated subsidiaries and affiliate	5,150	4,275
	\$ 2,577	\$ 4,103

Note 7. Appropriated Retained Earnings

Appropriated retained earnings represents the Corporation's share of special reserves made by

The Great-West Life Assurance Company as required by the Department of Insurance of Canada.

Note 8. Income Taxes

The Corporation has accumulated non-capital losses for tax purposes which may be carried forward and applied against future years' taxable income. The benefits resulting from the use of these losses have not been accounted for in these financial statements.

The taxation years 1977 to 1981 are under review by the income tax authorities, but no assessments have been received. Any adjustments to the taxable income for these years, if any, would be offset by the non-capital losses available as at December 31, 1983.

Note 9. Other

- a) Related party transactions
The Corporation and its subsidiaries and affiliates have transactions with each other in the normal course of business at competitive prices but such transactions are not significant to the Corporation or its subsidiaries and affiliates.
- b) Segmented information
The nature of the business is that of a holding and management corporation. Financial information on subsidiaries and affiliates is presented on pages 19 to 36 of this Report.

- c) Subsequent event
On February 14, 1984, a wholly-owned investment subsidiary purchased 1,100,000 Series A common shares issued by Montreal Trustco Inc. for a total price of \$13,750,000. On the same date, Montreal Trustco Inc. issued and sold 1,100,000 Series A common shares to a group of underwriters for a total price of \$13,750,000.

Auditors' Report

To the Shareholders of
Power Corporation of Canada

We have examined the consolidated balance sheet of Power Corporation of Canada as at December 31, 1983 and the statements of consolidated earnings, retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Montréal, Québec, February 29, 1984

Touche Ross & Co.
Chartered Accountants

Consolidated Statement of Income
For the year ended December 31

	Thousands	
	1983	1982
INCOME		
Investment income	\$ 127,656	\$ 116,354
Service fees	2,340	2,047
Management and distribution fees	55,896	28,488
Trust fees	2,815	2,406
Share of earnings of unconsolidated subsidiaries (<i>note 4</i>)		
The Great-West Life Assurance Company	53,349	35,347
Montreal Trustco Inc.	5,506	3,361
	247,562	188,003
EXPENSES		
Interest on certificate and trust liabilities	65,253	54,902
Additional credits to certificates	40,028	37,931
Certificate and service fee costs	15,623	16,242
Management and distribution operating costs	44,814	25,889
Trust operating costs	2,433	2,154
Debenture interest costs	3,630	3,726
Provision for income taxes (<i>note 9</i>)	1,741	(3,375)
	173,522	137,469
Net operating income	74,040	50,534
Extraordinary and other items (<i>note 10</i>)	9,263	4,331
Net income	\$ 83,303	\$ 54,865
Earnings per share after deducting dividends		
on preferred stock		
– net operating income	\$ 5.32	\$ 3.50
– net income	\$ 6.03	\$ 3.84

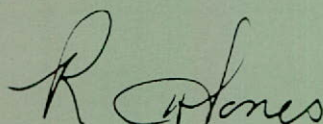
Consolidated Statement of Retained Earnings
For the year ended December 31

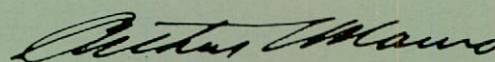
	Thousands	
	1983	1982
APPROPRIATED (<i>note 8</i>)		
Balance, beginning of year	\$ 148,965	\$ 167,269
Company's share of changes in special reserves made by The Great-West Life Assurance Company	(12,672)	(18,304)
Balance, end of year	\$ 136,293	\$ 148,965
UNAPPROPRIATED		
Balance, beginning of year	\$ 153,178	\$ 105,933
Add (Deduct):		
Net income for the year	83,303	54,865
Company's share of changes in special reserves made by The Great-West Life Assurance Company	12,672	18,304
Dividends – preferred shares	(5,209)	(5,209)
– common shares	(22,010)	(20,715)
Balance, end of year	\$ 221,934	\$ 153,178

