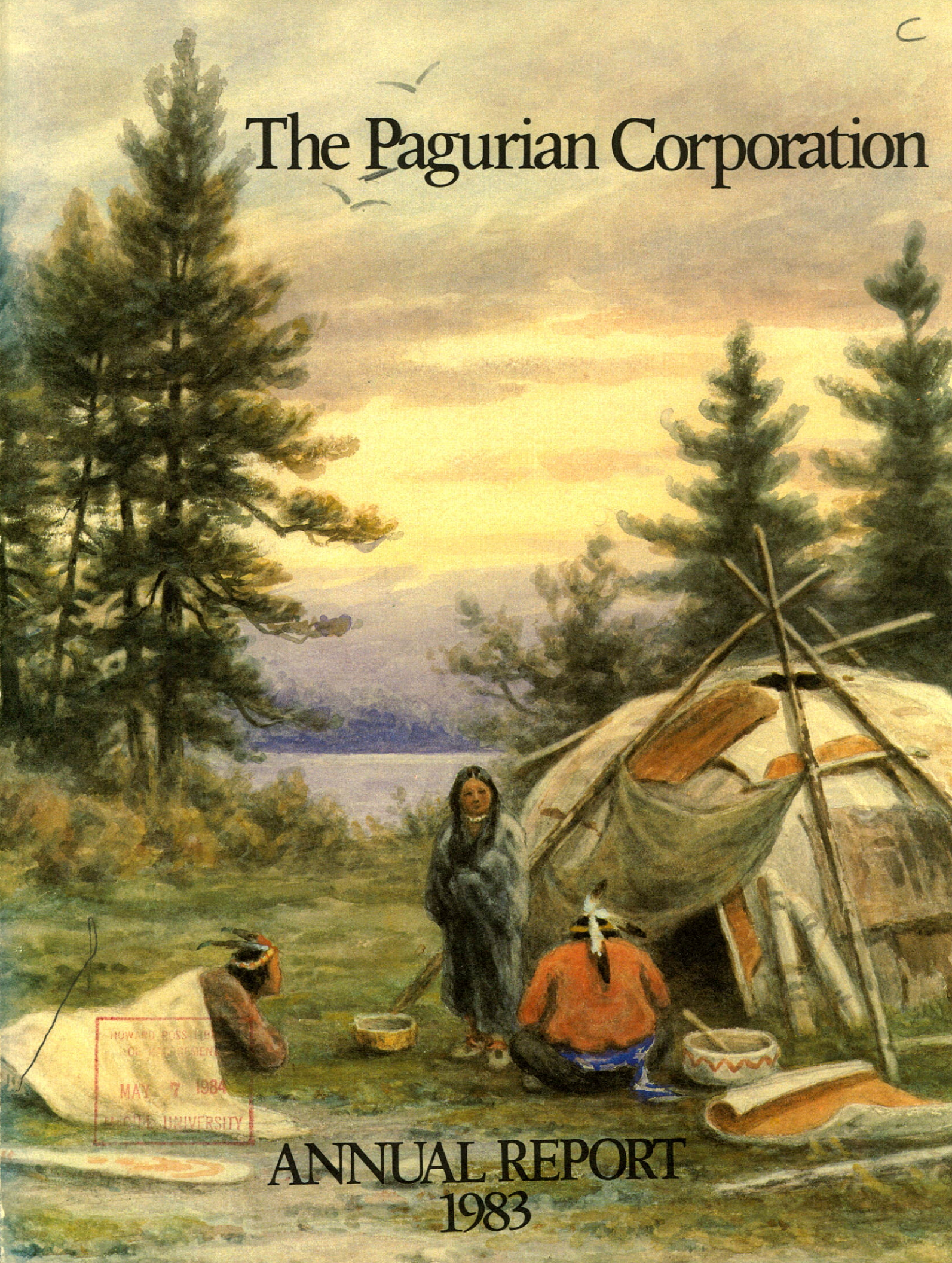


The Pagurian Corporation



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ANNUAL REPORT 1983

Board of Directors

Christopher Ondaatje,
President, The Pagurian Corporation Limited, Toronto

Donald C. Webster,
President, Helix Investments Limited, Toronto

Richard A. N. Bonnycastle,
Chairman, Cavendish Investing Ltd., Toronto

Michael F.B. Nesbitt,
President, Montrose Investment Co. Ltd.

