PRENOR GROUP LTD./ANNUAL REPORT 1980

Directors and management

PRENOR GROUP LTD.

Board of directors

George H. Garneau
Investment Executive
Palm Beach, Florida

** Hugh G. Hallward
President
Argo Construction Ltd.
Montreal, Quebec

* Arthur S. Labatt
Executive Vice-President
Prenor Group Ltd.
Toronto, Ontario

* Jean Labrecque
Assistant General Manager
Caisse de dépôt et placement du Québec
Montreal, Quebec

Raymond Lacourse
Assistant General Manager
Caisse de dépôt et placement du Québec
Montreal, Quebec

* Jean R. Perrette
President
Permal International Inc.
New York, N.Y.

* Serge Rocheleau
President and Chief Operating Officer
Prenor Group Ltd.
Montreal, Quebec

Arthur Simard
Chairman
General Trust of Canada
Montreal, Quebec

H. Arnold Steinberg
Executive Vice-President
Steinberg Inc.
Montreal, Quebec

** Lloyd F. Stevens
Chairman
Dale-Ross Holdings Ltd.
London, Ontario

** Jacques Tétrault
Senior Partner
Courtois, Clarkson, Parsons & Tétrault
Montreal, Quebec

* Lorne C. Webster
Chairman and Chief Executive Officer
Prenor Group Ltd.
Montreal, Quebec