Consolidated Balance Sheet
As at December 31

	Thousands	
ASSETS	1983	1982
CASH AND INVESTMENTS		
Cash and temporary investments	\$ 58,838	\$ 130,110
Marketable securities – at cost and accrued income (note 3)	261,889	245,967
Mortgages on real estate – at cost and accrued interest receivable	805,896	668,932
Real estate – at cost less accumulated depreciation \$1,687 (1982–\$1,557)	7,652	5,947
Loans to certificate holders – not exceeding cash surrender values	13,711	21,684
	1,147,986	1,072,640
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES (note 4)		
The Great-West Life Assurance Company	395,989	355,444
Montreal Trustco Inc.	47,376	43,346
OFFICE PREMISES – at cost less accumulated depreciation \$5,376 (1982–\$4,791)	5,516	5,403
ACCOUNTS AND NOTES RECEIVABLE	7,546	8,738
INCOME TAXES RECOVERABLE		333
DEFERRED EXPENSES (note 1e)	9,062	10,911
OTHER ASSETS	1,781	1,421
	\$ 1,615,256	\$ 1,498,236

Approved by the Board of Directors


Director


Director

	Thousands	
LIABILITIES	1983	1982
CERTIFICATE AND CURRENT LIABILITIES		
Certificate liabilities (<i>note 5</i>)	\$ 753,601	\$ 745,109
Provision for additional certificate credits	5,574	6,431
Guaranteed trust accounts (<i>note 2</i>)	256,322	198,227
Bank loans	1,107	12,422
Tax deposits on mortgages	20,379	19,017
Dividends payable	6,228	5,581
Other liabilities	16,662	11,612
Income taxes payable	243	
	1,060,116	998,399
INCOME DEFERRED TO FUTURE YEARS	2,823	3,638
DEFERRED INCOME TAXES	11,397	9,263
9 $\frac{7}{8}$ % DEBENTURES, 1978 SERIES (<i>note 6</i>)	35,300	37,400
	1,109,636	1,048,700
SHAREHOLDERS' EQUITY		
Capital stock (<i>note 7</i>)	100,616	100,616
Contributed surplus arising from premium on capital stock	46,777	46,777
Retained earnings – appropriated (<i>note 8</i>)	136,293	148,965
– unappropriated	221,934	153,178
	505,620	449,536
	\$ 1,615,256	\$ 1,498,236

Consolidated Statement of Changes in Financial Position
For the year ended December 31

	Thousands	
	1983	1982
SOURCE OF FUNDS		
From Operations		
Net operating income	\$ 74,040	\$ 50,534
Less share of earnings retained by unconsolidated subsidiaries	36,848	17,862
	37,192	32,672
Deduct non-cash credits to operations net of a deferred income tax charge of \$2,134 (1982—(\$3,396))	1,256	2,486
	35,936	30,186
Interest and additional credits on certificate and trust liabilities	105,281	92,833
Certificate and guaranteed trust sales and receipts	104,765	137,693
Proceeds from security transactions	31,434	36,631
Mortgage principal collections and sales	67,404	59,955
Decrease in loans to certificate holders	7,653	9,520
Miscellaneous	9,754	986
	362,227	367,804
USE OF FUNDS		
Certificate maturities and surrenders	144,185	162,147
Investment in marketable securities	45,163	23,475
Investment in mortgages	202,828	128,055
Net additions in real estate and fixed assets	831	588
Reduction in long-term debt	2,100	800
Decrease (increase) in bank loans	11,314	(8,258)
Dividends paid	26,571	25,923
Investment in The Great-West Life Assurance Company	507	901
	433,499	333,631
INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	\$ (71,272)	\$ 34,173

Notes to Consolidated Financial Statements
December 31, 1983

Note 1. Summary of Significant Accounting Policies

The accounting principles followed by The Investors Group of companies and by Montreal Trustco Inc. are in accordance with generally accepted accounting principles. The accounting practices followed by The Great-West Life Assurance Company are as prescribed or permitted by the Department of Insurance of Canada, as described in the notes to the financial statements of that company on page 31 of this Report.

a) *Principles of Consolidation*

The consolidated financial statements include the accounts of all subsidiary companies except The Great-West Life Assurance Company and Montreal Trustco Inc. The assets and liabilities of these two companies are not consolidated in the balance sheet as they operate within regulated industries and it is not considered appropriate to consolidate in the circumstances. Financial statements of The Great-West Life Assurance Company and condensed financial statements of Montreal Trustco Inc. are presented on pages 27 to 34 of this Report.