Henri Deegenaar,
Directeur des Placements, Groupe Drouot,
Marly Le Roi, France

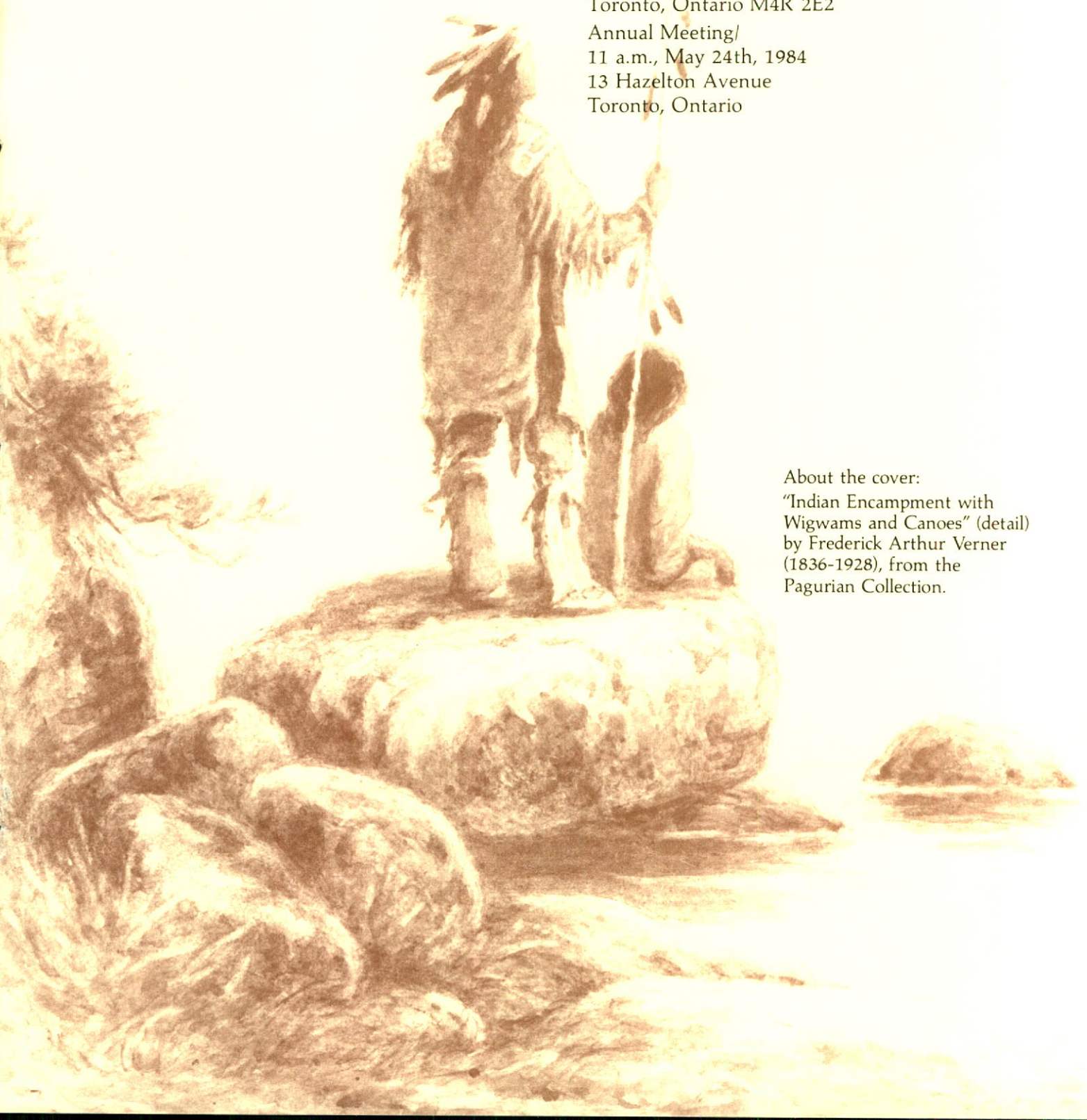
Corporate Information

Corporate Offices/
13 Hazelton Avenue
Toronto, Ontario
Telephone number: (416) 968-0255

Auditors/
Smith, Nixon & Co., Toronto

Exchange Listing/
The Toronto Stock Exchange
Registrar and Transfer Agent/
Canada Permanent Trust Company,
20 Eglinton Avenue West,
Toronto, Ontario M4R 2E2

Annual Meeting/
11 a.m., May 24th, 1984
13 Hazelton Avenue
Toronto, Ontario



About the cover:
"Indian Encampment with
Wigwams and Canoes" (detail)
by Frederick Arthur Verner
(1836-1928), from the
Pagurian Collection.



Photograph by Jim Allen

President's Report to Shareholders

The fiscal year ended December 31, 1983, was a vintage year for The Pagurian Corporation Limited. The company's record of outstanding growth was firmly reestablished with gross revenues, net earnings, earnings per share, total assets and shareholders' equity all rising to new highs. In the latest fiscal year, gross revenues rose 83.7% or \$16,748,979 from \$9,115,093, and net earnings advanced 81.9% to \$12,583,591 from \$6,916,904 in the previous year. Earnings per share more than doubled to \$1.06 from \$0.52.

Equally as noteworthy as the strong operating results was a very substantial expansion of the company's asset base, which again was achieved through an increase in shareholders' equity rather than the extended use of debt capital. As of December 31, 1983, Pagurian's total assets amounted to \$113,597,602, and shareholders' equity was only slightly less at \$102,435,431. These values represent increases of 89.1% and 73.4% respectively, over the previous year end levels. Both total assets and shareholders' equity were increased further on January 6, 1984 when a private placement of 1.7 million Class A shares was completed for cash of \$17,850,000, which brought shareholders' equity to \$120.3 million or \$7.60 per share. As a result of this issue, your company remained debt free.

In addition to its normal investment activity, Pagurian, in 1983, undertook the two largest investments in its history. During the first part of the year, your company recognized that new opportunities were about to develop in the glass container industry in Canada. To capitalize on these opportunities, Pagurian purchased a 21% interest in

Consumers Glass Company Limited for \$22 million. Consumers, established in 1917, is a leading Canadian packaging company and the country's second largest producer of glass bottles. In keeping with our established investment criteria, our initially large position in Consumers Glass has subsequently been reduced by about 50%, at advantageous prices, so that your company's interest in Consumers is now less than 10%.

