

# THE PAGURIAN CORPORATION

## ANNUAL REPORT 1985





## Board of Directors

Christopher Ondaatje,  
President, The Pagurian Corporation Limited, Toronto

Michael F. Blair,  
President, The Enfield Corporation Limited, Toronto

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

Pierre L. Moussa,  
Chairman, The Pallas Group S.A., Luxembourg

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

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

## Corporate Information

Corporate Offices/  
13 Hazelton Avenue  
Toronto, Ontario M5R 2E1  
Telephone number: (416) 968-0255

Auditors/  
Smith, Nixon & Co., Toronto

Exchange Listing/  
The Toronto Stock Exchange

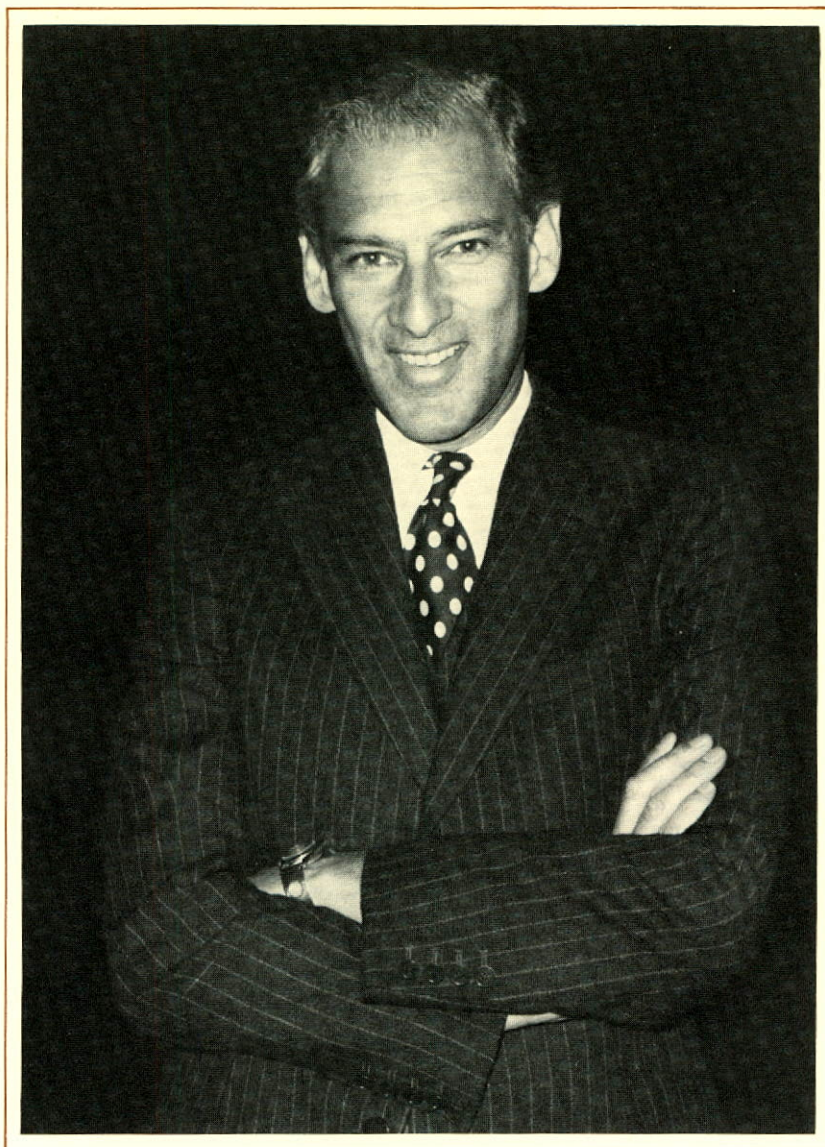
Registrar and Transfer Agent/  
The Canada Trust Company  
20 Eglinton Avenue West,  
Toronto, Ontario M4R 2E2

Annual Meeting/  
11 a.m., May 22nd, 1986  
Commerce Hall,  
Commerce Court, Concourse Level  
King and Bay Streets  
Toronto, Ontario



### About the cover:

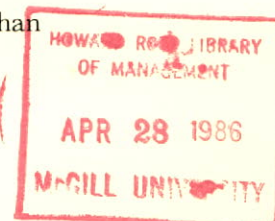
Pagurian shareholder and Director-elect Arne Naess at the summit of Mount Everest, April 29th, 1985. Mr. Naess led the Norwegian Everest expedition's successful assault on the world's highest mountain with Pagurian sponsorship.



## President's Report to Shareholders

**P**agurian Corporation's remarkable growth pattern was maintained in its latest fiscal year. In the year ended December 31, 1985, Pagurian's gross revenues advanced 18% to \$35 million from \$29.8 million in 1984, and its net earnings increased by 32% to \$28.8 million from \$21.8 million in the previous year. Net earnings per share also rose 32% to \$0.90 in 1985 on 32.1 million shares outstanding from \$0.68 in 1984.

These results mean that in the five-year period, 1980 to 1985, Pagurian's gross revenues, net earnings and earnings per share grew at compound average annual rates of 41%, 45%, and 28% respectively. During the same five-year period, your Company's total assets rose from \$28 million to \$173 million. The current market value of these assets, however, is considerably higher than that reflected in the accounts.





## THE PAGURIAN CONCEPT

The Pagurian Corporation, founded as a small publishing company in 1967, has evolved into an imaginative corporate finance and management company whose expertise is financing corporations and individuals through a unique corporate partnership formula that provides management with a much better than normal incentive to build businesses and thus maximize Pagurian's share values and investments. While the current scope of Pagurian's activities is far more elaborate and sophisticated than the founding entrepreneurs envisaged, the guiding principles have remained unchanged. One such principle is a recognition that success will always depend on the skills and ingenuity of the management of both Pagurian and the companies in which it makes major investments.

Pagurian's recent record and those of its major holdings, including Hees International Corporation and The Enfield Corporation Limited, demonstrate how rewarding this principle has been. Another important characteristic of your Company has been the avoidance of excessive financial risk. Your management believes that a conservative investment philosophy is entirely appropriate for a financial management company operating in highly volatile capital markets. The Pagurian Corporation was again debt free on December 31, 1985.

Although Pagurian's activities may sometimes appear complicated, the underlying focus and operating strategies have remained relatively straightforward. Pagurian's growth as a corporate finance company has been founded on a singular and deliberate approach. First an investment is made in the common equity of a company with attractive growth potential. This initial investment is usually reinforced with preferred equity providing Pagurian with an immediate return. The second stage is to capitalize the investment by having the entity raise additional capital from either private or public markets. Successful examples of this approach have been American Resource Corporation Limited and, more recently, The Enfield Corporation Limited. Finally, as the investment matures, Pagurian can derive substantial gains from selling all or part of the original investment or by allowing the holding to continue to grow. This process provides Pagurian with a diverse earnings stream which includes dividends and equity earnings, capital gains from capitalizing longer-term investments, and, finally, gains from the sale of mature investments.