All inter-company accounts and transactions have been eliminated in consolidation; the equity method of accounting has been used for the two non-consolidated subsidiaries.

b) *Marketable Securities*

It is a statutory requirement of the investment contract industry to amortize any differences between the original cost of bonds and debentures and their par value over the period to maturity in such a manner as to equalize the yield to maturity. The bonds and debentures included in this category are carried at amortized cost and all other securities are carried at original cost.

c) *Office Premises*

The depreciable properties and related equipment and furnishings are depreciated on a straight-line basis over their estimated life. Furnishings, once they have been fully depreciated, are eliminated from the accounts.

d) *Certificate Liabilities*

Investment certificates entitle certificate holders to receive at maturity a definite sum of money. A portion of payments made by instalment certificate

holders is added to certificate liabilities and the balance to service fee income. The portion of the certificate payments added to 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.

e) *Service Fee Income and Selling Expenses*

On instalment investment certificates, service fees received during the first year may exceed or be less than the aggregate of commissions paid to sales representatives and selling costs incurred. To achieve a better matching of income and expense, the differential is amortized over the first 60 months that instalment certificates are in force.

On single payment certificates, first year commissions paid to sales representatives are amortized over the first 36 months that they are in force with all other selling expenses being charged against income in the year of sale. A special commission which is payable on the tenth anniversary of certain certificates is being provided for by an annual charge against income.

On guaranteed investment certificates, all commissions paid to sales representatives and all other selling expenses are amortized over the terms of the certificates.

f) *Additional Credits*

In addition to the guaranteed maturity and cash surrender values, certificate holders are entitled to additional amounts. Full provision has been made for all additional credits, both earned and accrued.

g) *Income Taxes*

The Company follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred as a result of claims made in excess of charges in the accounts for capital cost allowances, mortgage reserves and certificate selling costs.

Note 2. Assets Held for Guaranteed Trust Accounts

Included in the consolidated balance sheet are the following assets of the guaranteed trust accounts of Investors Group Trust Co. Ltd.:

	Thousands	
	1983	1982
Cash and other investments	\$ 22,189	\$ 38,957
Marketable securities	13,452	13,706
First mortgages	220,681	145,564
	\$256,322	\$198,227

Note 3. Marketable Securities and Accrued Income

	Thousands			
	1983		1982	
	Cost	Market	Cost	Market
Canadian government and corporate bonds and obligations	\$104,832	\$ 98,283	\$ 83,116	\$ 77,149
Canadian preferred stocks	129,727	115,206	133,350	104,242
Canadian common stocks	23,659	39,809	25,438	31,904
Aircraft certificates*	3,671	3,671	4,063	4,063
	\$261,889	\$256,969	\$245,967	\$217,358

*Aircraft certificates represent part ownership of two aircraft leased to a major Canadian airline after deducting a liability of 11% serial debentures. The

debentures amount to \$1,789,500, mature in 1991 and are secured by a mortgage on one aircraft and the related lease payments.

Note 4. Investment in Unconsolidated Subsidiaries

	The Great-West Life Assurance Company	Montreal Trustco Inc.
Equity interest, December 31, 1983	96.2%	50.1%
	Thousands	
Carrying value of investments, beginning of year	\$355,444	\$ 43,346
Add (Deduct):		
Cost of shares acquired during the year	507	
Share of net operating income	53,349	5,506
Share of extraordinary and other items	6,876	345
Dividends received	(20,187)	(1,821)
Carrying value of investments, end of year	\$395,989	\$ 47,376
Share of equity, December 31, 1983	\$444,975	\$ 39,050

Under an agreement dated January 24, 1984, Montreal Trustco Inc. has agreed to sell to a group of underwriters 1,100,000 Series A common shares and pursuant to a second agreement Montreal Trustco Inc. has agreed to sell an additional 1,100,000 Series A common shares to

Power Corporation of Canada directly or through one or more affiliates, each at \$12.50 per share. Estimated proceeds after costs are \$26,548,125.

After giving effect to the above transactions the Company's equity interest in Montreal Trustco Inc. will be reduced from 50.1% to 40.4%.

Note 5. Certificate Liabilities

As security for investment certificates issued by a subsidiary, assets which qualify as investments under the Canadian and British Insurance Companies Act having a value in excess of net certificate liabilities

must be lodged by the subsidiary with an approved depository. As at December 31, 1983 the excess was \$57,606,000 (1982-\$37,951,000).

Note 6. 9 7/8% Debentures, 1978 Series

Outstanding, end of year	\$36,800,000
Less Purchased by Company for cancellation	1,500,000
Net amount outstanding	\$35,300,000

The debentures are due October 4, 1998 with a sinking fund requirement of \$1,500,000 per annum commencing October 4, 1984, under which the Company

purchased for cancellation \$1,500,000 of debentures in 1983.