In December, Pagurian made its largest investment ever when it purchased a 20% voting interest and a 17.6% equity interest in Hees International Corporation for \$45 million cash. Hees International is a leading Canadian financial services company which, in addition to providing corporate finance and management services to other companies, holds long-term investment positions in a number of major and successful corporations. The Hees investment complements your company's 37.1% equity interest in American Resource Corporation, an internationally based financial management company, which, in turn, has a 39.3% equity interest in The Pagurian Corporation.

The investments in Hees International Corporation and American Resource Corporation represent Pagurian's two major long-term investments at this time. While this reflects a major commitment to the financial services area, your company's activities will not necessarily be restricted to this field. Management is continuously appraising investment opportunities in other industries, but, as in the past, our interests will remain in well managed companies with attractive growth prospects, and where there is an opportunity to use our considerable financial expertise and resources to enhance the company's growth. At the same time, your management remains committed to maintaining an exceptionally strong capital structure rather than to rely on the extended use of debt capital. The latter approach, with its higher degree of risk, normally results in a more volatile growth pattern, but with a loss of the flexibility required to take advantage of attractive investment opportunities as they arise, particularly during periods when capital markets are depressed.

Given your company's strong financial position, the attractive growth anticipated in its major long-term investments and the expanding North American economy, I am confident that The Pagurian Corporation will again achieve record results in the current fiscal year.

I would again like to take this opportunity to thank the staff and shareholders for their continued loyal support.

On behalf of the Board,

Christopher Ondaatje
President

THE PAGURIAN CORPORATION LIMITED

Balance Sheet

AS AT DECEMBER 31, 1983

Assets

Current

Cash

Receivables

Inventories

Income taxes recoverable

1983

1982

\$ 1,659,033	\$ 14,730
95,591	426,907
1,917,215	1,794,916
—	251,560
<u>3,671,839</u>	<u>2,488,113</u>

Long-Term Investments

—at equity (Note 3)

—at cost (market value: \$42,085,954;

1982 — \$36,587,687)

69,983,274	22,406,934
37,469,060	32,636,988

Fixed Assets (Note 4)

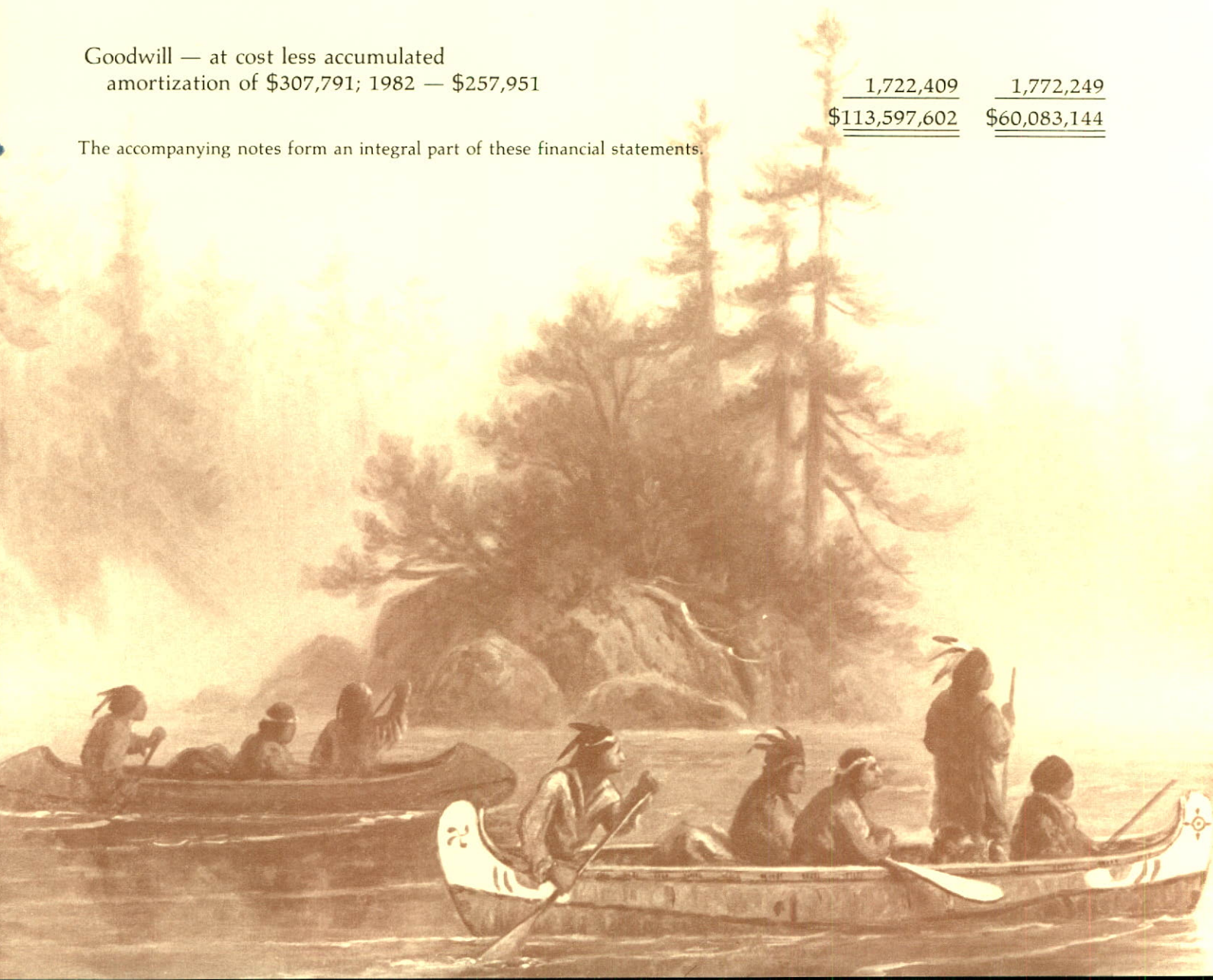
751,020	778,860
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Goodwill — at cost less accumulated