Having established a broadly based and growing earnings stream, Pagurian's results are no longer dependent on any one holding or development.

The establishment of a secure and growing earnings base allowed Pagurian to begin paying dividends to shareholders in 1982. The Company declared \$0.30 per share on the Class A and Class B special shares in 1985, twice the rate paid in 1984 and three times the initial dividend. Having regard to the growth potential inherent in Pagurian's current investments and the Company's strong capital structure, management is confident that shareholders can look forward to substantial growth in both earnings and dividends in future years.

## REVIEW OF COMPANY OPERATIONS

Pagurian's operating structure is shown on the opposite page.

The major development in this structure in 1985 was the formation of Canadian Express Limited, a joint venture between Pagurian and Pallas Group, an international finance and management company.

### *Publishing and Portfolio Investments (100%)*

In addition to the publishing and fine art business, Pagurian maintains a portfolio of high-quality marketable investments. These investments are heavily weighted in preferred and high-yielding common shares which assure security of capital and dividend income. Revenue from this division has been a major component of Pagurian's earnings over the past few years and exceeded 50% of the total income in 1985. In particular the dividends received provide an important and growing source of cash available for further investment opportunities, as well as providing liquidity for the payment of dividends to Pagurian shareholders. The recent redemption of \$53 million of The Enfield Corporation Limited preferred shares held by Pagurian and the sale of 4.5 million Class A treasury shares of Pagurian have injected approximately \$108 million of new cash into the Pagurian treasury. This should ensure another excellent performance in 1986.

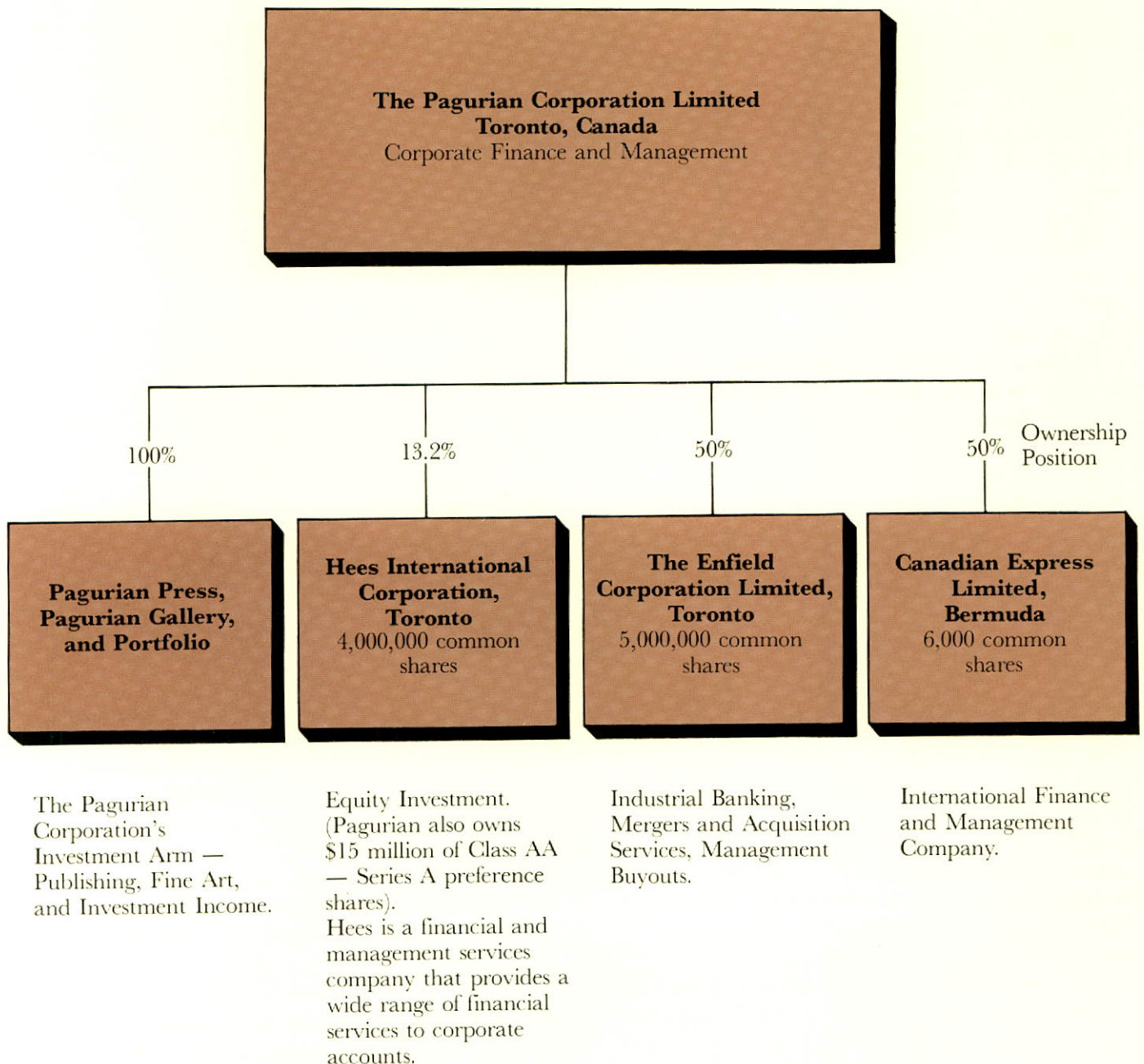
### *Hees International Corporation (13.2%)*

At December 31, 1985, Pagurian had a 13.2% equity interest and a 16.8% voting interest in Hees International, the leading publicly owned Canadian merchant bank. Pagurian had a close working relationship with the management of Hees.



# The Pagurian Corporation Limited

OPERATING STRUCTURE AS AT DECEMBER 31, 1985\*



\*On January 29, 1986 The Pagurian Corporation Limited announced that it had sold 4,574,732 Class A non-voting shares from its treasury to Merrill Lynch Canada Inc. Simultaneously with this transaction, The Enfield Corporation Limited announced its sale of 4,500,000 special warrants exchangeable into 4,500,000 common shares of Enfield and its intention to file a preliminary prospectus to offer a further 2,000,000 of its treasury common shares to the public. The exercise of the special warrants has the effect of reducing Pagurian's interest in Enfield from 50% to 34.5%; and the public issue of 2,000,000 shares by Enfield will further reduce Pagurian's interest to 30.3%.







In the fiscal year ended December 31, 1985, Hees' revenues and net earnings rose 53% and 59% respectively, to \$126 million and \$84 million. During 1986, Hees' earnings are expected to exceed \$100 million. Over the past five years, Hees' earnings per share have grown at a compound annual rate of 30%, and the return on shareholders' equity averaged 20%.

Pagurian's investment in Hees, which consists of four million common shares and \$15 million of Class AA preference shares, had a market value of \$112 million as at December 31, 1985. Pagurian's equity in Hees' earnings amounted to \$7.7 million in 1985.