Note 7. Capital Stock

Authorized

- 1,287,152 – 5% Cumulative redeemable preferred shares, 1969 Series – entitled to \$1.25 annual cumulative dividend; redeemable at \$25 per share.
- 2,400,000 – Cumulative redeemable preferred shares, 1978 Series – entitled to an annual cumulative dividend of \$1.50 to September 1, 1985 and thereafter at a floating rate equal to ½ of the prime rate plus 1¼%; redeemable on and after September 1, 1983 at \$26 per share to August 31, 1988, decreasing to \$25¼ per share during the period to August 31, 1991 and at \$25 per share thereafter.

20,000,000 – Voting common shares.

20,622,022 – Class A Non-Voting shares.

Under the terms of the preferred shares, 1978 Series, the Company is required to purchase 168,000 shares at \$25 per share on September 1 in each of the years 1984 to 1993 inclusive. The holders of the shares outstanding on September 1, 1993 have the right to have the Company redeem them on that date; otherwise 20% of the shares then outstanding will be purchased by the Company on September 1 in each of the years 1994 to 1998.

Issued and outstanding

	Number of Shares	Thousands
Preferred shares, 1969 Series	1,287,152	\$ 32,179
Preferred shares, 1978 Series	2,400,000	60,000
	<u>3,687,152</u>	<u>92,179</u>
Common shares	6,842,105	342
Class A Non-Voting shares	6,104,461	305
Surplus arising from conversion of preferred shares		7,790
	<u>12,946,566</u>	<u>8,437</u>
Total capital stock		<u>\$100,616</u>

Note 8. Appropriated Retained Earnings

Appropriated retained earnings represents the Company's share of special reserves made by The Great-

West Life Assurance Company as required by the Department of Insurance of Canada.

Note 9. Income Taxes

	Thousands	
	1983	1982
Net operating income, before income taxes	\$75,781	\$47,414
Less share of earnings of unconsolidated subsidiaries	58,855	38,963
	<u>16,926</u>	8,451
Deduct dividend income	13,237	14,935
Adjusted net operating income	<u>\$ 3,689</u>	<u>\$(6,484)</u>
Effective rates of income taxes	<u>52.6%</u>	<u>52.1%</u>
Provision for income taxes based on effective rate	\$ 1,940	\$(3,375)
Deduct adjustment for accumulated provincial royalty tax rebates	199	
Provision for income taxes on operating income	<u>\$ 1,741</u>	<u>\$(3,375)</u>

Note 10. Extraordinary and Other Items

	Thousands	
	1983	1982
Net profit on investments, net of income taxes	\$ 2,042	\$ 787
Share of extraordinary and other items		
The Great-West Life Assurance Company	6,876	4,206
Montreal Trustco Inc.	345	(662)
	<u>\$ 9,263</u>	<u>\$ 4,331</u>

Note 11. Related Party Transactions

Transactions with related companies comprise the following:

- a) The provision of life and health insurance by The Great-West Life Assurance Company and transfer agent and depository services by Montreal Trustco Inc., to the Company and its wholly-owned subsidiaries.

Note 12. Segmented Information

The Company operates in three distinct industry segments: the life insurance industry as represented by its controlling interest in The Great-West Life Assurance Company, the trust company industry as represented by its controlling interest in Montreal

- b) The provision of investment management services by wholly-owned subsidiaries to eleven affiliated mutual funds.

In all cases, such services are made in the normal course of business and at competitive rates.

Note 13. Other

- a) Investors Mortgage Fund, a mutual fund managed by a subsidiary, invests in first mortgages on improved real estate in Canada. It is anticipated that there will always be ample cash and marketable securities in the Fund available to meet future withdrawals. However, should the withdrawals exceed available cash and marketable securities, The Investors Group has guaranteed to find a purchaser for (or failing to do so, purchase itself) sufficient mortgages at prices not less than 95% of the then prevailing market value thereof, to realize sufficient monies to enable the Trustee to meet all such withdrawals.

As at December 31, 1983 total assets of Investors Mortgage Fund were \$473,963,000 comprising \$49,520,000 in cash and other liquid assets and \$424,443,000 in mortgages.

- b) Aggregate remuneration paid by the Company's unconsolidated subsidiaries to directors of the Company for services as directors or senior officers of the unconsolidated subsidiaries including the cost of pension benefits amounted to \$266,000 (1982-\$305,000).