amortization of \$307,791; 1982 — \$257,951

<u>1,722,409</u>	<u>1,772,249</u>
<u>\$113,597,602</u>	<u>\$60,083,144</u>

The accompanying notes form an integral part of these financial statements.



Liabilities

Current

Bank loan (Note 5)
Accounts payable and other liabilities
Income taxes payable

1983	1982
\$ 9,954,131	\$ —
569,860	1,007,078
590,680	—
<u>11,114,671</u>	<u>1,007,078</u>
<u>47,500</u>	<u>16,500</u>

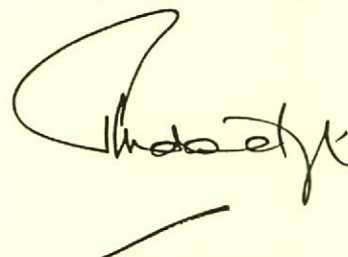
Deferred Income Taxes

Shareholders' Equity

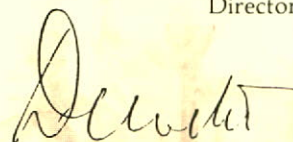
Capital Stock (Note 6)
Retained Earnings

72,010,882	38,230,311
<u>30,424,549</u>	<u>20,829,255</u>
<u>102,435,431</u>	<u>59,059,566</u>
<u>\$113,597,602</u>	<u>\$60,083,144</u>