Subsequent to the year-end Hees International acquired a 41% interest in Norcen Energy Resources Ltd. through a joint investment initiative with Brascan Limited. The transaction increased Hees' shareholders' equity to over \$1 billion and provided the company with an important call on a 30% interest in Great Lakes Group Inc.

*The Enfield Corporation Limited (50%)\**

Enfield, established early in 1984 with Pagurian's financial assistance, is an industrial banking and management company. Its focus is to acquire significant equity interests in, and to provide management advice and expertise to, industrial manufacturing companies. Enfield is currently engaged in the manufacture of composite thermoset exterior body panels for the automobile industry through a 59.3% voting ownership in The Complx Corporation, and of sophisticated plastic components for the aerospace, business machine, electrical, electronic and telecommunication industries through its 52.3% ownership of Furst Manufacturing Corporation. It also participates in the manufacture of plastic and glass products for the packaging industry through a 22.4% investment in Consumers Glass Company Limited. Enfield now has annual sales of approximately \$40 million and its total assets exceed \$250 million.

Early in 1986 Enfield completed a \$47.7 million private placement and completed a public issue of an additional \$21.2 million in common equity. \$29.5 million of the proceeds from these financings were used by Enfield to redeem \$53 million of its preference shares owned by Pagurian. While the above transactions reduce your Company's ownership of Enfield from 50% to 30.3%, they greatly strengthen a corporation which will continue to make growing contributions to Pagurian's earnings in years to come.

\*As at December 31, 1985

*Canadian Express Limited (50%)*

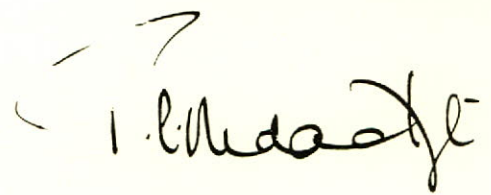
Canadian Express Limited was formed early in 1985 as a result of a partnership with Pallas Group S.A. of Luxembourg, and contributed \$525,000 to Pagurian's 1985 earnings in its first year of operations. The company, which is managed in Bermuda, is an international finance and management company and has been organized to develop the well tested Pagurian principles and strategies in an international context. Currently Canadian Express derives its income by managing the assets of American Resource Corporation in which it holds a 10% interest. The company also owns a valuable 8.3% interest in Pallas Group.

Canadian Express plans to increase earnings by expanding American Resource's operations in North America and Europe and is expected to play a significant role in Pagurian's growth internationally over the next few years.

The current year has already seen your Company involved in two important transactions. In February, Pagurian sold 4.5 million Class A non-voting treasury shares for \$55.2 million, which significantly strengthened its financial resources. Also this year The Enfield Corporation's financing added \$65 million to Enfield's common equity and generated a net earnings gain of approximately \$17 million for Pagurian. Given this strong beginning, your management is confident that Pagurian's outstanding growth pattern will be sustained in 1986, and beyond.

I would again like to thank all members of the Board, staff and shareholders for their continued loyal support. Pagurian's success could not have been achieved without their confidence and commitment.

On Behalf of the Board,



Christopher Ondaatje  
President



## Consolidated Balance Sheet

AS AT DECEMBER 31, 1985

## Assets

	1985	1984
Current		
Cash	\$ 1,494,490	\$ 551,067
Receivables	10,194	335,646
Inventories	<u>2,305,251</u>	<u>1,959,964</u>
	3,809,935	2,846,677
Long-Term Investments		
—at equity (Note 2)	142,506,478	93,509,722
—at cost (market value: \$29,227,224; 1984 — \$40,417,750)	23,093,087	39,209,652
Fixed Assets (Note 3)	2,080,560	741,191
Goodwill — at cost less accumulated amortization of \$407,471; 1984 — \$357,631	<u>1,622,729</u>	<u>1,672,569</u>
	<u>\$173,112,789</u>	<u>\$137,979,811</u>

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





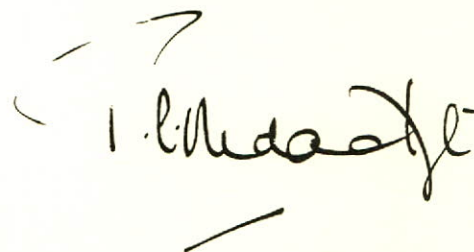
## Liabilities

	1985	1984
Current		
Accounts payable and other liabilities	\$ 151,236	\$ 577,052
Income taxes payable	<u>4,879,345</u>	<u>50,051</u>
	<u>5,030,581</u>	<u>627,103</u>
Deferred Income Taxes	<u>35,700</u>	<u>48,800</u>

## Shareholders' Equity

Capital Stock (Note 4)	101,440,882	89,860,882
Retained Earnings	<u>66,605,626</u>	<u>47,443,026</u>
	<u>168,046,508</u>	<u>137,303,908</u>
	<u>\$173,112,789</u>	<u>\$137,979,811</u>

On Behalf of the Board



Christopher Ondaatje  
Director



Michael F.B. Nesbitt  
Director



THE PAGURIAN CORPORATION LIMITED

# Consolidated Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
Income		
Publishing and fine art	\$ 346,080	\$ 305,592
Gain on long-term investments	15,712,187	16,315,717
Dividends, interest and other	7,313,208	6,114,083
Equity in net earnings of other companies	11,722,274	7,025,024
	<u>35,093,749</u>	<u>29,760,416</u>
Expenses		
Costs and expenses exclusive of undernoted items	1,877,156	1,923,855
Depreciation and amortization	84,800	84,140
Interest	30,850	3,832,734
	<u>1,992,806</u>	<u>5,840,729</u>
Earnings before income taxes	<u>33,100,943</u>	<u>23,919,687</u>
Income taxes		
Current	4,313,111	2,121,718
Deferred	(13,100)	1,300
	<u>4,300,011</u>	<u>2,123,018</u>
Net earnings for the year	<u>\$28,800,932</u>	<u>\$21,796,669</u>
Earnings per class A and class B special share (Note 5)	<u>\$ 0.90</u>	<u>\$ 0.68</u>

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





THE PAGURIAN CORPORATION LIMITED

# Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
Balance — beginning of year	\$47,443,026	\$30,424,549
Add:		
Net earnings for the year	<u>28,800,932</u>	<u>21,796,669</u>
	76,243,958	52,221,218
Deduct:		
Dividends paid	<u>9,638,332</u>	<u>4,778,192</u>
Balance — end of year	<u>\$66,605,626</u>	<u>\$47,443,026</u>

# Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
Cash from operations		
Net earnings for the year	\$ 28,800,932	\$21,796,669
Items not involving cash		
Gain on long-term investments	(15,657,703)	(16,315,717)
Equity earnings, net of dividends received	(8,072,274)	(3,690,024)
Depreciation and amortization	84,800	84,140
Deferred income taxes	<u>(13,100)</u>	<u>1,300</u>
	5,142,655	1,876,368
Net change in working capital excluding cash	<u>4,383,643</u>	<u>(816,241)</u>
	9,526,298	1,060,127
Financing activities		
Issue of capital stock	11,580,000	17,850,000
Dividends paid	(9,638,332)	(4,778,192)
Repayment of bank loan	<u>—</u>	<u>(9,954,131)</u>
	1,941,668	3,117,677
Investment activities		
Proceeds on disposal of long-term investments	64,959,257	59,128,766
Acquisition of long-term marketable securities	(12,733,267)	(46,190,065)
Investment in long-term equity investments	(61,376,204)	(18,200,000)
Purchase of fixed assets	<u>(1,374,329)</u>	<u>(24,471)</u>
	(10,524,543)	(5,285,770)
Net change in cash during the year	943,423	(1,107,966)
Cash — beginning of year	<u>551,067</u>	<u>1,659,033</u>
Cash — end of year	<u>\$ 1,494,490</u>	<u>\$ 551,067</u>

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







# Notes to Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 1985

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiary companies.

