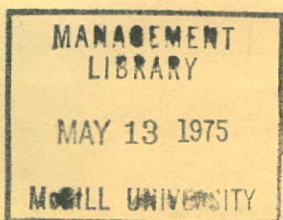


C
EATON FINANCIAL SERVICES

**EATON
GROWTH
FUND
LTD.**

annual report
december 31st, 1974



ONE PLACE FOR ALL YOUR TOMORROWS

To the Shareholders:

The Board is pleased to present the 1974 Annual Report of Eaton Growth Fund Ltd.

Most major stock markets declined sharply in 1974. Since the end of the year, however, there has been a significant recovery, as indicated by the changes in the following common stock indices.

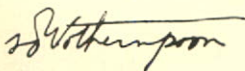
	Two Months to 28 Feb. 1975	Year 1974
Toronto Stock Exchange Industrials	+17.3%	-26.6%
Dow Jones Industrials	+19.9%	-27.6%
Tokyo Dow Jones Industrials	+12.0%	-11.4%

It is our opinion that the 1974 declines were the result of accelerating rates of inflation, rising interest rates and concern over the consequences of government measures to reduce the rate of inflation. With the maturing of the economic cycle, economic growth in most countries has been reduced sharply, while in some major countries total output has declined.

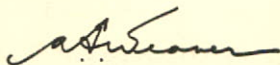
As economic activity has declined world-wide, so have commodity prices and short-term interest rates. Long-term interest rates have declined moderately. Over the months ahead it is likely that both wholesale and retail prices will show lower rates of increase. Governments are now taking fiscal and monetary steps to stimulate their countries' economies as inflation moderates and unemployment increases. Provided this stimulation is not excessive, economic growth with less inflation than in the last economic cycle is possible.

Despite the current major recession in the U.S., Canada can hope for modest economic growth in 1975. Stock markets are now well above their 1974 lows, reflecting lower interest rates, the expectation of lower inflation and the end of the U.S. recession by the fourth quarter of 1975. Your Fund has shared in the recovery of markets and is positioned favourably to participate fully as the outlook improves and stock prices continue their recovery.

On behalf of the Board,



Chairman



President

Montreal, Canada
March 18, 1975

Correction to Annual Report of Eaton Growth Fund Ltd.

As a printing error occurred in the Eaton Growth Fund Ltd. Annual Report, the figures indicated below should replace those originally shown in the Investments section of the Statement of Financial Position, on the third page of the Report:

	1974	1973
Investments, at quoted value:		
(Average cost 1974 — \$30,229,696, 1973 — \$33,436,051)		
Canadian common stocks..	\$12,246,101	\$19,986,601
Foreign common stocks	8,182,486	11,835,124
Foreign preferred stocks ..	<u>510,494</u>	<u>702,356</u>
	20,939,081	32,524,081

There is no change in the balance of the Report.

statement of financial position

December 31, 1974

	1974	1973
ASSETS:		
Investments, at quoted value: (Average cost 1974 — \$30,229,696, 1973 — \$33,436,051)		
Canadian common stocks..	\$13,281,957	\$20,920,336
Foreign common stocks	7,146,630	10,901,389
Foreign preferred stocks ..	510,494	702,356
	<u>20,939,081</u>	<u>32,524,081</u>
Cash	76,291	79,805
Short-term notes	500,000	297,660
Accrued income	96,222	107,932
Accounts receivable	13,087	363,384
Refundable taxes (note 3)	33,094	15,221
	<u>21,657,775</u>	<u>33,388,083</u>
LIABILITIES:		
Accounts payable	26,495	46,553
Redemptions payable	206,187	249,740
Income taxes payable (note 3)..	78,269	—
	<u>310,951</u>	<u>296,293</u>
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY		
	<u>\$21,346,824</u>	<u>\$33,091,790</u>
SHAREHOLDERS' EQUITY:		
Capital stock (note 2):		
Authorized —		
100 deferred shares of \$1 par value each		
40,000,000 mutual fund shares of \$1 par value each less 8,137,521 shares redeemed (1973 — 7,415,160 shares redeemed)		
Issued and outstanding —		
3,411,787 mutual fund shares (1973 — 3,831,956 shares)	\$ 3,411,787	\$ 3,831,956
Surplus:		
Deficit	(10,115,634)	(10,112,616)
Contributed surplus	37,341,286	40,284,420
Unrealized (depreciation) of investments	<u>(9,290,615)</u>	<u>(911,970)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$21,346,824</u>	<u>\$33,091,790</u>