On Behalf of the Board



Christopher Ondaatje
Director



Donald C. Webster
Director



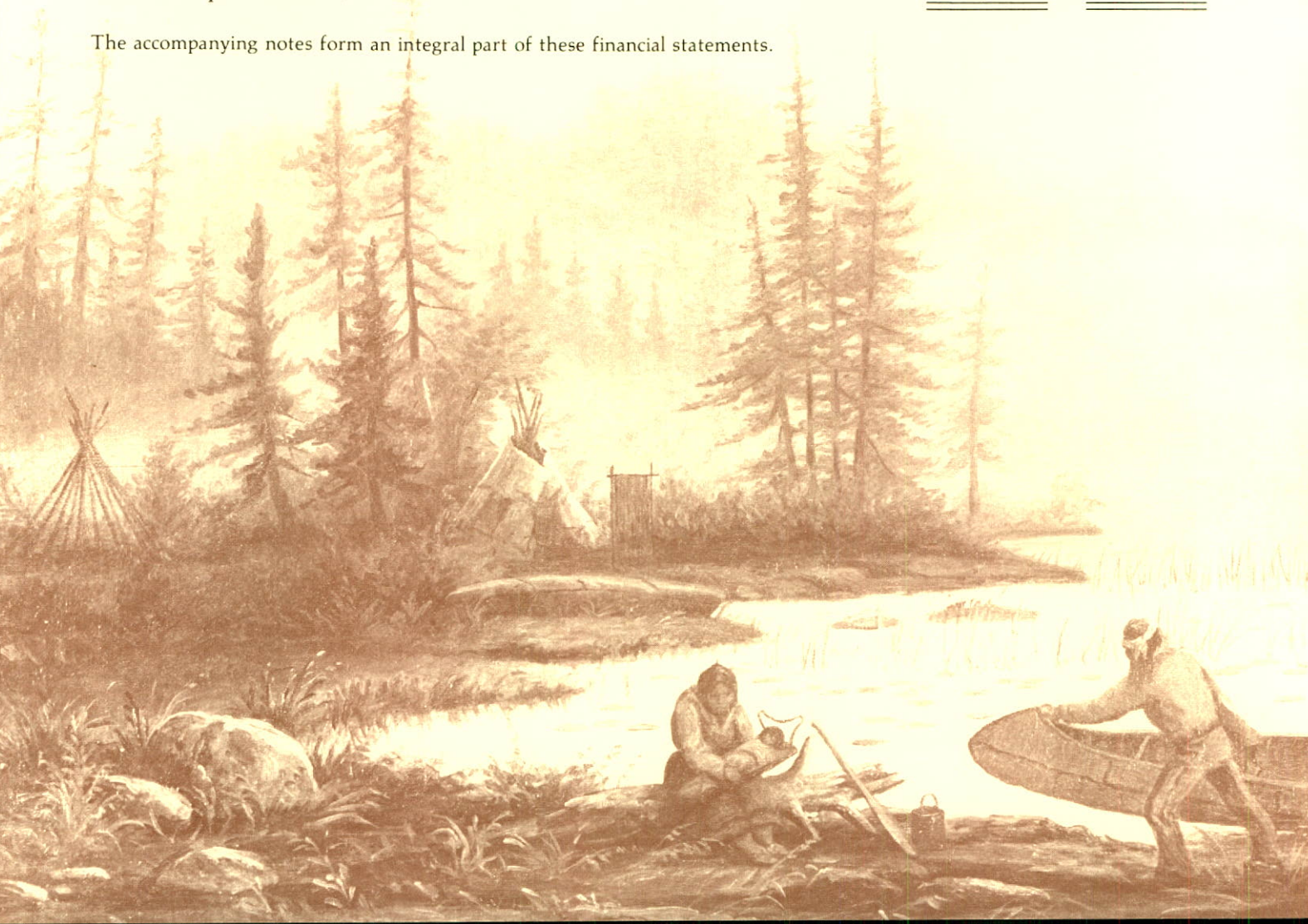
THE PAGURIAN CORPORATION LIMITED

Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31, 1983

	1983	1982
Income		
Publishing and fine art	\$ 184,748	\$ 306,519
Gain on investments	11,844,053	3,714,178
Dividends, interest and other	3,450,983	2,958,066
Equity in net earnings of other companies	<u>1,269,195</u>	<u>2,136,330</u>
	<u>16,748,979</u>	<u>9,115,093</u>
Expenses		
Costs and expenses	1,366,151	1,026,793
Depreciation and amortization	82,180	84,430
Interest	<u>189,786</u>	<u>—</u>
	<u>1,638,117</u>	<u>1,111,223</u>
Earnings before income taxes	<u>15,110,862</u>	<u>8,003,870</u>
Income taxes		
Current	2,496,271	1,088,166
Deferred	<u>31,000</u>	<u>(1,200)</u>
	<u>2,527,271</u>	<u>1,086,966</u>
Net earnings for the year	<u>\$12,583,591</u>	<u>\$6,916,904</u>
Earnings per class A and class B special share (Note 7)	<u>\$ 1.06</u>	<u>\$ 0.52</u>

The accompanying notes form an integral part of these financial statements.



Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1983

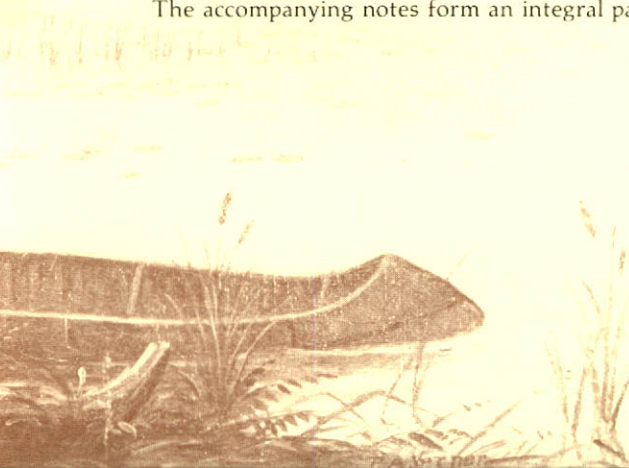
	1983	1982
Balance — beginning of year	\$20,829,255	\$16,576,571
Add:		
Net earnings for the year	<u>12,583,591</u>	<u>6,916,904</u>
	33,412,846	23,493,475
Deduct:		
Dividends paid	<u>2,988,297</u>	<u>2,664,220</u>
Balance — end of year	<u>\$30,424,549</u>	<u>\$20,829,255</u>

Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1983

	1983	1982
Source of funds		
Operations:		
Net earnings for the year	\$ 12,583,591	\$ 6,916,904
Items not representing a current flow of funds:		
Deferred income taxes	31,000	16,500
Depreciation and amortization	82,180	84,430
Equity earnings	(1,269,195)	(2,136,330)
Gain on disposal of long-term investments	<u>(11,844,053)</u>	<u>(3,866,158)</u>
	(416,477)	1,015,346
Net proceeds from issue of capital stock	33,780,571	—
Proceeds on disposal of long-term investments	<u>65,311,614</u>	<u>24,182,454</u>
	<u>98,675,708</u>	<u>25,197,800</u>
Use of funds		
Acquisition of long-term marketable investments	55,687,255	22,548,953
Investment in long-term equity investments	48,919,524	—
Dividends paid	2,988,297	2,664,220
Purchase of fixed assets	<u>4,499</u>	<u>32,482</u>
	<u>107,599,575</u>	<u>25,245,655</u>
Decrease in working capital	(8,923,867)	(47,855)
Working capital — beginning of year	<u>1,481,035</u>	<u>1,528,890</u>
Working capital (deficiency) — end of year	<u>\$ (7,442,832)</u>	<u>\$ 1,481,035</u>

The accompanying notes form an integral part of these financial statements.



Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 1983

1. Summary of Significant Accounting Policies

(a) Translation of Foreign Currencies

Foreign currencies are translated to Canadian dollars as follows:

- (i) market value of investments, receivables and payables at year-end exchange rates;
- (ii) purchases and sales of investments, income and expenses at the rates of exchange prevailing on the respective dates of such transactions; and
- (iii) the resulting gains or losses are included in net earnings.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Long-Term Investments