### (b) Translation of Foreign Currencies

Foreign currencies are translated into Canadian dollars as follows:

- (i) cash, 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;
- (iii) equity earnings at average monthly rates; and
- (iv) the resulting gains or losses are included in net earnings.

### (c) Inventories

Inventories are valued at the lower of cost and net realizable value with cost determined by specific item.

### (d) Long-Term Investments

Investments in common and participating shares of companies in which the Company has significant influence are accounted for by the equity method.

The Company carries its investment in preferred shares and other long-term marketable securities at cost.

### (e) Fixed Assets

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

Automobiles	— 30%
Buildings	— 5%
Office furnishings	— 20%

### (f) 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.

### (g) Income Taxes

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

## 2. LONG-TERM INVESTMENTS

(a) Investments in companies accounted for by the equity method are as follows:

	1985	1984
Hees International Corporation		
—common shares, at equity	\$ 59,765,300	\$54,456,000
—preferred shares, at cost	15,000,000	15,000,000
The Enfield Corporation Limited		
—common shares, at equity	4,750,242	602,000
—preferred shares, at cost	51,000,000	3,000,000
Canadian Express Limited		
—common shares, at equity	11,990,936	—
American Resource Corporation Limited		
—Class A participating shares, at equity	—	20,451,722
	<u>\$142,506,478</u>	<u>\$93,509,722</u>

### (b) The Enfield Corporation Limited ("Enfield")

As at December 31, 1985, the Company owned a 50.0% equity interest in Enfield and the latter owned a 33.4% equity interest in the Company resulting in the Company having a pro-rata interest of 16.7% 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 Enfield by the amount of \$1,910,268.

Subsequent to December 31, 1985, Enfield has agreed to issue 6,500,000 common shares from its treasury, the effect of which dilutes the Company's equity interest in Enfield to 30.3%.

### (c) Canadian Express Limited ("Canadian Express") and American Resource Corporation Limited ("American Resource")

On May 15, 1985, the Company acquired a 50.0% equity interest in Canadian Express Limited, an international finance and management company, for \$13,678,400 cash consideration.

At the same time, the Company sold to Canadian Express for cash 4,556,650 shares of American Resource at their quoted market value of \$13,670,000, resulting in a net gain of \$4,424,298. Since the Company owns 50% of Canadian Express, it is deemed to have retained a 50% interest in the investment sold. Accordingly, recognition of 50% of the net gain in the amount of \$2,214,464 has been deferred and netted against the carrying value of the investment in Canadian Express.

During the year the Company reduced its 29.1% direct interest in American Resource to a combined direct and indirect interest of 10.4%.



Since the Company ceased to have significant influence over this investment it changed its method of accounting for it from equity to cost and deemed the equity carrying value at that time in the amount of \$20,451,722 to be cost.

### 3. FIXED ASSETS

	1985		1984	
	Cost	Accumulated Depreciation	Net	Net
Automobiles	\$ 47,931	\$ 12,850	\$ 35,081	\$ 11,081
Buildings	1,803,884	102,444	1,701,440	379,243
Land	312,500	—	312,500	312,500
Office furnishings	100,305	68,766	31,539	38,367
	<u>\$2,264,620</u>	<u>\$184,060</u>	<u>\$2,080,560</u>	<u>\$741,191</u>

### 4. CAPITAL STOCK

(a) On May 16, 1985, the shareholders approved an amendment to the articles of the Corporation to subdivide each of the issued 5% Class B preference shares, Class A shares and Class B special shares into two shares of the same class. Accordingly, all references to these classes of shares and per share amounts reflect the effect of this stock split.

(b) Authorized —  
Shares

1985	1984	
400,000	400,000	5% Class B non-cumulative, voting, preference shares, redeemable at 1/10¢ each, without par value.
49,662,000	49,662,000	Class A non-voting shares, without par value
338,000	338,000	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

(c) During the year the Company issued 2,000,000 Class A shares to a director and officer of the Company for cash consideration of \$11,580,000.

(d) Issued —

Shares			Amount	
1985	1984		1985	1984
400,000	400,000	5% Class B preference shares	\$ 200	\$ 200
38,157,268	36,157,268	Class A shares	101,424,669	89,844,669
338,000	338,000	Class B special shares	16,013	16,013
			<u>\$101,440,882</u>	<u>\$89,860,882</u>

(e) In conjunction with several agreements during the year, the Company issued 7,000,000 share purchase warrants for nil consideration. Each warrant entitles the holder to purchase one Class A share at a price of \$7.50 per share at any time until March 31, 1987. Accordingly, the Company has reserved 7,000,000 Class A shares.

(f) On February 12, 1986, the Company issued 4,504,732 Class A shares under a private placement for cash consideration of \$55,182,967.





## 5. EARNINGS PER SHARE

For calculation of earnings per share the number of total shares outstanding is reduced by the Company's proportionate interest in its shares indirectly held by The Enfield 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 1985 was 32,111,569 (1984 — 32,127,154). Fully diluted earnings per share are not materially different from basic earnings per share.

## 6. ADDITIONAL INFORMATION

### (a) Income Taxes

The income tax expense of \$4,300,011 represents an effective tax rate of 13.0%. This rate differs from the combined federal and provincial tax rate of 51% since reported dividend income is received tax-free, one-half of capital gains is tax-free and equity in net earnings of other companies is non-taxable.

### (b) Related Party Transactions

In the normal course of business, management and consulting fees of \$891,000 were paid to directors and companies controlled by directors (1984 — \$1,264,900).

### (c) Segmented Information

The Company operates primarily in one business segment, which is the holding of long-term investments and equity accounting those investments in which the Company has significant influence.

## 7. COMPARATIVE FIGURES

The format of the comparative statement of changes in financial position has been modified to conform with the revised recommendations of the CICA Handbook.