Trustco Inc., and the financial services industry as represented by the operations of the Company and its wholly-owned subsidiaries. Financial information on each segment is provided in the consolidated financial statements and on pages 27 to 34.

- c) Included as charges against net income are the following:

	Thousands	
	1983	1982
Depreciation and amortization	\$ 874	\$ 901
Remuneration of directors and senior officers		
As directors - 14 (1982 - 15)	141	146
As officers - 12 (1982 - 12)	1,554	1,101
2 officers were also directors of the Company (1982 - 2 officers)		

- d) Certain comparative figures have been reclassified to conform with the current presentation.

Auditors' Report

To the Shareholders of
The Investors Group

We have examined the consolidated balance sheet of The Investors Group and its consolidated subsidiary companies as at December 31, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

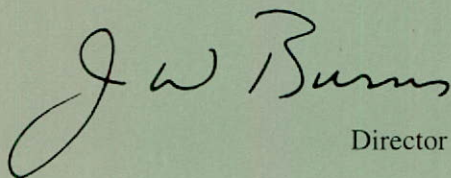
Summary of Operations
For the year ended December 31

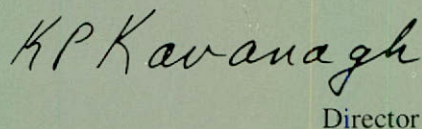
	Thousands	
	1983	1982
INCOME		
Life insurance and annuity premiums	\$ 1,089,331	\$ 1,155,908
Accident and health premiums	511,985	552,529
Net investment income	687,792	619,237
Net realized and unrealized capital gains on assets of segregated investment funds (note 1d)	42,685	57,926
	2,331,793	2,385,600
BENEFITS AND EXPENSES		
Life and annuity benefits	807,072	811,364
Accident and health benefits	407,273	478,610
Interest on funds on deposit	31,715	31,939
Increase in policy reserves (note 1g)	682,928	715,635
Dividends to policyholders	59,723	56,628
	1,988,711	2,094,176
Total paid or credited to policyholders	1,988,711	2,094,176
Commissions and operating expenses	249,036	233,942
Premium taxes	20,429	19,808
	2,258,176	2,347,926
Net operating income before income taxes	73,617	37,674
Income taxes – current	5,036	(1,725)
– deferred	(1,931)	(11,295)
Net income from operations	70,512	50,694
Other items		
Net write-down of assets	(1,532)	(11,070)
Realized gains/losses on sales of assets (note 2)	10,775	22,075
Provision for prior years' income taxes	(11,700)	(626)
Gain due to change in book rates of exchange (note 4)		34,663
Prior years' policy reserve adjustment (note 1g)	14,050	(31,782)
Share of earnings of subsidiaries (note 1f)	(2,144)	(11,307)
Net income	\$ 79,961	\$ 52,647
SUMMARY OF NET INCOME (note 1h)		
ATTRIBUTABLE TO PARTICIPATING POLICYHOLDERS		
Net income before policyholder dividends	\$ 74,743	\$ 70,481
Policyholder dividends	59,723	56,628
	15,020	13,853
Net income from operations	15,020	13,853
Other items	2,297	(2,431)
	\$ 17,317	\$ 11,422
Net income – participating policyholders	\$ 17,317	\$ 11,422
ATTRIBUTABLE TO SHAREHOLDERS		
Net income from operations	\$ 55,492	\$ 36,841
Other items	7,152	4,384
	\$ 62,644	\$ 41,225
Net income – shareholders	\$ 62,644	\$ 41,225
Earnings per share		
From operations	\$ 27.74	\$ 18.42
Including other items	\$ 31.32	\$ 20.61

Balance Sheet
As at December 31

	Thousands	
ASSETS	1983	1982
BONDS <i>(note 1a)</i>	\$ 1,941,362	\$ 1,883,590
MORTGAGES AND SALE AGREEMENTS <i>(note 1a)</i>	3,100,360	2,413,247
STOCKS <i>(note 1b)</i>	365,101	325,506
REAL ESTATE <i>(note 1c)</i>	683,884	672,562
LOANS TO POLICYHOLDERS	325,998	332,119
CASH AND CERTIFICATES OF DEPOSIT	94,366	74,850
PREMIUMS IN COURSE OF COLLECTION	75,267	81,332
INTEREST DUE AND ACCRUED	97,905	90,678
SEGREGATED INVESTMENT FUNDS <i>(note 1d)</i>	1,038,000	961,050
OTHER ASSETS	101,392	102,677
	\$ 7,823,635	\$ 6,937,611