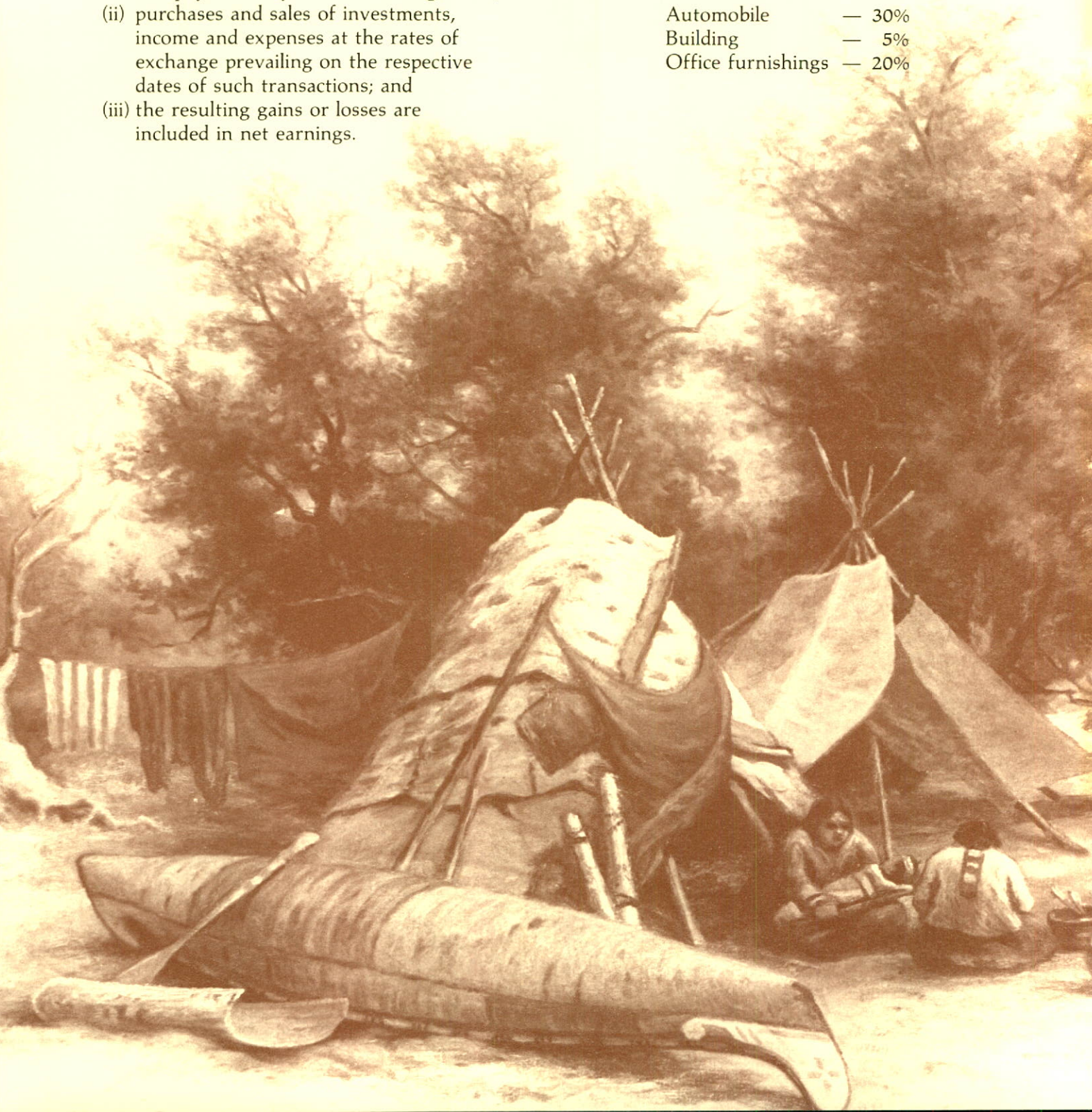
Investments in companies in which the Company has significant influence are accounted for by the equity method.

The company carries its long-term marketable securities at cost.

(d) Fixed Assets

Fixed assets are depreciated on the diminishing balance method at the following annual rates:

Automobile	— 30%
Building	— 5%
Office furnishings	— 20%



(e) Goodwill

The excess of the purchase price of businesses over the Company's interest in the fair value of the net assets acquired is being amortized on a straight-line basis over 40 years.

(f) Income Taxes

Deferred income taxes are provided for income and expense items reported for tax purposes in different periods than for financial purposes.

2. Investment in Long-Term Investments — at equity

(a) Investment in American Resource Corporation Limited

At December 31, 1983, the Company owned a 37.1% equity interest in American Resource Corporation Limited and the latter owned a 39.3% equity interest in the Company resulting in the Company having a pro rata interest of 14.6% in its own shares.

Accordingly, a pro rata portion of the dividends paid by the Company during the

year had the effect of increasing the Company's investment in American Resource Corporation Limited by the amount of \$441,822.

(b) Investment in Hees International Corporation

On December 12, 1983, the Company acquired a 17.58% equity interest (20% voting interest) in Hees International Corporation, a financial and management services company, for \$45,000,000 cash. The excess of the cost of this investment over the Company's interest in the book value of the net assets acquired has been assigned to a long-term corporate investment of Hees International Corporation in the amount of \$11,628,000.

