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Annual Report 1984
Prenor Group Ltd.

Financial Highlights

For the year	1984	1983
Revenue	15,099,000	14,922,000
Net income for the year	3,920,000	4,891,000
Income per common share	1,34	1,69
At December 31		
Consolidated assets	48,000,000	69,000,000
Assets under administration	2,365,000,000	2,082,000,000
Total assets under administration	2,413,000,000	2,151,000,000
Common shareholders' equity	34,214,000	31,120,000
Per common share	12,93	11,75

Prenor Group Ltd.

At March 31, 1985

Management

Lorne C. Webster
Chairman and Chief
Executive Officer

Serge Rocheleau
President and Chief
Operating Officer

Guy Richard
Vice-President, Finance
& Secretary

Head Office

1100 University Street
Montreal, Quebec
H3B 3A4
(514) 871-7120

Financial Services

Investment Manager

77.4% Bolton Tremblay Inc.

Mutual funds administration

85% Bolton Tremblay Funds Inc.

Trust Company

34.8% Vanguard Trust of Canada Limited

Mortgage brokerage

50.5% Scot-Mor Holdings Canada Inc.

Real Estate Investments

Commercial

50% Canaprev Inc.

Industrial

33 1/3% Atlas Turner Building

Shopping Center

50% Marché Village

Registrar & Transfer Agent

General Trust of Canada,
Montréal
Sterling Trust
Corporation,
Toronto

Un exemplaire
français de ce rapport
peut être obtenu sur
demande en écrivant à :

Le Secrétaire,
Groupe Prenor Ltée
1100 rue University,
Montréal (Québec)
H3B 3A4



Directors and affiliates

2

Board of Directors

- Thomas M. Birks
*Vice-President,
Merchandizing
Henry Birks & Sons Ltd.
Montréal, Québec*
- Edward L. Bronstien, Jr.
*President,
Spencer Boat Co. Inc.
West Palm Beach, Florida*
- George H. Garneau
*Vice-President
& Investment Executive
Paine Webber Incorporated
Tequesta, Florida*
- Claude Genest
*President,
Blondeau & Company
Montréal, Québec*
- †‡ Hugh G. Hallward
*President
Argo Construction Inc.
Montréal, Québec*
- † Guy Joron
*President,
Société de la
Place des Arts de Montréal
Montréal, Québec*
- † Jean R. Perrette
*Managing Director
Worms & Co.
New York, N.Y.*
- † Serge Rocheleau
*President and
Chief Operating Officer
Prenor Group Ltd.
Montréal, Québec*
- William M. Sobey
*Chairman
Sobeys Stores Limited
Stellarton, Nova Scotia*
- H. Arnold Steinberg
*Executive Vice-President
Steinberg Inc.
Montréal, Québec*
- ‡ Lloyd F. Stevens
*Chairman
Dale-Ross Holdings Ltd.
London, Ontario*
- ‡ Jacques Tétrault
*Partner
Clarkson, Tétrault
Montréal, Québec*
- † Lorne C. Webster
*Chairman and
Chief Executive Officer
Prenor Group Ltd.
Montréal, Québec*
- Nicholas Clive Worms
*President and General
Manager,
Pechelbronn
Paris, France*

Affiliated Companies

Bolton Tremblay Inc.

- G. Mitchell Bourke
Chairman of the Board
- Ian T. Scott
President
- Jean-Luc Landry
Senior Vice-President
- Robert Tattersall
Senior Vice-President
- Pierre Boucher
Vice-President
- Kenneth Done
Vice-President
- Pierre Forget
Vice-President
- Brian Gallen
Vice-President
- Michael A. Riddell
Vice-President
- Raoul Taskok
Vice-President
- Hugo Valente
*Vice-President, Finance
and Administration*
- Claire C. Chartrand
Secretary
- Head Office**
1100 University Street
Suite 800
Montréal, Québec H3B 4K5
(514) 875-7150

Bolton Tremblay Funds Inc.

