MPG

Investment Corporation Limited

ANNUAL REPORT

1994

CORPORATE POLICY

MPG Investment Corporation Limited is an investment corporation which invests its assets in the common shares of Canadian companies listed on the recognized stock exchanges; to a lesser extent (approximately 15% of its total portfolio) MPG also invests in the shares of foreign companies and, from time to time, it will hold reserve funds in bonds, certificates of deposit, treasury bills, or cash.

MPG's Investment Objective has been and remains one of providing shareholders with long-term growth of assets.

MPG's Dividend Policy is to pay dividends on Common shares, if earnings permit, equal to the amount necessary to continue to qualify the Corporation as a closed-end investment corporation under the Income Tax Act; in practical terms, this means total annual distributions on the Common shares of about three-quarters of the net income available to Common shareholders.

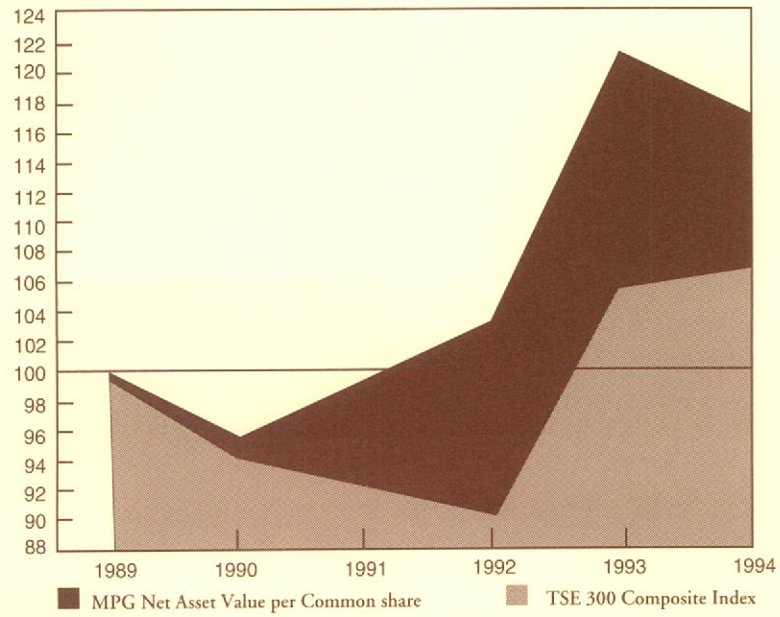
INDEX

FINANCIAL HIGHLIGHTS

	June 30, 1994	June 30, 1993	Change
NAV per Common share	$9.26	$9.57	-3.2%
TSE 300	4,025.25	3,966.37	+1.5%
Gross Assets	$55.9M	$59.6M	-6.2%

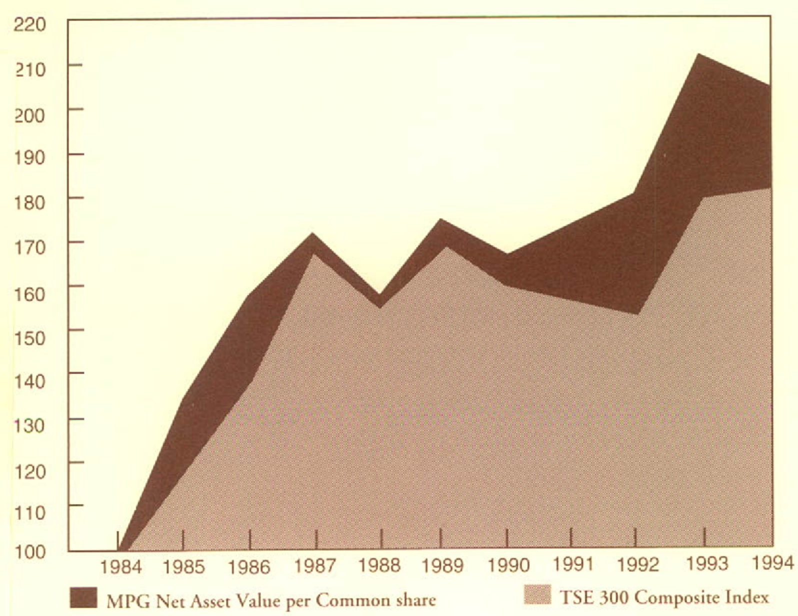
FIVE YEAR PERFORMANCE

(Base Year June 30, 1989 – 100)