THE PAGURIAN CORPORATION LIMITED  
(and Predecessor Companies Including  
Pagurian Press Limited)

# Statistical Review of Operations

AUGUST 17, 1967 TO DECEMBER 31, 1985

	1967	1968	1969	1970	1971	1972	1973	1974
Publishing and fine art								
Revenue	\$29,321	\$49,095	\$43,592	\$73,165	\$79,738	\$194,197	\$213,424	\$420,823
Direct expenses	24,820	35,773	22,866	50,043	54,755	126,600	141,277	306,323
Gross profit	4,501	13,322	20,726	23,122	24,983	67,597	72,147	114,500
Marketable investments								
Realized gains		5,432	11,583	21,965	18,726	12,826		15,384
Dividend and interest income	87	1,034	1,006	4,818	4,844	875	5,139	28,348
	87	6,466	12,589	26,783	23,570	13,701	5,139	43,732
Interest expense			110	60	133			
	87	6,466	12,479	26,723	23,437	13,701	5,139	43,732
	4,588	19,788	33,205	49,845	48,420	81,298	77,286	158,232
Administrative expenses	658	2,374	4,949	5,873	7,061	12,504	22,627	70,193
	3,930	17,414	28,256	43,972	41,359	68,794	54,659	88,039
Income taxes	1,244	4,700	6,700	12,300	8,800	21,777	14,858	26,606
	2,686	12,714	21,556	31,672	32,559	47,017	39,801	61,433
Equity in net earnings								
Greywood Publishing			17,078	(4,578)	963	(415)	(25,631)	5,583
Modern Canadian Library						25,973	39,424	673
Black Photo Corp.								
Westdale Oil & Gas								
American Resource Corp.								
Hees International								
Enfield Corporation								
Canadian Express								
Net earnings for the year	\$2,686	\$12,714	\$38,634	\$27,094	\$33,522	\$72,575	\$53,594	\$67,689





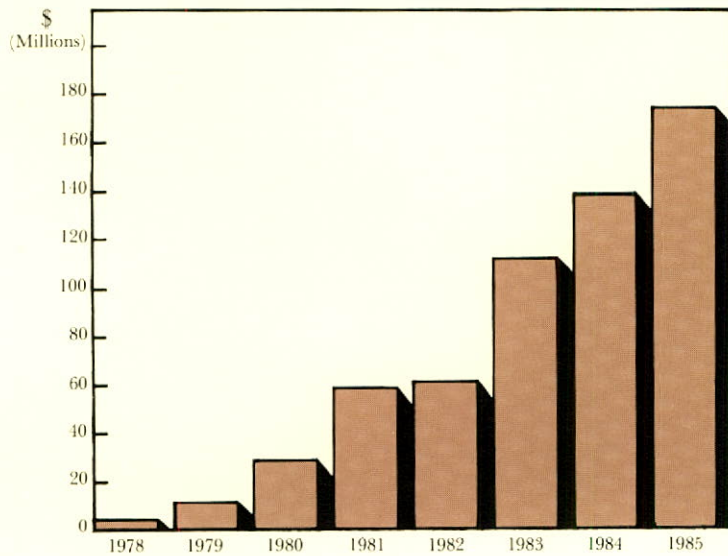
<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
\$472,774	\$788,729	\$771,539	\$838,038	\$399,286	\$225,156	\$568,423	\$306,519	\$184,748	\$305,592	\$346,080
<u>371,749</u>	<u>551,123</u>	<u>572,749</u>	<u>706,270</u>	<u>250,106</u>	<u>153,152</u>	<u>328,554</u>	<u>214,119</u>	<u>182,552</u>	<u>244,059</u>	<u>246,912</u>
<u>101,025</u>	<u>237,606</u>	<u>198,790</u>	<u>131,768</u>	<u>149,180</u>	<u>72,004</u>	<u>239,869</u>	<u>92,400</u>	<u>2,196</u>	<u>61,533</u>	<u>99,168</u>
60,627	186,869	622,512	934,055	1,725,349	3,959,636	8,789,464	3,714,178	11,844,053	16,315,717	15,712,187
<u>36,883</u>	<u>143,626</u>	<u>152,202</u>	<u>346,269</u>	<u>165,630</u>	<u>730,763</u>	<u>4,149,513</u>	<u>2,958,066</u>	<u>3,450,983</u>	<u>6,114,083</u>	<u>7,313,208</u>
97,510	330,495	774,714	1,280,324	1,890,979	4,690,399	12,938,977	6,672,244	15,295,036	22,429,800	23,025,395
	69,548	73,022	130,114	242,940	435,927	1,000,000		189,786	3,832,734	40,008
<u>97,510</u>	<u>260,947</u>	<u>701,692</u>	<u>1,150,210</u>	<u>1,648,039</u>	<u>4,254,472</u>	<u>11,938,977</u>	<u>6,672,244</u>	<u>15,105,250</u>	<u>18,597,066</u>	<u>22,985,387</u>
198,535	498,553	900,482	1,281,978	1,797,219	4,326,476	12,178,846	6,764,644	15,107,446	18,658,599	23,084,555
<u>84,177</u>	<u>165,491</u>	<u>239,116</u>	<u>263,713</u>	<u>230,160</u>	<u>219,275</u>	<u>435,055</u>	<u>897,104</u>	<u>1,265,779</u>	<u>1,763,936</u>	<u>1,705,886</u>
114,358	333,062	661,366	1,018,265	1,567,059	4,107,201	11,743,791	5,867,540	13,841,667	16,894,663	21,378,669
<u>35,543</u>	<u>75,230</u>	<u>(12,168)</u>	<u>(45,276)</u>	<u>201,646</u>	<u>898,577</u>	<u>3,451,447</u>	<u>1,086,966</u>	<u>2,527,271</u>	<u>2,123,018</u>	<u>4,300,011</u>
78,815	257,832	673,534	1,063,541	1,365,413	3,208,624	8,292,344	4,780,574	11,314,396	14,771,645	17,078,658
36,706				723,632	1,341,417	152,209				
						135,994	14,995			
						372,972	2,121,335	1,269,195	173,024	
									6,400,000	7,709,300
									452,000	3,487,974
										525,000
<u>\$115,521</u>	<u>\$257,832</u>	<u>\$673,534</u>	<u>\$1,063,541</u>	<u>\$2,089,045</u>	<u>\$4,550,041</u>	<u>\$8,953,519</u>	<u>\$6,916,904</u>	<u>\$12,583,591</u>	<u>\$21,796,669</u>	<u>\$28,800,932</u>