Nicholas Clive Worms
President and General Manager
Comindus
Paris, France

* *Executive Committee*
** *Audit Committee*

Management

Lorne C. Webster
Chairman and Chief Executive Officer

Serge Rocheleau
President and Chief Operating Officer

Arthur S. Labatt
Executive Vice-President

Achille Desmarais
Secretary-Treasurer

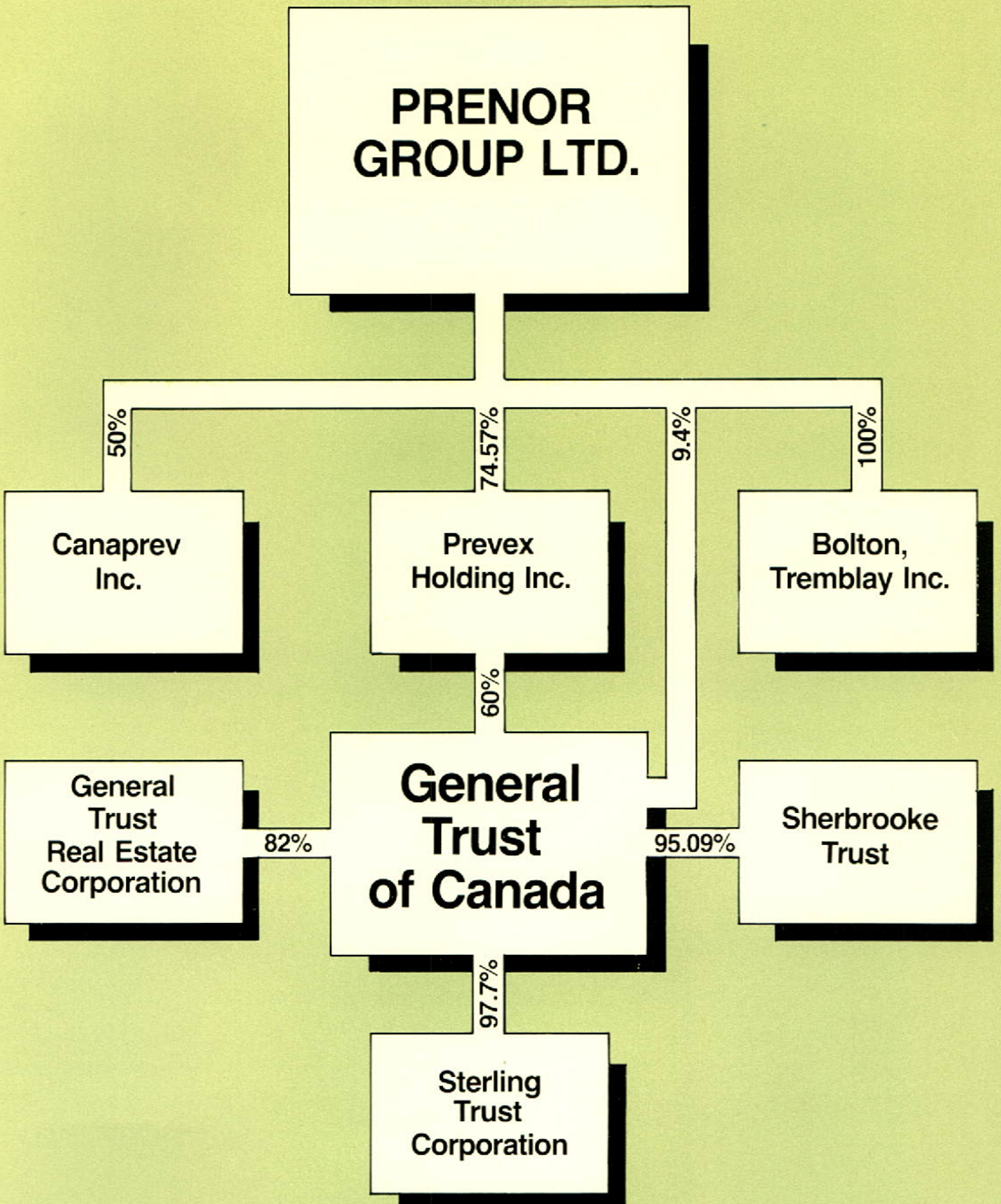
Head office

801 Sherbrooke St. East
Montreal, Quebec
H2L 1K8
(514) 527-9583

Registrar and transfer agent

General Trust of Canada
Montreal
Sterling Trust Corporation
Toronto

Group chart



Prenor Group Ltd.,
April 30, 1981

Prenor Group Ltd.
Financial highlights 1980

For the year		
Total revenue	$	126,826,000
Income from continuing operations	$	2,229,000
Per common share		0.86
Net loss for the year	$	5,201,000
Net loss per common share		2.97

At December 31		
Consolidated assets	$	1,307,805,000
Estate, trust and investment counsel accounts		3,995,950,000
Total assets under administration		5,303,755,000
Common shareholders' equity	$	21,618,000
Per common share		11.10

Contents

Front cover: *As a financial services company, Prenor Group's commitment to the future growth of the Canadian economy is reflected in its diversified portfolio. Through its subsidiaries it has invested in natural resources, primary industry, manufacturing and real estate.*

A copy of the annual report of General Trust of Canada is available from:
The Secretary,
Prenor Group Ltd.,
801 Sherbrooke St. E.,
Montreal, Quebec,
H2L 1K8

Un exemplaire en français de ce rapport peut être obtenu sur demande en écrivant à:
Le secrétaire,
Groupe Prenor Ltée,
801 est, rue Sherbrooke,
Montréal, Québec,
H2L 1K8

Management report to the shareholders

The year 1980 was a year of dramatic change within the Prenor Group. The company, whose operations at the beginning of the year were dominated by life and general insurance activities, is now engaged primarily in the trust, real estate sales, investment management and real estate investment fields. Our commitment to the financial services industry remains unaltered, but we have decided to concentrate in those areas which we perceive to offer the greatest stability and growth potential over the longer term.

The steps that led to our major decisions and their implementation deserve to be discussed in some detail. In March of 1980 Prenor, through its insurance subsidiaries, successfully completed the acquisition of a controlling interest in General Trust of Canada. This resulted in the trust industry becoming Prenor's largest interest in terms of assets employed. However, since the acquisition was structured through subsidiaries, the contribution from trust operations to Prenor's overall earnings did not increase proportionately.

Meanwhile, conditions in the Quebec general insurance industry continued to deteriorate and the long expected turnaround in underwriting results failed to materialize. The Canadian Provident-General Insurance was an industry leader in instituting a new rating system for automobile insurance, a sound concept that might eventually become industry wide, but it also resulted in an increased exposure to underwriting losses. Combined with the company's higher than average automobile underwritings (66% of total policies vs 57% for the industry), it resulted in higher than industry average losses for the year.

While the ultimate recovery of the general insurance operations was not questioned, our studies indicated that it would take much longer than originally anticipated and would require large injections of new capital before reasonable returns were realized. This probably would have meant that Prenor was in for a fairly lengthy period of consolidation with little prospect for above average growth. Therefore, when an offer was made to purchase our insurance operations, at the same time giving Prenor the opportunity to acquire direct control of General Trust of Canada, it had to be given serious consideration. In this way the earnings contribution from General Trust of Canada would be dramatically increased and the restraining factors on future growth would be lifted. While we were reluctant to leave the insurance industry after many years of successful operations, your directors concluded that the benefits of this move far outweighed the disadvantages. An agreement was reached with The Laurentian Group in late December, 1980 and the transaction completed in early March, 1981.