TEN YEAR PERFORMANCE

(Base Year June 30, 1984 – 100)



TO OUR SHAREHOLDERS

The past 12 months have been difficult for Canadian equity investors. The Toronto Stock Exchange 300 Composite Index (TSE 300) was up 9.0% in the first six months to December 31, 1993 and then collapsed in the following six months, resulting in a TSE 300 gain for the 12 months ended June 30, 1994 of 1.5%. The Corporation's results for the year ended June 30, 1994 were mixed, as indicated below:

- The price of the Common shares fell 6.7% to close at $7.00 from $7.50;
- The Net Asset Value (NAV) declined 3.2% to $9.26 from $9.57;
- The NAV increased 17.4% and 104.4% for the five- and ten-year periods respectively, continuing to outperform the TSE 300, which increased 7.0% and 81.2% respectively. These results are shown in the graphs;
- Gross assets declined to $55.9 million from $59.6 million;
- The discount between the NAV and the market price of the Common share was 24.4% as compared to 21.6% at year end last year and 30.8% on June 30, 1992;
- Income earned per Common share during the year increased 18.4% to 19.3¢, as compared to 16.3¢ in the previous 12 months;
- Total dividends paid to Common shareholders throughout the year increased by 11.4% to 19.5¢ as compared to 17.5¢ paid last year;
- Expenses as a percentage of average net assets continued to decline to 1.12% from 1.28%.

A detailed analysis of these results is included in Management's Discussion and Analysis on page 3.

The equity markets **over the past year** have focused on sector momentum versus long-term value. This resulted in spikes in values of specific sectors such as junior oil and gas, forest products and gold. Once the momentum was lost, each of these sectors fell and little importance was paid to inexpensive, good quality situations within these sectors. Following the election of the Federal Liberal Government in October 1993, which was perceived as a positive for the country, the 1993 bull market continued. However, global investors focused on Canada's debt and our inability to come to grips with the country's precarious financial position. Investors also realized that a Quebec election was on the horizon with potential negative results for Canada and uncertainty for financial markets. These issues, however, were the precursor to the biggest blow to investors which came as a result of inflation fears in the U.S. when the U.S. prime rate rose from 6.00% to 7.25%. The Canadian prime rate consequently shot up to 8.00% from 5.50%, resulting in a 15% decline in the financial and utility sectors. In both Canada and the U.S., rate increases were somewhat justified as interest rates had fallen to an exaggerated 25-year low which, in turn, may have over-primed the economic engines.

The major concern in Canada **now and in the future** is debt – personal, corporate, municipal, provincial and federal. We cannot count on inflation to be a factor in reducing deficits and furthermore, because of current high real interest rates, improved earnings and higher tax revenues cannot make meaningful reductions in deficits. Improved efficiency and spending cuts are the main routes off the deficit track. Until these critical facts are dealt with, foreign investors will shun Canadian equities and bonds as *long-term investments* unless prices fall to lower levels. In the short term, the uncertainties over the future of Quebec will continue to put pressure on the Canadian dollar and interest rates.