Approved by the Board of Directors


Director


Director

Thousands

LIABILITIES	1983	1982
POLICY BENEFIT LIABILITIES		
Policy reserves (<i>note 1g</i>)	\$ 4,823,189	\$ 4,236,398
Segregated investment funds	1,038,000	961,050
Provision for claims	343,575	312,763
Provision for 1984 policyholders' dividends	60,648	59,193
Provision for experience rating refunds	64,876	68,414
	6,330,288	5,637,818
POLICYHOLDERS' FUNDS	323,242	265,032
MORTGAGES ON REAL ESTATE (<i>note 1c</i>)	333,184	260,032
INCOME TAXES PAYABLE	13,288	4,789
DEFERRED INCOME TAXES (<i>note 1e</i>)	21,690	15,090
OTHER LIABILITIES	80,986	92,854
	7,102,678	6,275,615
CAPITAL STOCK AND SURPLUS		
Capital Stock		
Authorized, issued and fully paid – 2,000,000 common shares of \$1 par value	2,000	2,000
Appropriated Surplus (<i>note 3</i>)		
Participating policyholders	61,174	54,383
Shareholders	178,541	191,722
Unappropriated Surplus		
Participating policyholders	197,103	186,577
Shareholders	282,139	227,314
	720,957	661,996
	\$ 7,823,635	\$ 6,937,611

Statement of Surplus
For the year ended December 31, 1983

	Thousands		
	Participating Policyholders	Shareholders	Total
APPROPRIATED			
Balance, January 1	\$ 54,383	\$ 191,722	\$ 246,105
Add:			
Increase in special reserves			
Investment valuation and currency reserve – net	(11)	(21,810)	(21,821)
Reserve for cash value deficiencies and amounts of negative reserves	4,879	12,715	17,594
Reserve for miscellaneous assets	1,923	(4,086)	(2,163)
	6,791	(13,181)	(6,390)
Balance, December 31	\$ 61,174	\$ 178,541	\$ 239,715
UNAPPROPRIATED			
Balance, January 1	\$ 186,577	\$ 227,314	\$ 413,891
Add:			
Total net income for year from summary of operations	17,317	62,644	79,961
Deduct:			
Dividends to shareholders		21,000	21,000
Changes in special reserves appropriated from surplus	6,791	(13,181)	(6,390)
Balance, December 31	\$ 197,103	\$ 282,139	\$ 479,242

Notes to Financial Statements
December 31, 1983

Note 1. Significant Accounting Practices

The accounting practices followed by the Company are as prescribed or permitted by the Department of Insurance of Canada for the purpose of reporting to policyholders and shareholders.

- a) Investments in bonds, mortgages and sale agreements (debt securities) are basically 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, 1983 are \$46,138,000 of net losses for bonds (\$56,576,000 in 1982) and \$780,000 of net gains for mortgages (\$742,000 in 1982).

Bonds, mortgages and sale agreements have a market value authorized by the Department of Insurance of \$4,641,560,000 (\$3,715,239,000 in 1982). In most instances, the carrying value of debt securities will be realized since they will be held to maturity to discharge policy contract liabilities maturing at the same time.

- b) Investments in stocks (equity securities) 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 equity securities. The adjustment at December 31, 1983 amounted to \$92,443,000 (\$102,928,000 in 1982). Equity investments in respect of the accident and health business are carried at cost.

Equity securities had a market value authorized by the Department of Insurance of \$593,091,000 (\$489,304,000 in 1982).

- c) Real estate at December 31, 1983 is carried at a written down cost of \$711,204,000 (\$698,964,000 in 1982) less accumulated depreciation of \$27,320,000 (\$26,402,000 in 1982).

The market value of the real estate portfolio has been calculated at \$810,102,000 (\$761,013,000 in 1982).

On November 15, 1983 the Company issued \$50,000,000 of promissory notes, \$25,000,000 at 12.50% due in 1988 and \$25,000,000 at 12.75% due in 1993. The proceeds were used to repay short-term bank indebtedness and expenses incurred in the construction of a new head office facility. The notes are secured by a collateral mortgage of the title to the head office land and buildings.

- d) Investments held for segregated investment funds are carried at market value. Net realized and unrealized capital gains on segregated investment funds were \$42,685,000 in 1983 (\$57,926,000 in 1982). Such capital gains to the funds are reflected in the increase in policy reserves and do not affect net income of the Company.