- Lorne C. Webster
Chairman of the Board
- Terence Stone
President
- Hugo Valente
Secretary-Treasurer
- Lucienne LeBlanc
Assistant Treasurer
- Sharon Gignac
Assistant Secretary
- Head Office**
1 First Canadian Place
Suite 2555
Toronto, Ontario M5X 1B1
(416) 864-1040

Canaprev Inc.

- Lorne C. Webster
Chairman of the Board
- Erhard Buccholz
*President and General
Manager*
- Serge Rocheleau
Vice-President
- Marie-Andrée Prénouveau
Secretary
- Gerry C. Church
Treasurer
- Gordon H. Vineberg
Controler
- Head Office**
700 Dorchester Blvd. West
Montréal, Québec H3B 1X8
(514) 877-5330

Scot-Mor Holdings Canada Inc.

- Robert M. MacLeod
*President
and Chief Executive Officer*
- Guy Richard
Secretary-Treasurer
- Head Office**
245 Metcalfe Street
Ottawa, Ontario
K2P 1R2
(613) 238-8191



Serge Rocheleau
President and Chief
Operating Officer



Lorne C. Webster
Chairman and Chief
Executive Officer

Guy Richard
Vice-President, Finance
& Secretary

Prenor Group underwent a period of transition in 1984. During the first few months of the year, we completed the sale of our interest in General Trust of Canada, heretofore our largest single investment. We remain committed, however, to the field of financial services and real estate and to this end we began to seek other attractive investments in these sectors.

As a result of this thinking, we acquired a major participation in Vanguard Trust of Canada Limited of Toronto. We presently hold 35% of the outstanding common shares of the company and have an option to increase our participation to 51%.

With assets in excess of \$280,000,000 at the end of March 1985, Vanguard is active primarily in the fields of residential mortgages and construction loans. The sound management of this operation generated profits of \$1,694,000 for the year ended October 31st, 1984, double the equivalent figure for the year 1983.

There were other changes during the course of the past year. We re-purchased the minority interest in Prevex Holding Inc., redeemed the company's preferred shares and sold our participation in Berma Code Ltd.

1984 Results

The year 1984 showed increases of 24% in management fees and 31% in rental income, our two main sources of revenue.

The minimal increase in gross revenue, from \$14,922,000 to \$15,099,000 and the drop in net income from \$4,891,000 or \$1.69 per share to \$3,920,000 or \$1.34 per share were due primarily to the changes made in our portfolio. Previously, investment income derived from our share in net income of affiliated companies while this year, it comes mainly from interests and dividends from portfolio investments.

Operations

Financial Services

As mentioned above, management fees showed a strong increase during the course of 1984. Total assets managed by Bolton Tremblay Inc., our investment counselling subsidiary, grew during the year to reach a figure in excess of \$2.2 billion.

Bolton's three offices, in Montréal, Toronto and Calgary, have been able to expand the client base, as well as slightly improve the fee structure. As a result, gross revenue showed a further strong improvement, reaching \$4,600,000 for the year ended December 31, 1984.

Bolton Tremblay Funds Inc. had another year of superior sales growth resulting in assets under management reaching \$235,000,000 at year-end. This has brought us to the stage where gross revenue is now approaching \$4,000,000.

Real Estate

The 700,000 square foot Atlas Turner building, in which we hold a 33 1/3% interest, is completely rented. As a result of our lessees' triple A rating, a 5-year \$8,500,000 mortgage has been secured.

Our 50% participation, through Canaprev Inc., in the General Trust building, which is now fully rented, assures us of an excellent return on this investment in the future.

Due to prolonged difficulties experienced by the food distribution industry, return on investment at Marché Village has not reached the desired level. It is, however, marginally profitable. Our ownership position has changed slightly here: rather than holding a 50% interest in Berma Code, which had a 50% interest in Marché Village, Prenor now has a direct 50% participation in Marché Village.

Portfolio

Our liquid assets have been invested in short-term income producing securities and blue chip equities. As mentioned above, revenue from these investments are somewhat below the return we had been experiencing with our direct permanent investments.