The current corporate structure of the Prenor Group is shown in the chart on page 9. Trust operations, through General Trust of Canada and its subsidiaries Sterling Trust Corporation, Sherbrooke Trust and General Trust Real Estate Corporation, form the largest portion of both corporate assets and earnings. We are strongly represented in the investment management industry through Bolton, Tremblay Inc. and General Trust of Canada. Prenor Group is also becoming more involved in a third area of endeavour, real estate investment, in part through Canaprev Inc. This area of operations holds considerable promise for future growth.

Reflecting the inclusion of General Trust of Canada from April 1, 1980, Prenor's income from continuing operations in 1980 showed a significant increase to $2,229,000 from $619,000 in 1979. However, due to the loss incurred by the general insurance operations the company suffered a net loss of $5,201,000 compared with net income in 1979 of $2,615,000. Total assets exceeded $1.0 billion for the first time in the Company's history and stood at $1,307,805,000 on December 31, 1980.

We would like to take this opportunity to thank all of the management and employees of the Prenor Group general and life insurance subsidiaries. Many of them had contributed to the Prenor Group for eleven years — eleven years during which the major portion of our business in terms of assets, earnings and volume, was provided by the insurance operations. We would especially like to express our gratitude to the chief executives who worked so closely with us over the years: Marcellin Tremblay, Roger Décary, Raymond Viger, George L. Bowie and Hans P. Johne. We wish them all health and success in the future.

We are pleased to welcome three new members to our Board of Directors. They are Arthur Simard, Chairman of the Board of General Trust of Canada, along with Jean Labrecque and Raymond Lacourse, who both represent the Caisse de dépôt et placement du Québec. At the same time we thank Jean-Michel Paris and Marcellin Tremblay, retiring members, for their much appreciated service to the board.

The Prenor Group's new thrust brings with it expanded opportunities and challenges. We are optimistic that the new Trust Companies Act will reduce some of the disparities between trust companies and banks. We at Prenor feel that the trust companies offer considerable scope for individual development within the financial services industry and we look forward to continued growth, both in terms of geography and services, as a stable, diversified, financial services company.

Lorne C. Webster

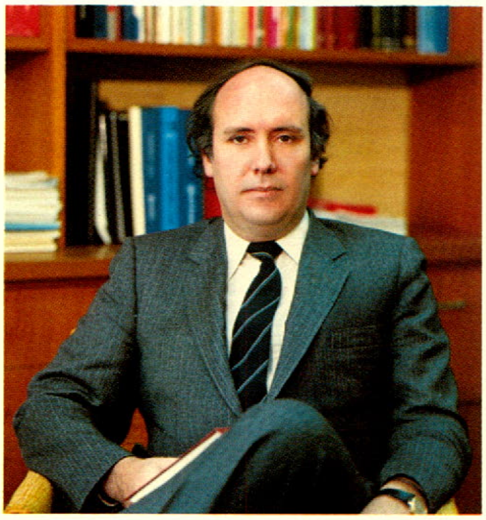
Lorne C. Webster
Chairman

Serge Rocheleau

Serge Rocheleau,
President

Montreal, April 30, 1981

Lorne C. Webster,
Chairman and Chief Executive Officer



Serge Rocheleau,
President and Chief Operating Officer

The General Trust of Canada building, nearing completion in downtown Montreal, will become the head office of Prenor Group Ltd. in October 1981. The building, which will contain offices as well as retail space, reflects its surroundings in a curtain wall of reflective glass. The project is a joint venture of Canadian National and Prenor Group through Canaprev Inc.