3. Long-Term Investments — at equity

Long-term investments which are accounted for by the equity method are comprised as follows:

	1983	1982
American Resource Corporation Limited:		
37.1% equity interest (1982 — 39.8%)	\$24,983,274	\$19,255,945
Hees International Corporation:		
17.58% equity interest	45,000,000	—
Westdale Oil & Gas Ltd.:		
1982 — 42% equity interest	—	3,150,989
	<u>\$69,983,274</u>	<u>\$22,406,934</u>

4. Fixed Assets

	1983		1982	
	Cost	Accumulated Depreciation	Net	Net
Automobile	\$ —	\$ —	\$ —	\$ 1,288
Building	455,086	63,524	391,562	412,163
Land	312,500	—	312,500	312,500
Office furnishings	98,235	51,277	46,958	52,909
	<u>\$865,821</u>	<u>\$114,801</u>	<u>\$751,020</u>	<u>\$778,860</u>

5. Bank Loan

As at December 31, 1983 the bank loan was secured by the shares of Hees International Corporation. On January 6, 1984 the bank loan was repaid in full with the cash received from the private placement (Note 6(d)) and the security released.

(c) Issued — Shares		Amount	
1983	1982	1983	1982
200,000	200,000		
		5% Class B preference shares	
		\$ 200	\$ 200
16,368,634	13,132,996	Class A shares	
		71,993,719	38,212,293
179,000	188,000	Class B special shares	
		16,963	17,818
		<u>\$72,010,882</u>	<u>\$38,230,311</u>

6. Capital Stock

(a) Authorized —
Shares

1983	1982	
200,000	200,000	5% Class B non-cumulative, voting, preference shares, redeemable at 1/10¢ each, without par value
24,821,000	24,812,000	Class A non-voting shares, without par value
179,000	188,000	Class B special, voting shares, convertible on a one for one basis into class A non-voting shares, without par value
100	100	Common shares, without par value

(b) The issued capital of the Company changed during the year as follows:

- (i) 926,638 Class A non-voting shares were issued on the exercise of 926,638 share purchase warrants for cash of \$9,642,932 (net of commissions of \$86,767).
- (ii) 2,300,000 Class A non-voting shares were issued under a private placement for cash of \$24,137,639.
- (iii) 9,000 Class B special voting shares were converted into 9,000 Class A non-voting shares.

(d) On January 6, 1984 the Company issued under a private placement 1,700,000 Class A non-voting shares for cash of \$17,850,000.

7. Earnings Per Share

For calculation of earnings per share the number of total shares outstanding has been reduced by the Company's proportionate interest in its shares held by American Resource Corporation Limited. Earnings per share are based on the weighted average number of Class A and Class B special shares outstanding during the year, which in 1983 was 11,897,272 (1982 — 13,320,996).

8. Related Party Transactions

In the normal course of business, management and consulting fees of \$795,300 were paid to a director and a corporation controlled by the director (1982 — \$422,000).

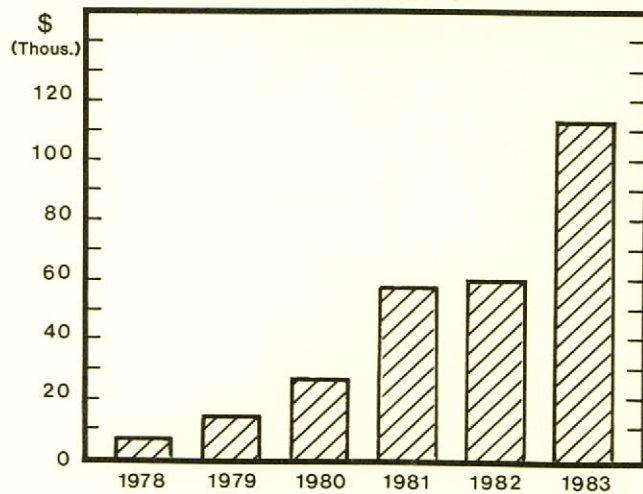
9. Business Segments

The operations of the Company consist of two business segments: publishing and fine art, and investment.

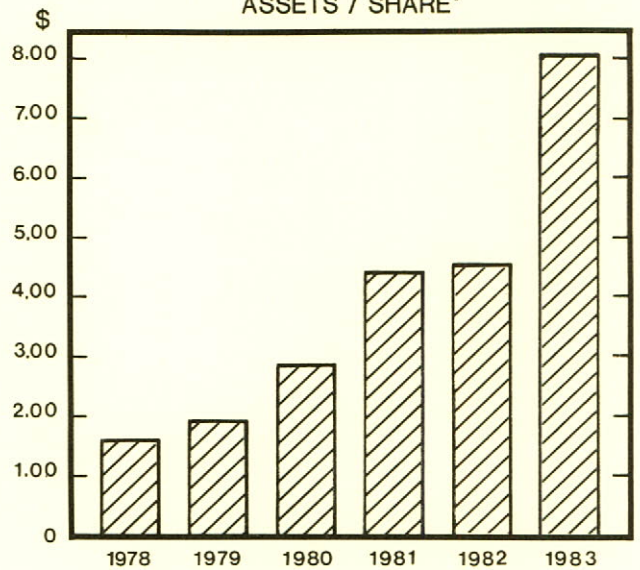
	1983			1982		
	Publishing & Fine Art	Investment	Total	Publishing & Fine Art	Investment	Total
Income	\$184,748	\$15,295,036	\$15,479,784	\$306,519	\$6,672,244	\$6,978,763
Operating Expenses	182,552	1,070,628	1,253,180	292,796	390,450	683,246
Segment Operating Profit	<u>\$ 2,196</u>	<u>\$14,224,408</u>	14,226,604	<u>\$ 13,723</u>	<u>\$6,281,794</u>	6,295,517
General Corporate Expenses			384,937			427,977
			13,841,667			5,867,540
Income Taxes			2,527,271			1,086,966
			11,314,396			4,780,574
Equity Earnings			1,269,195			2,136,330
Net Earnings for the Year			<u>\$12,583,591</u>			<u>\$6,916,904</u>
Identifiable Assets						
Publishing and fine art			\$ 1,953,806			\$ 1,817,911
Investment			39,187,093			33,055,630
Corporate			2,473,429			2,802,669
Equity investments			69,983,274			22,406,934
			<u>\$113,597,602</u>			<u>\$60,083,144</u>