On behalf of the Board:

G. D. deS. Wotherspoon, Director.

W. H. Zimmerman, Director.

(See accompanying notes)

statement of earnings

for the year ended December 31, 1974

	1974	1973
INVESTMENT INCOME:		
Dividends	\$ 1,012,593	\$ 1,018,944
Interest	56,320	41,387
	<u>1,068,913</u>	<u>1,060,331</u>
EXPENSE:		
Management fee (note 4)	<u>313,922</u>	<u>442,520</u>
EARNINGS BEFORE OTHER INCOME	754,991	617,811
OTHER INCOME:		
Recovery of income taxes previously provided	<u>—</u>	<u>163,500</u>
EARNINGS BEFORE PROVISION FOR INCOME TAXES ..	754,991	781,311
PROVISION FOR INCOME TAXES (note 3)	<u>71,200</u>	<u>26,100</u>
NET EARNINGS FOR THE YEAR	<u>\$ 683,791</u>	<u>\$ 755,211</u>
NET EARNINGS PER SHARE —		
Based on average number of shares outstanding during year	<u>19.2¢</u>	<u>18.1¢</u>

statement of surplus

for the year ended December 31, 1974

DEFICIT:		
Balance, beginning of year ..	\$(10,112,616)	\$ (9,714,552)
Net earnings for the year	683,791	755,211
Net loss on sales of securities	<u>(120,529)</u>	<u>(606,562)</u>
	(9,549,354)	(9,565,903)
Dividends (note 2)	<u>(566,280)</u>	<u>(546,713)</u>
Balance, end of year	<u>\$(10,115,634)</u>	<u>\$ (10,112,616)</u>
CONTRIBUTED SURPLUS:		
Balance, beginning of year ..	\$40,284,420	\$47,428,121
Excess of amounts received over par value of shares issued	<u>1,847,247</u>	<u>2,836,597</u>
	42,131,667	50,264,718
Excess of amounts paid over par value of shares redeemed	<u>4,790,381</u>	<u>9,980,298</u>
Balance, end of year	<u>\$37,341,286</u>	<u>\$40,284,420</u>
UNREALIZED (DEPRECIATION) OF INVESTMENTS:		
Balance, beginning of year ..	\$ (911,970)	\$ 7,126,528
Unrealized (depreciation) of investments	<u>(8,378,645)</u>	<u>(8,038,498)</u>
Balance, end of year	<u>\$ (9,290,615)</u>	<u>\$ (911,970)</u>

(See accompanying notes)

statement of changes in net assets

for the year ended December 31, 1974

	1974	1973
NET ASSETS, BEGINNING OF YEAR	<u>\$33,091,790</u>	<u>\$49,478,133</u>
ADDITIONS TO NET ASSETS:		
Net earnings for the year	683,791	755,211
Proceeds from issue of mutual fund shares	<u>1,595,806</u>	<u>2,643,148</u>
	<u>2,279,597</u>	<u>3,398,359</u>
DEDUCTIONS FROM NET ASSETS:		
*Net loss on sales of securities	120,529	606,562
Unrealized depreciation of investments	8,378,645	8,038,498
Non-resident tax and charges on stock dividends	12,647	16,504
Payment on redemption of mutual fund shares	<u>5,512,742</u>	<u>11,123,138</u>
	<u>14,024,563</u>	<u>19,784,702</u>
DECREASE IN NET ASSETS	<u>11,744,966</u>	<u>16,386,343</u>
NET ASSETS, END OF YEAR ..	<u>\$21,346,824</u>	<u>\$33,091,790</u>
NET ASSET VALUE PER SHARE:		
Beginning of year	<u>\$ 8.64</u>	<u>\$ 10.67</u>
End of year	<u>\$ 6.26</u>	<u>\$ 8.64</u>
*NET LOSS ON SALES OF SECURITIES:		
Cost of securities sold:		
Securities at cost, beginning of year	\$33,436,050	\$41,606,448
Purchases	<u>867,633</u>	<u>997,097</u>
	<u>34,303,683</u>	<u>42,603,545</u>
Securities at cost, end of year	<u>30,229,696</u>	<u>33,436,050</u>
Cost of securities sold	4,073,987	9,167,495
Proceeds from sales of securities	<u>3,953,458</u>	<u>8,560,933</u>
Net loss on sales of securities	<u>\$ 120,529</u>	<u>\$ 606,562</u>

(See accompanying notes)

schedule of investments and other net assets

December 31, 1974

COMMON STOCKS — 95.70%

BANKS, FINANCIAL AND INSURANCE — 15.14%

The Bank of Nova Scotia
The Royal Bank of Canada
*Transamerica Corporation

COMMUNICATIONS — 7.97%

*American Broadcasting Companies, Inc.
*Communications Satellite Corp.
Thomson Newspapers Limited

FOOD, BEVERAGES AND TOBACCO — 9.82%

*Borden Incorporated
*Heublein, Incorporated
*Reynolds (R.J.) Industries, Inc.