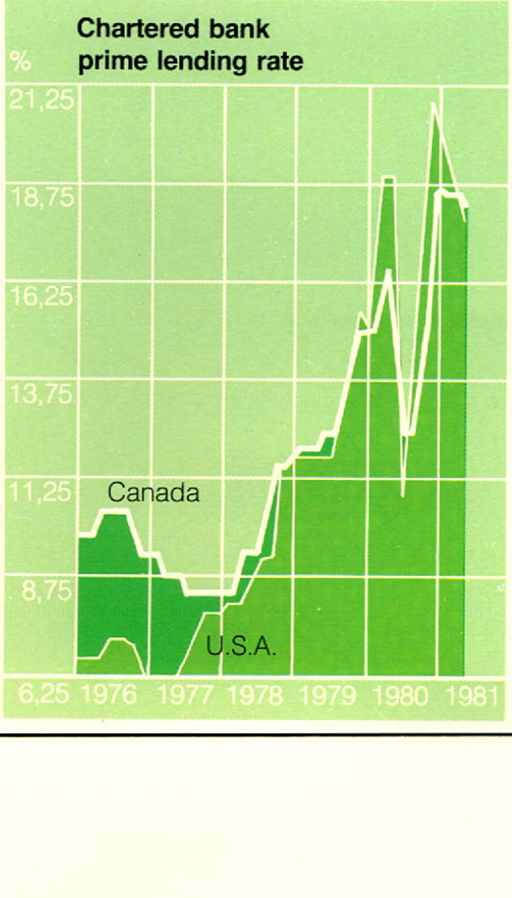
TRUST OPERATIONS/1980 was a challenging year for the Canadian trust industry. The spectacular upswing in short term interest rates set new precedents. The prime rate of Canadian Chartered banks reached 18.25% while U.S. banks posted a prime of 21%. Mortgage rates for residential housing increased to 16%, bringing construction to a virtual standstill and thus seriously affecting trust company activities in that field.(See charts below.)

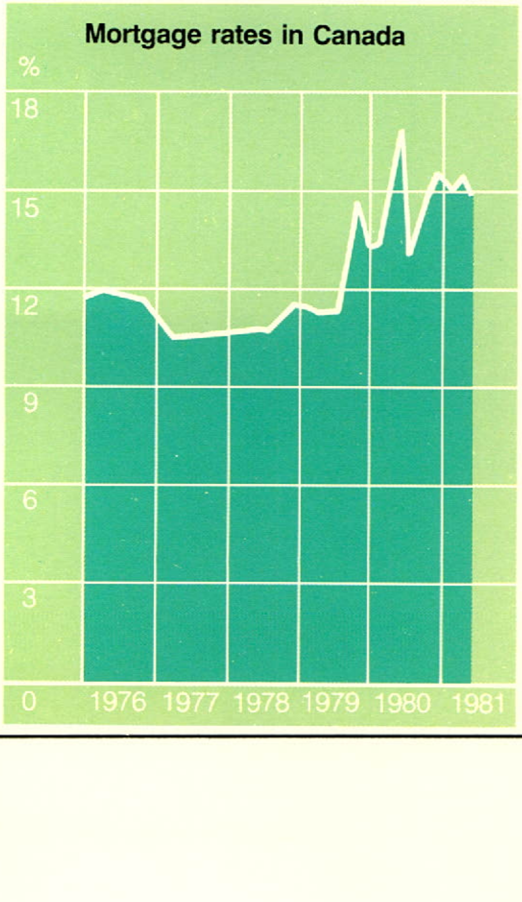
At the beginning of the summer interest rates fell sharply, raising hopes for more stable market conditions and improved trust company results. Such hopes were dampened by the fourth quarter as rates again returned to unwelcome highs.

The new Bank Act, which received final approval in 1980, is expected to have mixed effects on trust companies. Banks are required to maintain reserves for their term deposits, thus preserving the competitive edge for the trust companies. While mortgage commitments of the banks are limited to 10% of their assets, the Act does not impose the same restraints on their subsidiaries, allowing them to circumvent the spirit, if not the letter, of the law. Under the new Act banks will be allowed to act as fiduciaries of Registered Retirement Savings Plans, an area which had previously been reserved for trust companies and insurance companies. On the other hand, it grants more power to trust companies incorporated in Canada so that they may be in a better position to compete with Canadian chartered banks and "near banks".

In the same vein, the Quebec Government has indicated it will soon introduce new legislation to increase the powers of trust companies incorporated in Quebec. The "Group Report on Savings in Quebec" published by the Quebec Government in August, 1980 has recommended that trust companies be given direct access to certain methods used by finance companies (i.e. leasing and "government guaranteed" as well as consumer loans). It also proposes to give trust companies the right to issue debentures, an additional means of competing with the chartered banks and mortgage loan companies.

As a result of the acquisition of the majority of the shares of General Trust of Canada, a new and dominant member joined the Prenor Group. This report provides an overview of the General Trust group of companies comprising General Trust of Canada, Sterling Trust Corporation, Sherbrooke Trust and General Trust Real Estate Corporation.