Six-Year Growth Record

TOTAL ASSETS

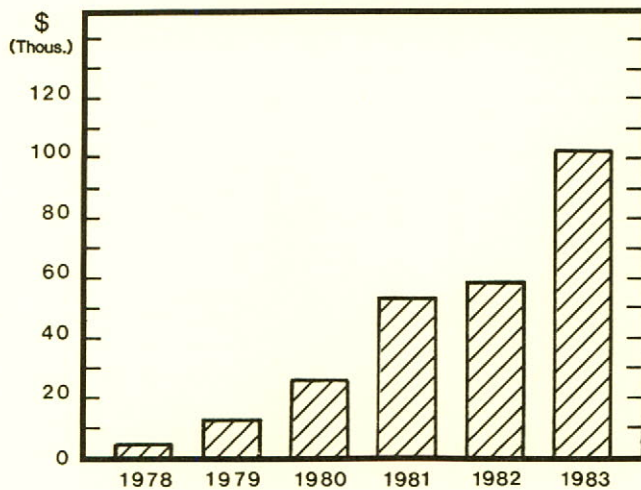


ASSETS / SHARE*

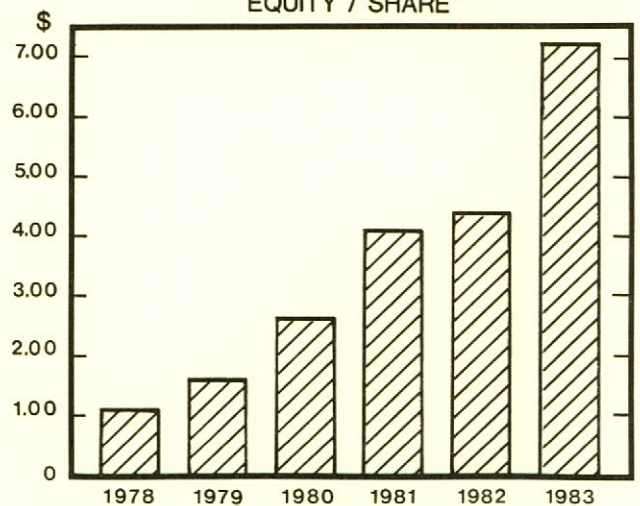


*Based on shares outstanding at December 31.

SHAREHOLDERS' EQUITY

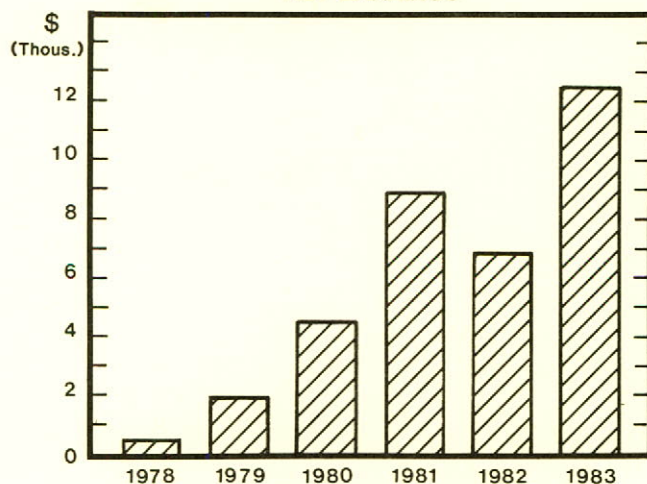


EQUITY / SHARE*

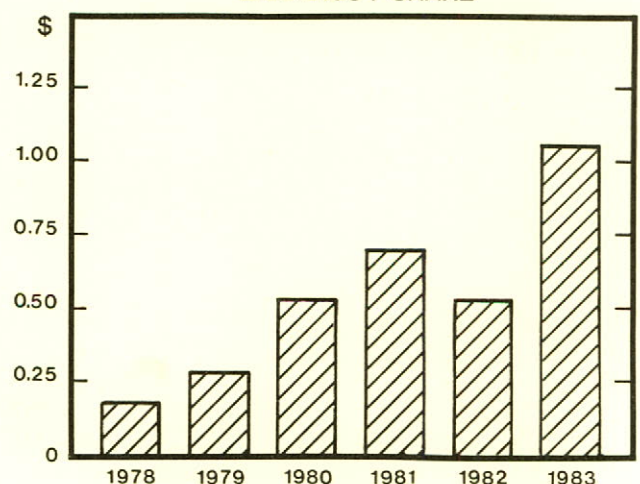


*Based on shares outstanding at December 31.

NET EARNINGS



EARNINGS / SHARE**



**Based on weighted average number of shares.

Auditors' Report

To the Shareholders of
The Pagurian Corporation Limited

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

In our opinion, these financial statements present fairly the financial position of the 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 generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 27, 1984
Toronto, Canada

Smith, Nixon & Co.
Chartered Accountants