LEISURE — 3.99%

*Eastman Kodak Company
*Hilton Hotels Corporation

MERCHANDISING — 3.95%

Consumers Distributing Company Ltd.
*Tandy Corp.
Zellers Limited

METALS AND MINING — 11.54%

Cominco Ltd.
The International Nickel Company of Canada, Limited
McIntyre Porcupine Mines Ltd.
Noranda Mines Limited "A"
*Reynolds Metals Company

OFFICE SYSTEMS AND EQUIPMENT — 12.97%

*International Business Machines Corporation
Moore Corporation Limited

OIL AND GAS — 8.13%

Alminex Limited
Dome Petroleum Limited
Shell Canada Limited "A"

PIPE LINES — 5.00%

The Alberta Gas Trunk Line Co., Ltd. "A"
Interprovincial Pipe Line Limited

STEEL — 3.57%

Dominion Foundries & Steel, Limited

TRANSPORTATION — 4.50%

*Union Pacific Corp.

MISCELLANEOUS — 9.12%

*Jonathan Logan, Inc.
*Merck and Co. Inc.
*Morton-Norwich Products, Inc.
*Scovill Manufacturing Company
Westburne International Industries Ltd.

TOTAL COMMON STOCKS

PREFERRED STOCKS — 2.39%

*Champion International Corp. \$1.20 Conv.

TOTAL INVESTMENT PORTFOLIO — 98.09%

Short-term notes — 2.34%

Other — (0.43%)

TOTAL NET ASSETS — 100.00%

*Foreign Stocks

(See accompanying notes)

Number of shares	Quoted value	Diversification of \$10,000 of net assets
49,500	\$ 1,713,938	\$ 803
47,000	1,222,000	572
52,200	297,524	139
44,000	577,899	271
12,500	351,584	165
70,000	770,000	361
33,000	662,403	310
20,000	398,978	187
20,000	1,035,856	485
10,000	623,248	292
20,000	227,988	107
54,500	361,063	169
19,000	216,588	102
40,000	265,000	124
28,000	686,000	321
29,000	612,625	287
5,900	169,625	79
20,000	570,000	267
30,000	427,477	200
5,000	832,650	390
47,500	1,935,625	907
142,000	610,600	286
27,000	462,375	217
54,000	661,500	310
75,000	787,500	369
24,000	279,000	131
35,000	761,250	357
14,100	960,893	450
30,000	148,688	70
12,000	789,531	370
30,000	353,133	165
34,000	278,046	130
63,000	378,000	177
	<u>20,428,587</u>	<u>9,570</u>
40,000	510,494	239
	<u>20,939,081</u>	<u>9,809</u>
	500,000	234
	(92,257)	(43)
	<u>\$21,346,824</u>	<u>\$10,000</u>

auditors' report

To the Shareholders of
Eaton Growth Fund Ltd :

We have examined the statement of financial position and the schedule of investments and other net assets of Eaton Growth Fund Ltd. as at December 31, 1974 and the statements of earnings, surplus and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1974 and the results of its operations and changes in net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada,
March 14, 1975.

Clarkson, Gordon & Co.
Chartered Accountants

notes to financial statements

December 31, 1974

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments are recorded in the accounts at their quoted value with the difference between this amount and average cost being shown as unrealized appreciation (depreciation) of investments.

The quoted value of foreign investments is translated to Canadian dollars at exchange rates prevailing at the close of each business day.

Average cost is used to determine the gain or loss on sales of securities.

The full accrual method of recording income and expenses is followed by the company with dividends being recorded on their ex-dividend date.

For each mutual fund share sold the company receives an amount equal to the net asset value per share at the date of sale. Of this amount the par value of \$1.00 is allocated to capital stock and the remainder to contributed surplus. The mutual fund shares are redeemable at the option of the shareholder at their net asset value and for each share redeemed a corresponding allocation of the net asset value is made.