Prenor Group and its subsidiaries believe in the optimum use of state-of-the-art computer equipment to help speed the flow of data and communications in the most efficient way possible. Computerization and marketing efforts of new and restructured subsidiaries are already well advanced.

General Trust of Canada is a full service trust company that until this year provided a complete range of services through eighteen branches, seventeen located in the principal cities of Quebec (including five in the Montreal area) and one in Ontario (Ottawa). A subsidiary, Sherbrooke Trust (1980 assets, $85 million), operates three branches in the Eastern Townships of Quebec.

Early in 1980 the company made a significant move towards geographic diversification by acquiring Sterling Trust Corporation (1980 assets, $390 million), whose thirteen branches are all located in Ontario. General Trust is now the eighth largest trust company in Canada in terms of total assets under administration.

Primarily because of acquisitions, General Trust's total assets ($1,267 million), revenues ($144.9 million) and profits ($4.7 million) were all at record high levels in 1980. Profitability, however, was restricted by continuing inflation in operating costs and extreme volatility of interest rates during the year that had the effect of reducing gross profit margins. These conditions are unfortunately continuing into 1981. This, along with uncertainties regarding trust legislation, makes it difficult to be clearly optimistic about the near term earnings outlook from financial intermediary operations. Fortunately the company has a large, stable and growing trust services operation to balance the intermediary side.

The long term outlook, however, is considerably more positive due in large part to the changes that took place in 1980. The acquisition of Sterling Trust, in addition to being a base for western expansion, should benefit profitability as more areas of expense are shared. Computerization and marketing efforts have already begun to be coordinated. Other areas will soon follow.

General Trust Real Estate Corporation/The year 1980 was successful for the Quebec real estate market. Following a very active first quarter the market experienced a slowdown caused by the spectacular upsurge of interest rates and the uncertainty surrounding the referendum decision. The second half of the year saw a return to active market operations and the year concluded with the significant restructuring of our real estate division, which attracted the attention of the whole Quebec real estate industry.

Following its acquisition of Armand Des Rosiers Inc., General Trust of Canada transferred all of its real estate operations, together with Sherbrooke Trust's real estate operations, to the new subsidiary. During the fall, the real estate division of Quebec Trust was acquired. In January 1981, the name of Des Rosiers Inc. was changed to General Trust Real Estate Corporation.

This consolidation brought the number of branches from 14 to 38 and the number of professional agents from 250 to almost 800, which made General Trust Real Estate Corpo-

Prenor Group's commitment to the real estate industry in Quebec and across Canada is reflected in the many projects in which it invests.

The Group is actively engaged in the marketing and sales of real estate through General Trust Real Estate Corporation.

ration the second largest realtor in Quebec. The real estate brokerage fees of Prenor subsidiaries totalled $13,000,000 in 1980 compared with $7,800,000 in 1979. The full effects of the acquisitions and reorganization on total commissions will be evident in 1981. These moves will result in greater market penetration and increased economy of scale producing an even more efficient and highly competitive trust organization in the years ahead.

INVESTMENT MANAGEMENT/1980 proved to be a year of extreme volatility in the financial markets, reflecting continued uncertainties over inflation and the economic outlook. Interest rates rose to historic peaks early in the year and then plunged in response to recessionary conditions that proved to be short lived. The economy recovered quite strongly later in the year and this was accompanied by a return to high interest rates. The stock market, as usual, fluctuated, but around a rising trend that produced good results for the year as a whole.

Bolton, Tremblay Inc. provides portfolio management and investment counselling services to individuals, estates, pension and endowment funds, corporations, insurance companies and investment funds. Operations are conducted in Montreal, Toronto and Calgary. The Planned Investments Division is responsible for the marketing and administration of the rapidly growing mutual funds within the Bolton Tremblay fold.

During the year, total assets under Bolton, Tremblay's management grew 17.6% to $1,327,000,000. This increase resulted from a combination of successful marketing efforts and rising market valuations of clients' portfolios. This was offset to some extent by a decline in market levels for fixed income portfolios as a result of the continuing rise in long term interest rates during 1980. During the year additional premises were taken on in all three locations to accommodate growing staff requirements and the company initiated a major programme to improve its portfolio accounting system.