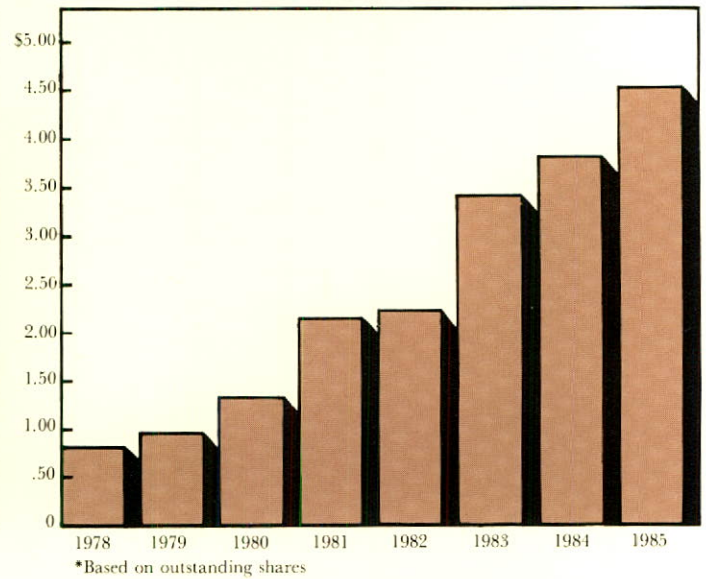
# THE PAGURIAN CORPORATION LIMITED

## Eight-Year Growth Record

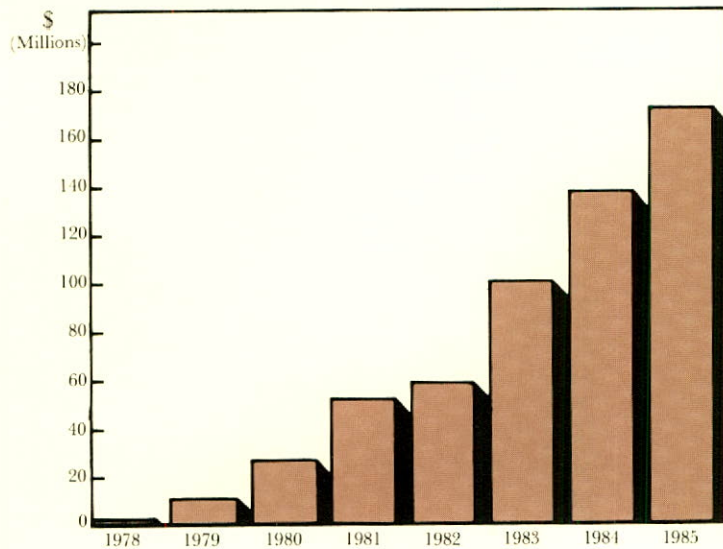
TOTAL ASSETS



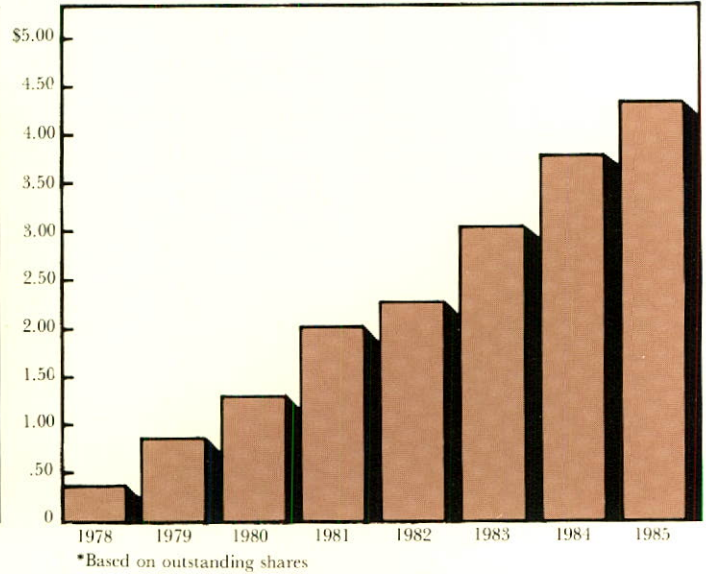
ASSETS/SHARE\*



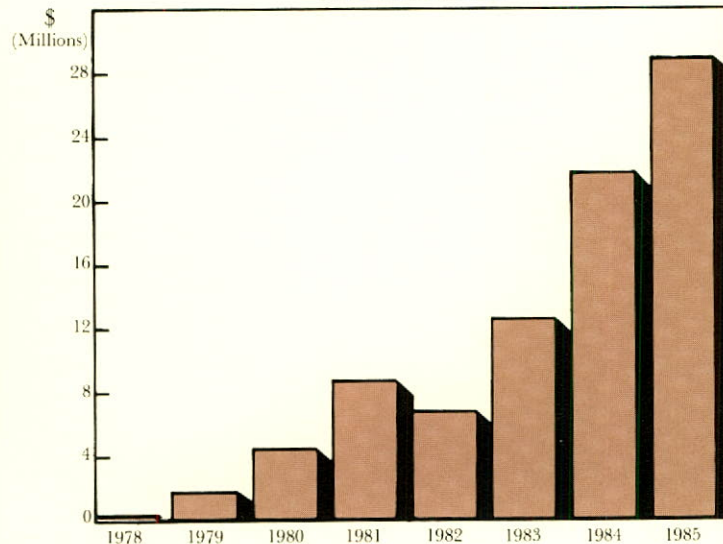
SHAREHOLDERS' EQUITY



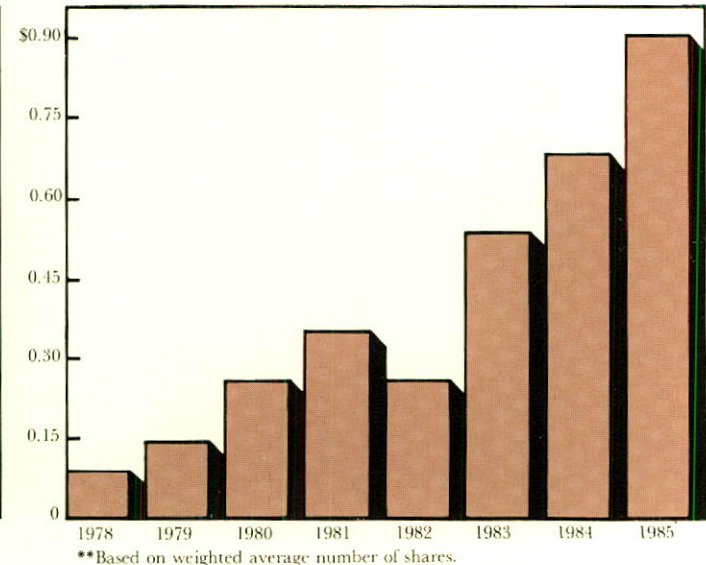
EQUITY/SHARE\*



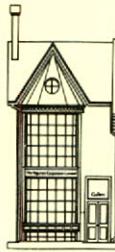
NET EARNINGS



EARNINGS PER SHARE\*\*







## THE PAGURIAN CORPORATION LIMITED

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE THAT an Annual and Special Meeting of the Shareholders of THE PAGURIAN CORPORATION LIMITED (the "Company") will be held at Commerce Hall, Commerce Court, Concourse Level, King & Bay Streets, Toronto, Ontario, on Thursday, the 22nd day of May, 1986 at the hour of 11:00 o'clock in the forenoon (Toronto Time) for the following purposes:

1. To receive and consider the financial statements of the Company for the year ended December 31, 1985;
2. To consider and, if thought fit, pass a special resolution authorizing the amendment of the articles of the Company to increase the authorized capital of the Company by creating an unlimited number of Class A (non-voting) shares without par value;
3. To elect directors;
4. To appoint auditors;
5. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

An Information Circular accompanies this notice. A copy of the special resolution referred to in item 2 of this Notice is annexed as Schedule "A", to such Information Circular and is incorporated herein by reference.