2. CAPITAL STOCK TRANSACTIONS

Capital stock transactions during the year were as follows:

	1974		1973	
	Shares	Amount	Shares	Amount
Subscriptions	213,753	\$1,595,806	275,251	\$ 2,643,148
Redemptions	722,361	\$5,512,742	1,142,840	\$11,123,138

In addition, 88,439 mutual fund shares (1973 — 61,509 shares) were issued at their net asset value in settlement of stock dividends as follows:

	<u>1974</u>		<u>1973</u>	
	<u>Per share</u>	<u>Amount</u>	<u>Per share</u>	<u>Amount</u>
Out of net earnings	16.5¢	\$549,625	14.5¢	\$546,713
Out of net gain on sales of securities5¢	16,655	—	—
	<u>17.0¢</u>	<u>\$566,280</u>	<u>14.5¢</u>	<u>\$546,713</u>

3. INCOME TAXES

Effective January 1, 1972, the company qualifies as a mutual fund corporation for income tax purposes. Federal income taxes payable on taxable capital gains and dividends received from taxable Canadian corporations are refundable and accordingly are shown as an asset and not deducted in arriving at the net earnings for the year. The provision for income taxes on the statement of earnings includes all taxes on interest income and dividends from foreign corporations.

The 1973 provision for income taxes was reduced by \$43,600 for refundable taxes relating to 1972 which had not previously been provided for.

4. MANAGEMENT FEE

Under the terms of an agreement between the company and Eaton Fund Management Limited, all expenses incurred in the ordinary course of business, other than brokerage fees and all taxes, are to be paid by Eaton Fund Management Limited. In return for this and other investment management and administrative services, Eaton Fund Management Limited receives a management fee based on the net asset value of the company.

5. DIRECTORS AND OFFICERS

During the year, the seventeen directors and nine officers (including two former officers) received no remuneration as directors or officers. Three of the officers also served as directors.

6. NAME CHANGE

On April 16, 1974, the company changed its name from Regent Growth Fund Ltd. to Eaton Growth Fund Ltd.

7. COMPARATIVE AMOUNTS

Certain of the 1973 comparative amounts have been reclassified to conform with the presentation adopted in 1974.

officers

GORDON D. deS. WOTHERSPOON	Chairman of the Board
ARTHUR G. WEAVER	President
WILLIAM H. ZIMMERMAN	Vice-Chairman
C. VERNER CHRISTENSEN, C.A.	Treasurer
ROBERT A. DUNFORD	Secretary
ROGER J. McGRAW	Assistant Treasurer
MAX W. ZIESACK	Assistant Secretary

directors

CHARLES W. BRAZIER, Q.C.	Vancouver, B.C.
ROBERT J. BUTLER	Don Mills, Ont.
EDMOND J. COURTOIS	Montreal, Que.
ROBERT E. DAVIES	Banff, Alta.
FREDRIK S. EATON	Toronto, Ont.
JOHN C. EATON	Toronto, Ont.
DOUGLAS D. EVERETT	Winnipeg, Man.
PHILLIP B. HOPGOOD	Halifax, N.S.
MURRAY J. HOWE	Burlington, Ont.
DAVID KINNEAR	Toronto, Ont.
CHARLES R. MacFADDEN	Halifax, N.S.
TREVOR F. MOORE	Toronto, Ont.
JOHN SAYWELL	Victoria, B.C.
ERIC D. SCOTT	Toronto, Ont.
ARTHUR G. WEAVER	Toronto, Ont.
GORDON D. deS. WOTHERSPOON	Uxbridge, Ont.
WILLIAM H. ZIMMERMAN, Q.C.	Toronto, Ont.

business office

Suite 3023, Place Victoria,
Montreal, Quebec H4Z 1B8

**investment manager and
distributor**

Eaton Fund Management Limited
Toronto, Ontario, and
Montreal, Quebec

custodian of investments

International Trust Company
Toronto, Ontario

auditors

Clarkson, Gordon & Co.
Toronto, Ontario



fund highlights

- No initial sales charges.
- Low initial investment. \$200 minimum plus a \$10 administrative fee.
- Voluntary investments. No long term contract.
- Convenient payment system. Automatic monthly transfers from your bank account.
- Annual inter-fund transfer privilege.
- Invested internationally for strong growth potential.
- Service at any Eaton Financial Centre.

For further information, please contact your nearest
Eaton Financial Centre.