The Planned Investments Division completed another outstanding year of growth. Total assets of funds in the group increased 67% from $45 million to $77 million. This result reflects very satisfactory investment performances by the group's four equity funds, as well as increased cash flow from sale of fund shares. The trend in the fund industry generally was one of increased net sales during the year, and in this respect, the Bolton, Tremblay managed funds achieved above average results.

Equity exposure, especially outside Canada, was increased during 1980 – mostly in special situations. Fixed income investment emphasized liquid short term instruments and optional maturity bonds. The struggle to bring inflation under control, the current tendency toward political conservatism, international tensions and technological development will continue to command our close attention.

General Trust of Canada building/ The construction of the new head office building at Dorchester Blvd. and University Avenue in downtown Montreal is on schedule. This 317,000 square foot building is owned by Canaprev Inc., which is a joint venture of CN Transactions Inc. and Prenor Group Ltd. Personnel of General Trust of Canada, Prenor Group Ltd. and Canadian National are expected to move into the new premises in October. In excess of 80% of the commercial area and office space is already rented.

Land holdings/In 1980, uncertainties pertaining to the zoning status of Prenor land holdings were removed and the current inventory of land is as follows: 24 acres for residential use valued at $600,000, 34 acres for commercial and industrial use valued at $300,000 and 1,186 acres of farmland valued at $900,000, representing a total of $1,800,000. These figures are based on appraisals performed in October 1980. Currently the demand for good farmland is very active. Land holdings are carried on the books at approximately $1,380,000.

Consolidated financial statements

Consolidated balance sheet

December 31, 1980	(in thousands of dollars)	
	1980	1979
Assets		
Cash and deposit receipts	**$ 90,652**	$ 14,098
Securities (note 3)	**280,212**	199,961
Mortgages and secured loans	**875,988**	188,219
Accounts receivable and others	**4,238**	23,277
Investment properties	**3,929**	6,018
Fixed assets — net	**7,633**	3,967
Development property	**4,100**	315
Deferred expenses and other assets	**—**	16,470
Amount receivable on sale of the investment in the general and life insurance group of companies (note 2)	**23,686**	—
	1,290,438	452,325
Excess of cost of investments in subsidiaries over acquired equity in net assets	**17,367**	1,258
	$1,307,805	$ 453,583
Liabilities		
Deposits and investment certificates	**$1,194,725**	$ 49,195
Accounts payable and other liabilities	**7,774**	10,040
Due on development property	**3,985**	245
Unearned revenues, actuarial reserves and other liabilities related to the insurance operations	**—**	346,571
Subordinated loan, 13 3/4% maturing in 1985	**10,000**	—
Deferred income taxes	**6,301**	2,595
Amount to be paid for common shares of General Trust of Canada (note 2)	**25,196**	—
	1,247,981	408,646
Minority interest	**32,206**	11,351
Shareholders' equity		
Capital stock (note 4)	**19,538**	19,506
Retained earnings	**8,080**	14,080
	$1,307,805	$ 453,583

On behalf of the Board:
Lorne C. Webster, Director
Serge Rocheleau, Director

Consolidated statement of income

For the year ended December 31, 1980	(in thousands of dollars)	
	1980	1979
Revenue		
Investment income from mortgages and other loans	**$ 72,544**	$ 5,640
Investment income from securities	**27,520**	—
Fees and service charges	**14,059**	3,988
Commissions from real estate sales	**12,703**	7,458
	126,826	17,086
Expenses		
Interest	**85,133**	4,496
Salaries	**14,563**	2,914
Real estate commissions	**8,382**	4,623
Premises and equipment expenses	**3,365**	745
Other operating expenses	**11,791**	3,379
	123,234	16,157
Operating income before income taxes	**3,592**	929
Income Taxes	**660**	310
Income before the following	**2,932**	619
Gain on realization of investments less income tax applicable of $423	**1,427**	—
Minority interest	**(2,130)**	—
Income from continuing operations	**2,229**	619
Net income (loss) of the discontinued operations, the general and life insurance group of companies	**(7,580)**	1,996
Income (loss) before extraordinary items	**(5,351)**	2,615
Extraordinary items (note 5)	**150**	—
Net income (loss) for the year	**$ (5,201)**	$ 2,615
Income (loss) per share:		
Income from continuing operations	**$ 0.86**	$ 0.12
Income (loss) before extraordinary items	**$ (3.04)**	$ 1.32
Net income (loss)	**$ (2.97)**	$ 1.32