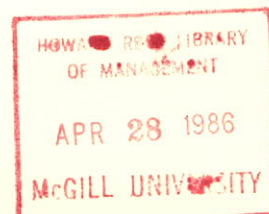
The holders of the outstanding Class "B" preference shares and Class B special shares of the Company are entitled to vote on all matters which come before the meeting. Holders of Class A (non-voting) shares are entitled to vote only on the special resolution referred to in item 2 of this notice respecting the proposed increase in the authorized capital of the Company. Holders of Class A (non-voting) shares, Class "B" preference shares and Class B special shares have a right of dissent under the Business Corporations Act, 1982 of Ontario with respect to the special resolution referred to in item 2 of this notice. Such right of dissent is described in the Information Circular which accompanies this notice. Shareholders who are unable to attend the meeting are requested to date, sign and return the enclosed Form of Proxy to The Canada Trust Company at 20 Eglinton Avenue West, Toronto, Ontario M4R 2E2.

DATED the 16th day of April, 1986.

By order of the Board

J.M. Judson, Q.C.

Secretary





## **THE PAGURIAN CORPORATION LIMITED**

### **INFORMATION CIRCULAR**

#### **SOLICITATION OF PROXIES**

This Information Circular is furnished in connection with the solicitation of proxies by the Management of THE PAGURIAN CORPORATION LIMITED (the "Company") for use at the Annual and Special Meeting of the Shareholders to be held on Thursday, the 22nd day of May, 1986, and at any adjournment or adjournments thereof.

The cost of solicitation will be borne by the Company. The solicitation will be primarily by mail, but proxies may also be solicited by regular employees of the Company. No remuneration will be paid to any person for soliciting proxies, but the Company may, upon request, pay to certain brokerage firms, fiduciaries or other persons holding shares in their names for others the charges entailed for sending out Forms of Proxy to the persons for whom they hold shares.

#### **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named as nominees in the enclosed Form of Proxy are Directors and/or Officers of the Company.

A shareholder has the right to appoint a person, who need not be a shareholder, as his nominee to attend and act for him and on his behalf at the meeting other than the persons designated in the enclosed Form of Proxy. Such right may be exercised by striking out the names of the persons designated in the enclosed Form of Proxy and by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper Form of Proxy and, in either case delivering the completed Proxy to the address of the Company set forth in the accompanying notice of meeting, prior to the time of the said meeting or any adjournment thereof.

#### **EXERCISE OF DISCRETION AND VOTING BY PROXIES**

The shares represented by the enclosed Form of Proxy will be voted and where a choice is specified the shares will be voted in accordance with the specification so made.

If any amendment or variation to the matters identified in the notice of meeting is proposed at the meeting, or if any other matters properly come before the meeting, the enclosed Form of Proxy confers discretionary authority to vote on such amendments or variations or such other matters according to the best judgment of the person voting such Proxy at the meeting.

At the time of printing this Circular the Management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.



### VOTING SHARES

The only classes of shares entitled to vote on all matters to come before the meeting are the Class "B" preference shares and the Class B special shares. At the date hereof 400,000 Class "B" preference shares and 338,000 Class B special shares are issued and outstanding. Each such shareholder present in person is entitled to one vote on a show of hands and upon a poll each such shareholder present in person or represented by proxy shall have one vote for each share held by him.

To the knowledge of the Directors and Senior Officers of the Company, the only persons or corporations who or which own voting shares carrying more than 10% of the voting rights attached to all voting shares of the Company are Christopher Ondaatje, the President of the Company, who owns 400,000 (100%) of the outstanding Class "B" preference shares, The South East Asia Plantation Company Limited, a company controlled by Christopher Ondaatje, which owns 224,000 (66%) of the outstanding Class B special shares and The Enfield Corporation Limited, which owns 40,000 (12%) of the outstanding Class B special shares and D.C. Webster, a director of the Company, who owns 40,000 (12%) of the outstanding Class B special shares. Under applicable legislation Christopher Ondaatje is deemed to be the indirect beneficial owner of the said 224,000 Class B special shares owned by The South East Asia Plantation Company Limited.

The holders of the Class A (non-voting) shares without par value are not by their terms generally entitled to any vote at meetings of the shareholders of the Company. The holders of the Class A (non-voting) shares are however entitled to vote as a class on the special resolution amending the articles of the Company to increase the authorized capital of the Company by creating an unlimited number of Class A (non-voting) shares without par value, which resolution is set forth in full in Schedule "A" to this Information Circular. At the date hereof 42,662,200 Class A (non-voting) shares are issued and outstanding. Each holder of Class A (non-voting) shares present in person is entitled to one vote on a show of hands and upon a poll each such shareholder present in person or represented by proxy shall have one vote for each Class A (non-voting) share held by him.

Under applicable securities legislation in Canada the holders of the Class A (non-voting) shares are not entitled to participate in any take over bid for the Class B special shares.

To the knowledge of the Directors and Senior Officers of the Company, the only person or corporation who or which owns more than 10% of the outstanding Class A (non-voting) shares is The Enfield Corporation Limited which owns 12,800,000 (30%) of the outstanding Class A shares.

### ELECTION OF DIRECTORS

There are seven directors to be elected. The following are the names of persons for whom it is intended that votes will be cast for their election as directors pursuant to the proxy which is hereby solicited. The term of office for each such person will be until the next annual meeting or until his successor is elected or



appointed. In the event that prior to the meeting any vacancies occur in the slate of nominees submitted below, it is intended that discretionary authority shall be exercised to vote the proxy hereby solicited for the election of any other person or persons as directors. The Management is not now aware that any of such nominees would be unwilling to serve as a director if elected.

<u>Name and present principal occupation</u>	<u>Position with the Company</u>	<u>Period of service as a director</u>	<u>Approximate number of shares of the Corporation beneficially owned, directly or indirectly or controlled or directed</u>	
* Christopher Ondaatje Executive, Loewen, Ondaatje, McCutcheon & Company Limited (Securities Dealer)	President and Director	Since October 28, 1975	3,800,000 400,000 224,000	Class A (non-voting) shares Class "B" preference shares Class B special shares
* Michael F. Blair President, The Enfield Corporation Limited (Investment Company)	Director	Since February 15, 1985	-	-
R.A.N. Bonnycastle Chairman, Cavendish Investing Limited (Investment Company)	Director	Since March 14, 1979	-	-
Pierre L. Moussa Chairman, The Pallas Group S.A. (Investment Company)	-	Since May 16, 1985	-	-
A. Naess Chief Executive Officer Naess Europe Limited (Investment Company)	-	-	35,000	Class A (non-voting) shares
* M.F.B. Nesbitt President, Montrose Investment Co. Ltd. (Investment Company)	Director	Since March 14, 1979	355,732 4,000	Class A (non-voting) shares Class B special shares
D.C. Webster President, Helix Investments Limited (Investment Company)	Director	Since February 28, 1978	40,000	Class B special shares

\* Member of the audit committee.