New Acquisition

Since the year-end, Prenor completed negotiations with Scot-Mor Holdings Canada Inc., an Ottawa based mortgage broker, specializing in residential and commercial mortgages. Prenor's purchase of 50% of the company, via treasury stock, will allow Scot-Mor to expand its real estate financing operations.

Conclusion

Prenor is now in the enviable position of having profitable and growing subsidiaries and, in addition, being in a strong cash position allowing it to pursue further acquisitions at a time where there appears to be a number of opportunities available at reasonable prices.

The success of Prenor and its subsidiaries is mainly due to the competence and loyalty of its employees, and we would like to thank them for the support and dedication they have shown over the past year.

Lorne C. Webster
Chairman
and Chief Executive Officer

Serge Rocheleau
President
and Chief Operating Officer

Consolidated statement of income

For the year ended December 31, 1984

5

	1984 (in thousands of dollars)	1983
Revenue:		
Fees	7,727	6,242
Rental income	3,811	2,904
Investment income	3,068	195
Equity in earnings of:		
Vanguard Trust of Canada Limited	123	
Affiliated companies sold	370	5,581
	<u>15,099</u>	<u>14,922</u>
Expenses:		
Salaries and other operating expenses	7,250	5,454
Expenses related to rental properties	1,446	1,267
Interest	1,146	1,515
Depreciation and amortization	563	380
	<u>10,405</u>	<u>8,616</u>
Income before income taxes, minority interest and extraordinary item	<u>4,694</u>	<u>6,306</u>
Income taxes:		
— current	892	604
— deferred	458	(220)
	<u>1,350</u>	<u>384</u>
Income before minority interest and extraordinary item	<u>3,344</u>	<u>5,922</u>
Minority interest	<u>59</u>	<u>1,031</u>
Income before extraordinary item	<u>3,285</u>	<u>4,891</u>
Extraordinary item (note 8)	<u>635</u>	
Net income for the year	<u>3,920</u>	<u>4,891</u>
Income per common share:		
— income before extraordinary item	<u>\$ 1,10</u>	<u>\$ 1,69</u>
— net income for the year	<u>\$ 1,34</u>	<u>\$ 1,69</u>

See accompanying notes

Consolidated balance sheet

December 31, 1984

6

ASSETS

	1984	1983
	(in thousands of dollars)	
Current assets:		
Cash and deposit certificates	4,879	21
Interest and dividends receivable	219	634
Fees and other receivables	1,394	1,121
Amount receivable on sale of investment in insurance companies (note 2)	3,500	
Total current assets	9,992	1,776
Amount receivable on sale of investment in insurance companies (note 2)		7,000
Investments:		
Investments in affiliated companies, accounted for by the equity method:		
General Trust of Canada		43,642
Berma Code Ltd.		310
Vanguard Trust of Canada Limited (note 3)	6,136	
Portfolio investments (note 4)	15,688	1,813
Rental properties (note 5)	13,610	11,706
Land for resale, at cost	1,346	1,427
	36,780	58,898
Other assets:		
Furniture and leasehold improvements	667	709
Goodwill	569	576
Deferred income taxes		220
	1,236	1,505
	48,008	69,179

LIABILITIES AND SHAREHOLDERS' EQUITY

	1984	1983
	(in thousands of dollars)	
Current liabilities:		
Bank indebtedness	418	6,913
Accounts payable and accrued charges	1,756	1,593
Income and other taxes payable	732	602
Current portion of long-term debt	266	179
Total current liabilities	3,172	9,287
Deferred income taxes	566	
Long-term debt related to rental properties (note 6)	9,962	8,756
Amount payable for common shares of General Trust of Canada (note 2)		7,000
Minority interest	94	8,016
Shareholders' equity:		
Capital stock — (note 7)		
Issued and outstanding:		
(5,000 preferred shares in 1983)		5,000
2,647,064 common shares (2,649,364 in 1983)	17,034	17,049
Retained earnings	17,180	14,071
Total shareholders' equity	34,214	36,120
	48,008	69,179