Consolidated statement of changes in financial position

(not comparable with the year ended December 31, 1979, note 6)

For the year ended December 31, 1980	(in thousands of dollars)
	1980
Sources of funds:	
Loss before extraordinary items	**$ (5,351)**
Adjustments to convert net income to a cash basis:	
Depreciation and amortization of fixed assets	**798**
Amortization of discount on investments in bonds	**(985)**
Amortization of excess of cost of investments in subsidiaries over the net assets acquired	**356**
Deferred income taxes	**182**
Minority interest	**2,130**
Net loss of the general and life insurance group of companies	**7,580**
Changes in —	
Accounts receivable and others	**729**
Accounts payable and other liabilities	**3,387**
	8,826
Other sources of funds:	
Deposits and investment certificates	**136,375**
Subordinated notes	**6,250**
Cash and deposit receipts on acquisition of a subsidiary - net	**77,492**
	228,943
Application of funds:	
Mortgages and secured loans	**132,142**
Securities	**3,448**
Development and investment properties	**4,212**
Investment in the general and life insurance group of companies	**3,790**
Acquisition of fixed assets	**808**
Dividends	**799**
Cash and deposit receipts of the general and life insurance group of companies, beginning of year	**7,190**
	152,389
Increase in cash and deposit receipts	**76,554**
Cash and deposit receipts, beginning of year	**14,098**
Cash and deposit receipts, end of year	**$ 90,652**

Consolidated statement of retained earnings

For the year ended December 31, 1980	(in thousands of dollars)	
	1980	1979
Retained earnings, beginning of year	**$14,080**	$12,069
Net income (loss) for the year	**(5,201)**	2,615
	8,879	14,684
Deduct:		
Dividends on common shares	**233**	194
Dividends on preferred shares	**566**	410
	799	604
Retained earnings, end of year	**$ 8,080**	$14,080

Auditors' report

To the shareholders of Prenor Group Ltd.:

We have examined the consolidated balance sheet of Prenor Group Ltd. as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination of the financial statements of Prenor Group Ltd. and those subsidiary companies of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiary companies.

In our opinion, based on our examination and according to the best of our information and the explanations given to us, and as shown by the books of the company, these consolidated financial statements are drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1980 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.

Clarkson Gordon

Chartered Accountants
Montreal, Canada, March 9, 1981.

Notes to the consolidated financial statements

December 31, 1980

1. Summary of significant accounting policies

The consolidated financial statements of the company have been prepared within limits of materiality and within the framework of the accounting policies summarized below.

a) Basis of financial statements presentation

i) The disposal of the general and life insurance group of companies, finalized in March 1981 (note 2), is reflected in the balance sheet. The company's share of the earnings of this group to December 31, 1980 is accounted for on an equity basis. The statement of income for 1979 has been restated accordingly. The consolidated financial statements include the accounts of Prenor Group Ltd. and all of its subsidiaries other than the general and life insurance group of companies.

ii) The company directly owns 9.4% of the outstanding common shares of General Trust of Canada and, through a 74.6% owned subsidiary Prevex Holding Inc., an additional 60.0% of the outstanding common shares of that company. General Trust of Canada has been a subsidiary since April 1, 1980 and the results of its operations are consolidated from that date.

iii) The investment in Canaprev Inc., a 50% joint venture, is accounted for using the proportionate consolidated method of accounting.

b) Securities

Bonds are mainly carried at amortized cost. Other securities are stated at cost. Gains and losses are recorded upon the sale of securities except where there is a decline in value which is deemed to be a permanent decline at which time an appropriate write down is made.

c) Excess of cost of investments in subsidiaries over acquired equity in net assets

The excess of cost of investments in subsidiaries over acquired equity in net assets including $5,079,000 accruing to minority interest is amortized over periods not exceeding 40 years.

d) Earnings per share

Earnings (loss) per common share are calculated by dividing the weighted average number of common shares outstanding during the year into net income (loss) for the year after allowing for dividends on the preferred shares.

e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and amortization. Depreciation is provided on the straight-line method at rates of 2.5% to 5% for the buildings and of 10% to 20% for the equipment. Leasehold improvements are amortized on the straight-line basis over the existing lease terms.

2. Acquisition and disposal of subsidiaries

In March 1981, Prevex Holding Inc. completed the sale of its investment in the general and life insurance group of companies for a price of $23,686,000 pursuant to an agreement entered into December 23, 1980. After this sale Prevex Holding Inc. purchased 1,462,500 common shares of General Trust of Canada owned by the insurance group of companies for an effective price of $25,196,000.