### APPOINTMENT OF AUDITORS

It is intended to vote the proxy solicited hereby to appoint the firm of Smith, Nixon & Co. as auditors of the Company to hold office until the next annual meeting of shareholders.

### EXECUTIVE COMPENSATION

Each director of the Company other than the President is paid a fee of \$1,000 for each meeting of directors which he attends. For the year ended December 31, 1985 the Company paid its directors fees aggregating \$12,000. During the year ended December 31, 1985 the Company paid its President remuneration of \$879,000.

### INTEREST IN MATERIAL TRANSACTIONS

On March 25, 1985, Mr. Christopher Ondaatje purchased by way of private placement from the Company 2,000,000 Class A (non-voting) shares (as presently constituted) of the Company at the price of \$5.79 per share. Mr. Ondaatje is a director, officer and shareholder of the Company.

Pursuant to an agreement (the "agreement") dated March 8, 1985 between the Company and Pallas Group ("Pallas") the Company sold to Pallas 5,000,000 Class A preference shares of American Resource Corporation Limited ("ARC") for the purchase price of \$15,000,000. In connection with this transaction the Company issued to Pallas a share purchase warrant entitling Pallas to purchase up to 2,000,000 Class A (non-voting) shares (as presently constituted) of the Company at \$7.50 per share at any time and from time to time until March 31, 1987. Pursuant to the agreement the Company and Pallas formed a jointly owned company, Canadian Express Limited, to carry on investment management activities. Canadian Express Limited purchased from the Company 4,556,650 Class A preference shares of ARC for \$ U.S. 10,000,000. On completion of this purchase, the Company issued to Canadian Express Limited a share purchase warrant entitling Canadian Express Limited to purchase up to 1,000,000 Class A (non-voting) shares (as presently constituted) of the Company at \$7.50 per share at any time and from time to time until March 31, 1987. Mr. Pierre Moussa, a director of the Company, is a director, officer and shareholder of Pallas.

### SPECIAL BUSINESS OF THE MEETING

Holders of Class A (non-voting) shares, Class "B" preference shares and Class B special shares are being asked to pass a special resolution authorizing the amendment of the articles of the Company to increase the authorized capital of the Company by creating an unlimited number of Class A (non-voting) shares.



The authorized capital of the Company now includes 49,662,200 Class A (non-voting) shares all of which have either been issued or are reserved for issue on exercise of outstanding share purchase warrants. The directors consider it desirable that the Company have Class A (non-voting) shares available for issue without delay when favourable opportunities to raise additional equity capital arise. The proposed amendment, if adopted by shareholders, will give the Company this flexibility.

In order to become effective the amendment referred to above must be authorized by 66-2/3% of the votes cast at the meeting by the holders of the Class A (non-voting) shares and by 66-2/3% of the combined votes cast at the meeting by the holders of the Class "B" preference shares and the Class B special shares.

In addition to the above approvals the policy statements of certain securities regulatory authorities having jurisdiction over the Company require that the amendment referred to above be approved by a majority of the votes of the Class A (non-voting) shares and a majority of the aggregate of the votes of the Class B preference shares and the Class B special shares cast at the meeting other than (i) votes attached to securities held by affiliates of the Company and (ii) votes attached to securities the owners of which effectively control the Company. Accordingly the policy statements exclude the votes attached to the 3,800,000 Class A (non-voting) shares, the 400,000 Class "B" preference shares and the 224,000 Class B special shares beneficially owned directly or indirectly by Mr. Christopher Ondaatje.

Pursuant to Section 184 of the Business Corporations Act, 1982 of Ontario (the "Act"), a holder of Class A (non-voting) shares, Class "B" preference shares or Class B special shares has a right to dissent in respect of the amendment by following the procedures set forth in said Section 184. A dissenting shareholder who complies with these procedures is entitled to be paid the fair value of his shares by the Company if the Company brings the proposed amendment into effect notwithstanding the dissent. A shareholder who wishes to dissent must send the Company a written notice of his dissent to the proposed amendment at or before the meeting. The exercise of a proxy voting against the amendment does not constitute a written notice of dissent under Section 184 of the Act. Thereafter the Company is required to notify the dissenting shareholder if the amendment is adopted. After receipt of this notice from the Company the dissenting shareholder must within 20 days send the Company a further written notice of dissent containing certain information specified in the Act and within 30 days surrender his share certificates to the Company or its transfer agent. The foregoing is only a summary of certain provisions of the Act and as a dissenting shareholder must comply strictly with the provisions of the Act, a shareholder who wishes to dissent should obtain legal advice concerning the exercise of his rights.

#### GENERAL

The Management knows of no matters to come before the meeting other than the matters referred to in the notice of the meeting. However, if any other matters which are not now known to the Management should properly come before the meeting, the proxy will be voted on such matters in accordance with the best judgment of the person voting the proxy.



The contents of this Information Circular and its distribution to the shareholders of the Company have been approved by the board of directors of the Company.

DATED: April 16th, 1986.

Christopher Ondaatje  
President



## **SCHEDULE "A"**

### **THE PAGURIAN CORPORATION LIMITED**

#### **BE IT RESOLVED THAT:**

1. The articles of the Corporation be amended to increase the authorized capital of the Corporation by providing that the Corporation is authorized to issue an unlimited number of Class A (non-voting) shares without par value having the same preferences, rights, conditions, restrictions and limitations as are attached to the Class A (non-voting) shares without par value which the Corporation is now authorized to issue.
2. The directors and officers of the Corporation and each of them be and are hereby authorized to, for and on behalf and in the name of the Corporation, do or cause to be done all acts and things and make, execute, deliver and/or file or cause to be made, executed, delivered and/or filed all agreements, instruments, share certificates and other documents, including without limitation the filing of articles of amendment with the Ministry of Consumer and Commercial Relations for Ontario, as may be necessary or expedient in connection with the amendment to the articles of the Corporation hereby authorized and to effect the intent of this resolution.
3. The directors of the Corporation may revoke this resolution pursuant to subsection 167(2) of the Business Corporations Act, 1982 (the "Act") without further approval of the shareholders of the Corporation at any time prior to the endorsement by the Director under the Act of a certificate of amendment of articles in respect of the amendment authorized by this resolution.



# Auditors' Report

To the Shareholders of  
The Pagurian Corporation Limited

We have examined the consolidated balance sheet of The Pagurian Corporation Limited as at December 31, 1985 and the consolidated 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 consolidated financial statements present fairly the financial position of the company as at December 31, 1985 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 10, 1986  
Toronto, Canada

Smith, Nixon & Co.  
Chartered Accountants