See accompanying notes

On behalf of the Board:



Lorne C. Webster,
Director



Serge Rocheleau,
Director

Consolidated statement of changes in cash position

For the year ended December 31, 1984

8

	1984	1983
	(in thousands of dollars)	
Cash provided by:		
Operating activities:		
Income before extraordinary item	3,285	4,891
Operating items not involving cash (note 9)	587	(2,594)
	3,872	2,297
Disposal of shares of General Trust of Canada, net of current income taxes of \$1,716,000 (note 8)	37,207	
Less repayment of an amount due on the purchase of these shares	(3,500)	
Net change in other items	527	248
	38,106	2,545
Cash used in:		
Investment activities:		
Purchase of shares of Vanguard Trust of Canada Limited	6,013	
Purchase of portfolio investments	13,789	1,711
Additions to rental properties	2,312	2,942
Less mortgage loans assumed	(1,528)	(1,980)
Additions to fixed assets	106	11
	20,692	2,684
Financing activities:		
Redemption of preferred shares	5,000	
Purchase of common shares	20	
Dividends paid	806	617
Repayment of long-term debt related to rental properties	235	82
	6,061	699
	26,753	3,383
Net increase (decrease) in cash	11,353	(838)
Cash, beginning of year	(6,892)	(6,054)
Cash, end of year	4,461	(6,892)
Cash consists of cash and deposit certificates less bank indebtedness.		

See accompanying notes

Consolidated statement of retained earnings

For the year ended December 31, 1984

9

	1984	1983
	(in thousands of dollars)	
Retained earnings, beginning of year	14,071	9,797
Net income for the year	3,920	4,891
	17,991	14,688
Deduct:		
Dividends on common shares	424	212
Dividends on preferred shares	382	405
Premium on purchase of common shares	5	
	811	617
Retained earnings, end of year	17,180	14,071

See accompanying notes

Auditors' Report

To the Shareholders of Prenor Group Ltd.:

We have examined the consolidated balance sheet of Prenor Group Ltd. as at December 31, 1984 and the consolidated statements of income, retained earnings and changes in cash position for the year then ended and have obtained all the information and explanations we have required. 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, 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, 1984 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Blackson Gordon

Chartered Accountants
Montréal, Canada,
February 15, 1985.

Notes to the consolidated financial statements

December 31, 1984

10

1. Summary of accounting policies

The consolidated financial statements of the Company have been prepared by management within the limits of materiality and within the framework of the accounting policies summarized below:

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Bolton Tremblay Inc. and Bolton Tremblay Funds Inc. Investment in an affiliated company, Vanguard Trust of Canada Limited, is accounted for by the equity method.

b) Portfolio investments

Portfolio investments are accounted for at cost. The book value of these investments is reduced if there has been a permanent loss in value.

Interest revenues are accounted for on an accrual basis and dividend revenues are recognized at the declaration date.

c) Rental properties

Investments of the Company in rental properties consist of undivided interests therein which are accounted for by the proportionate consolidation method.

d) Furniture and leasehold improvements —

Furniture and leasehold improvements are stated at cost less accumulated depreciation and are depreciated over their estimated useful life.

e) Goodwill

The excess of the cost of investments in subsidiaries and an affiliated company over the acquired interest in net assets is amortized over a period of 40 years.

f) Income taxes

The Company provides for income taxes on the tax allocation basis. The income tax expense is lower than that obtained by using the basic rates of income tax, since certain dividend income is not taxable and equity in earnings of affiliated companies is already presented net of income taxes.

g) Earnings per share

Earnings per common share are calculated after deducting dividends on preferred shares and using the number of common shares outstanding during the year: 2,647,064 shares (2,649,364 shares in 1983).

2. Amount receivable on sale of investment in insurance companies and amount payable for common shares of General Trust of Canada

The amount payable was settled in advance during the year; the amount receivable was collected in January 1985.