The acquisition of the common shares of General Trust of Canada by the company and its subsidiaries for a total effective cost of $31,564,000 has been accounted for as follows:

	(in thousands of dollars)
Total assets	$1,071,992
Total liabilities	1,026,862
Net assets acquired	45,130
Less minority interest — preferred shares	15,732
— common shares	8,996
	24,728
	20,402
Excess of cost of investment over acquired equity in net assets	11,162
Total cost	**$ 31,564**

3. Securities

Cost and market value at December 31, 1980 are:

	Cost	**Market**
	(in thousands of dollars)	
Bonds		
Government of Canada	$ 33,965	$ 29,934
Provinces	30,738	26,298
Municipalities	123,189	114,589
Other	45,015	41,835
	232,907	212,656
Stocks	47,305	49,586
	$280,212	**$262,242**

4. Capital stock

Authorized

130,000 preferred shares of the par value of $25 each issuable in series of which 5,000 are designated as preferred shares, Series 1 and 40,000 are designated as preferred shares, Series 2.

3,000,000 common shares without par value.

	1980	1979
	(in thousands of dollars)	
Issued and outstanding		
5,000 preferred shares, Series 1, at their redemption price of $1,000 each	**$ 5,000**	$ 5,000
40,000 preferred shares, Series 2	**1,000**	1,000
1,948,084 common shares (1,944,930 in 1979)	**13,538**	13,506
	$19,538	$19,506

The preferred shares, Series 1, bear cumulative variable-rate dividends based on the prime rate and are redeemable at the option of the company at any time at $1,000 per share. The company is required to offer to purchase all the preferred shares, Series 1 on May 3, 1990 at $1,000 per share. The effective dividend rate in 1980 was 9.7% (1979 - 8.8%).

The preferred shares, Series 2, which were issued pursuant to the executive share purchase plan of the company, bear cumulative dividends at a rate of $2.00 per share, are convertible into common shares on the basis of 2 common shares for each preferred share, Series 2, and are redeemable at $25.00 per share after June 30, 1999. At December 31, 1980, the company has reserved 80,000 common shares for issue upon the exercise of the conversion rights attached to the preferred share, Series 2.

During the year 3,154 additional common shares for an amount of $32,000 were issued as part of the $80,000 dividend on the preferred shares, Series 2.

5. Extraordinary items

Reduction of income taxes due to carry forward of prior years' losses		$481,000
Gain on disposal of the general and life insurance group of companies	404,000	
Income taxes	(735,000)	(331,000)
		$ 150,000

6. Comparative figures
Following the discontinuance of the operations of the general and life insurance group of companies, comparative figures for the statement of changes in financial position are omitted.

Also, certain of the 1979 comparative figures in the other financial statements were reclassified in order to conform to the presentation adopted in 1980.

7. Commitments
a) The outstanding commitments of the trust subsidiaries as at December 31, 1980 for future loans to be secured by mortgages amount to $57,462,000.

b) Prevex Holding Inc., a 74.6% subsidiary, is committed to purchase 889,182 preferred shares of General Trust of Canada of the par value of $17 each at a price of $16.95 per share to the extent that these shares have not been redeemed by March 1, 1985.

c) The net rentals payable over the next five years for premises under long-term leases are approximately as follows:
1981 — $3,259,000; 1982 — $3,028,000; 1983 — $2,743,000;
1984 — $2,572,000; 1985 — $2,411,000

8. Remuneration of directors and officers
The aggregate direct remuneration paid by the company and its subsidiaries to the directors and officers of the company amounted to $653,000 in 1980 and $528,000 in 1979.

Management of Prenor Group Ltd. subsidiaries

GENERAL TRUST OF CANADA

Arthur Simard
Chairman
Louis Archambault
President and Chief Executive Officer
Maurice Myrand
Executive Vice-President
Jean-Louis Hamel
Senior Vice-President, Real Estate and Mortgages
Guy Achim
Senior Vice-President, Administration
Gilles N. Besner
Vice-President, Branch and Marketing Operations
Jean-Louis Desaulniers
Vice-President, Investments
Pierre Favreau
Vice-President, Trusts and Estates
Gérard Laverdière
Vice-President, Quebec Region
Gaston Pouliot
Vice-President and Legal Counsel

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