- e) Income taxes are calculated using the deferred-tax method on a present value basis.

- f) Income from subsidiaries is included in these statements under the equity method of accounting. The Company's principal subsidiaries are listed below:

Great West Life & Annuity Insurance Company
Torwest Properties U.S.A. Limited
Gold Circle Insurance Company
Cambridge Leaseholds Limited
G.W.L. Properties Ltd.

- g) Policy reserves represent the amount which, in the judgement of the Valuation Actuary, is required, together with future premiums and investment income, to provide for future policy benefits, administrative expenses and taxes on insurance and annuity policies. Asset values and projected maturities of assets and liabilities are continuously monitored and appropriately considered in the determination of policy reserves.

Policy reserves are calculated using assumptions considered to be appropriate to the policies in force and recognize the deferral of certain costs of acquiring policies. The amount of unamortized deferred acquisition costs deducted in arriving at the policy reserves was \$131,942,000 at December 31, 1983 (\$107,117,000 at December 31, 1982).

A more refined method of calculating policy reserves, made possible by the conversion of individual insurance and annuity policies to a new administrative system, partially offset by a strengthening of the funding of employee benefit plans, has caused a prior years' policy reserve adjustment of \$14,050,000, net of income taxes of \$3,006,000.

- h) Net income includes earnings of the participating, non-participating and the health insurance accounts. Earnings applicable to shareholders include net earnings of the non-participating and the health accounts and 2½%, as restricted by law, of the distributions from the participating account.

Note 2.

Realized gains, net of income taxes of \$1,496,700, on sales of assets shown as an other item in net income include the results of:

- i) all disposals of assets of the accident and health account;
- ii) disposals of real estate in the life account.

Note 3.

Appropriated surplus represents reserves required by the Department of Insurance of Canada and comprises the following:

	Thousands	
	1983	1982
Participating account		
Investment valuation and currency reserve – net	\$ 15,615	\$ 15,626
Reserve for cash value deficiencies and amounts of negative reserves	23,972	19,093
Reserve for miscellaneous assets	21,587	19,664
	\$ 61,174	\$ 54,383
Non-participating and health accounts		
Investment valuation and currency reserve – net	\$ 50,754	\$ 72,564
Reserve for cash value deficiencies and amounts of negative reserves	72,171	59,456
Reserve for miscellaneous assets	55,616	59,702
	\$ 178,541	\$ 191,722

Note 4.

United States currency items are translated at a book rate of \$1.15 in Canadian dollars. A gain in 1982 due to a change in book rates of exchange from \$1.00 to \$1.15 amounting to \$34,663,000 has been reflected in the 1982 Summary of Operations.

Conversion to Canadian dollars of the excess of United States dollar assets over United States dollar

liabilities at the December 31, 1983 exchange rate rather than the book rate of \$1.15 would have produced an increase in net assets of approximately \$23,097,000. In accordance with reporting requirements, this amount is reflected in the balance sheet by a reduction in the investment valuation reserve shown in note 3.

Note 5.

Transactions with related companies consist mainly of the provision of insurance benefits to other companies within the Power Corporation of Canada group of

companies. In all cases, such transactions are made in the normal course of business and at competitive prices.

Valuation Actuary's Certificate

To the Policyholders, Shareholders
and Directors of
The Great-West Life Assurance Company

I have made the valuation of the policy benefit liabilities of The Great-West Life Assurance Company for its balance sheet at 31 December, 1983 and its summary of operations for the year then ended. In my opinion: i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries; ii) the amount of the poli-

cy benefit liabilities makes proper provision for future payments under the Company's policies; iii) a proper charge on account of those liabilities has been made in the summary of operations; and iv) the amount of surplus appropriation for policies whose cash value exceeds the policy benefit liability is proper.