3. Purchase of shares of Vanguard Trust of Canada Limited

During October 1984, the Company acquired 897,500 common shares of Vanguard Trust of Canada Limited, from treasury, for a cash consideration of \$6,013,000. The excess of the purchase price over the book value of the underlying net assets amounted to \$536,000. As at December 31, 1984, the Company owned 27.8% of the outstanding common shares.

Prenor Group Ltd. has been granted an option to purchase additional shares which would increase its holding to 51%. This option may be exercised up to August 15, 1992, at a price based on the book value and net income of the company.

4. Portfolio investments

The portfolio consists of investments in government bonds and common and preferred shares of listed Canadian and American companies. On December 31, 1984, the market value of these investments amounted to \$16,064,000 (\$1,768,000 in 1983).

Notes to the consolidated financial statements

5. Rental properties

Rental properties and the Company's share therein are as follows:

	1984		1983	
	(in thousands of dollars)			
	Cost	Accumulated depreciation	Net value	Net value
The General Trust Building — 50 %	9,640	744	8,896	9,094
The Atlas Turner Building — 33 1/3 %	2,612	130	2,482	2,612
Le Marché Village — 50 %	2,263	31	2,232	
	14,515	905	13,610	11,706

The General Trust Building is depreciated over the term of the lease on the land, i.e. 50 years. The Atlas Turner and Le Marché Village buildings are depreciated on a straight-line basis over a period of 20 years. Depreciation for the year amounted to \$408,000 (\$235,000 in 1983).

6. Long-term debt related to rental properties

This item represents the Company's share of the debts secured by the rental properties and consists of:

	1984	1983
	(in thousands of dollars)	
The General Trust Building:		
Series A and B first mortgage bonds, bearing interest at 10 3/4% and 11% and maturing in 1990	6,862	6,955
The Atlas Turner Building:		
Balance of sale, bearing interest at the prime rate of a bank, repayable in monthly instalments of \$ 2,222	347	373
Mortgage loan, bearing interest at the prime rate plus 1%, maturing in 1985 and in the process of being refinanced on a long-term basis	1,491	1,607
	1,838	1,980
Le Marché Village:		
Mortgage loan, bearing interest at 15 3/4%, repayable in monthly instalments of \$41,416, including principal and interest and maturing in 1988	1,528	
	10,228	8,935
Less instalments included in current liabilities	266	179
	9,962	8,756

The Company's share of long-term debt payments for the next five years, including sinking fund requirements of Series A and Series B bonds, is as follows: 1985 — \$266,000; 1986 — \$280,000; 1987 — \$295,000; 1988 — \$296,000; and 1989 — \$303,000.

Notes to the consolidated financial statements

12

7. Capital stock

Authorized:

— an unlimited number of preferred shares without par value, issuable in series, of which 5,000 were designated as preferred shares, Series 1.

— an unlimited number of common shares without par value.

The preferred shares, Series 1 were redeemed during the year. In addition, 2,300 common shares were purchased at a price of \$8.58 each, resulting in a reduction in retained earnings of \$5,000.

8. Extraordinary item

This item consists of:

	(in thousands of dollars)	
Disposal of shares of General Trust of Canada		
Proceeds of sale	46,527	
Redemption of minority interest	(7,604)	38,923
Less investment on equity basis at time of sale		36,021
Gain before income taxes		2,902
Income taxes — current	1,716	
— deferred	998	2,714
Gain on sale of shares of General Trust of Canada		188
Loss on sale of shares in Berma Code Ltd. net of income taxes of \$123,000		(100)
Tax benefit resulting from loss carryforwards unrecorded in previous years		547
		635

9. Operating items not involving cash

	1984	1983
	(in thousands of dollars)	
Depreciation and amortization	563	380
Equity in earnings of affiliated companies net of dividends received of \$1,796,000 in 1983	(493)	(3,785)
Deferred income taxes	458	(220)
Minority interest	59	1,031
	587	(2,594)

10. Commitments

Net rentals payable over the next five years for land and premises under long-term leases are approximately as follows: 1985 — \$498,000; 1986 — \$296,000; 1987 — \$273,000; 1988 — \$273,000; and 1989 — \$273,000.