January 24, 1984

J.O. Parsonage, F.S.A., F.C.I.A., M.A.A.A.
Executive Vice-President,
Corporate Finance and Control

Auditors' Report

To the Policyholders, Shareholders
and Directors of
The Great-West Life Assurance Company

We have examined the balance sheet of The Great-West Life Assurance Company as at December 31, 1983 and the summary of operations and the statement of surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1983 and the results of its operations for the year then ended in accordance with the accounting practices described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba, January 24, 1984

Touche Ross & Co.
Chartered Accountants

Condensed Financial Statements
December 31

Thousands

CONDENSED INCOME STATEMENT	1983	1982
Gross revenue	\$ 290,504	\$ 274,679
Net revenue		
Fiduciary	\$ 59,278	\$ 58,020
Financial intermediary	28,829	19,513
Real estate	13,455	10,107
	101,562	87,640
Expense	84,570	80,115
Income taxes	6,010	821
	90,580	80,936
Net income before the undernoted Other net revenue (expense) net of income taxes	10,982	6,704
	687	(1,321)
Net income	\$ 11,669	\$ 5,383
Net income per share	\$ 1.29	\$ 0.59
Dividends per share	\$ 0.40	\$ 0.37
Investors' share of earnings (including share of other net revenue of \$345 in 1983 and other net expense of \$662 in 1982)	\$ 5,851	\$ 2,699
Book value of Investors' investment in Montreal Trustco – year-end	\$ 47,376	\$ 43,346

CONDENSED BALANCE SHEET

Cash, deposit receipts and treasury bills	\$ 324,685	\$ 226,889
Short-term notes and demand loans	413,353	221,819
Securities	175,659	179,454
Mortgages	1,086,586	998,120
Premises and equipment	16,899	18,197
Other assets	19,570	16,320
Total Assets	\$ 2,036,752	\$ 1,660,799
Deposits	\$ 512,483	\$ 515,045
Investment certificates	1,409,333	1,045,650
	1,921,816	1,560,695
Other liabilities	37,038	30,243
Shareholders' equity	77,898	69,861
Total Liabilities	\$ 2,036,752	\$ 1,660,799

Condensed Financial Statements

December 31

Thousands

CONDENSED INCOME STATEMENT	1983	1982
Operating revenues	\$ 124,709	\$ 109,338
Other income	447	364
	125,156	109,702
Operating expenses	113,219	103,552
Depreciation and amortization	2,129	2,061
Interest on debt	1,585	2,971
Income taxes	2,781	431
	119,714	109,015
Net earnings	\$ 5,442	\$ 687
Book value of Power's investment in Gesca Ltée – year-end	\$ 22,599	\$ 19,407
 CONDENSED BALANCE SHEET		
Current assets	\$ 14,448	\$ 13,928
Fixed assets – net	22,147	22,962
Investments and other assets	772	965
Goodwill	15,078	15,007
Total Assets	\$ 52,445	\$ 52,862
Current liabilities	\$ 19,081	\$ 17,686
Long-term debt	7,395	15,054
Deferred income taxes	3,363	708
Shareholders' equity	22,606	19,414
Total Liabilities	\$ 52,445	\$ 52,862

Condensed Financial Statements
December 31

Thousands

CONDENSED INCOME STATEMENT	1983	1982
Net sales	\$ 1,393,065	\$ 1,424,284
Other income	17,777	8,038
	1,410,842	1,432,322
Cost of goods sold, including depreciation	1,207,685	1,197,574
Administrative and selling expenses	86,744	91,631
Interest	52,725	61,382
Income taxes	20,677	28,329
	1,367,831	1,378,916
Earnings before extraordinary items	\$ 43,011	\$ 53,406
Earnings per common share	\$ 1.44	\$ 2.20
Dividends declared per common share	\$ 0.80	\$ 1.60
Power Corporation's share of earnings*	\$ 12,888	\$ 19,689
Book value of Power's investment in Consolidated-Bathurst – year-end	\$ 249,617	\$ 247,737

*excludes share of an extraordinary charge of \$3,848 in 1983.

CONDENSED BALANCE SHEET

Current assets	\$ 533,959	\$ 545,932
Property and plant – net	910,868	844,097
Investments and other assets	225,489	198,218
Total Assets	\$ 1,670,316	\$ 1,588,247
Current liabilities	\$ 220,826	\$ 204,547
Long-term debt	545,976	472,036
Deferred income taxes and provisions	274,044	270,975
Minority interest and preferred equity	107,567	124,199
Common shareholders' equity	521,903	516,490
Total Liabilities	\$ 1,670,316	\$ 1,588,247

Power Corporation of Canada

Registered Office

759 Victoria Square
Montréal, Québec H2Y 2K4

Transfer Agent and Registrar

Montreal Trust Company
Montréal, Toronto, Calgary, Vancouver

Stock Listings

Common Shares

The Montreal Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

Participating Preferred Shares

The Montreal Exchange

First Preferred Shares

The Montreal Exchange
The Toronto Stock Exchange