Having stated the indisputable concerns, one must also state the obvious positives:

- Inflation is not expected to rise above 3% a year for the next two years and this low rate improves our competitiveness.
- The Canadian dollar has fallen sharply against most major global currencies, which gives exporters an edge in world trade.
- Commodity prices are closer to the bottom than to the top and should gradually rise, which will improve corporate profits.
- The North American Free Trade Agreement has created cheaper products for Canadian shoppers.
- The political benefits of the provincial Agreement on Internal Trade have overshadowed the significant economic benefits for increased trade and competition within Canada.
- Economic recovery in Japan and Europe will improve demand, and emerging markets in China and the rest of Asia should create enormous consumption and the need for their further economic development which can be met by Canadian exporters.

In closing, all of these factors are the basis of good *long-term growth* for the economy and for investors. The equity markets will continue to be susceptible to political and economic problems, but the big picture points to positive growth. Our investment policy has been more aggressive over the past few years by being more fully invested. However, we have not deviated from the guideline of buying good quality, undervalued companies with the potential for solid, long-term growth. We are not "timing" or "momentum" investors and the portfolio is therefore subject to corrections, as we have seen. We will continue to invest for long-term appreciation, which will provide growth and security of capital.

John K. McBride
President

August 26, 1994

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The **Net Asset Value** fell 3.2% as compared to the increase in the TSE 300 of 1.5% for the 12 months ended June 30, 1994. Much of the portfolio's success in 1993 was due to overweighting in the junior oil and gas, forest products, and industrial products sectors. Sector momentum shifted from these areas during this past year despite the fundamental good values offered by many of the companies in these sectors. As a result, some of the gains made last year were given up as we focused on the potential value of natural gas and oil as well as lumber and pulp and did not follow the selling trend. The portfolio was also overweighted in the financial sector last year due to the lower interest rate picture as well as the liberal yield on the bank stocks. We only reduced our exposure after concluding that long-term bond rates would not decline measurably, making many bank stocks unattractive. The U.S. dollar exposure was increased to 13.7% from 10.3% and reserves as at year end were 7.1% as compared to 7.6% a year earlier.

We believe that sectors of the market will perform well over the next 12 months, due mainly to strengthening commodity prices from growth in global demand. Meaningful growth from other sectors of the economy will be restrained due to continued high real interest rates, interest rate fluctuations caused by political unrest, and high deficits.

Total Income increased 9.0% to $1,945,394 from $1,784,247 mainly from an 11.7% boost in Canadian dividends, primarily as a result of $92,000 in special dividends received. Total interest income was similar to last year, while U.S. dividend income increased 25.3% due to the increase in the holdings of U.S. equities.

Expenses were well managed this past year and increased marginally by 0.7% to $671,877 from $666,963. Management expenses increased 6.7% in line with the increase in average net assets while all other expenses, except printing, declined.

Management strives to improve shareholder value by restraining expense growth and this has resulted in a further decline in the **expense ratio** from 1.28% to 1.12% of average quarterly net assets at June 30, 1994.

The increase in income and flat expenses resulted in **net income per Common share** increasing 18.4% to 19.3¢ from 16.3¢ after payment of the preferred share dividends.

With this increase, **dividends paid to Common shareholders** increased by 11.4% to 19.5¢ per share from 17.5¢ per share. This comprised regular quarterly dividends of 4.5¢ plus an extra dividend of 1.5¢ and resulted in a total payout of dividends to all shareholders of $1,273,799.

Earnings for the June 1995 year end are expected to be similar to the 1994 fiscal year. Although Canadian corporate profits are estimated to increase by approximately 35% in 1995, which should result in growth in dividends, our holdings of higher-yielding stocks will likely decline as we continue to focus more on long-term value and less on yield.

CAPITAL RESOURCES AND LIQUIDITY

The only change in share capital resulted from our normal course issuer bid, under which the Corporation repurchased 49,400 Common shares during the year at an average market price of $7.67 per share for a total cost to the Corporation of $378,652. This reduced the Common share capital by $319,124 with $5,322 allocated to Retained Earnings and $54,206 allocated to Realized Gains. As a result of the shares repurchased, Common shares outstanding declined 0.8% to 5,976,170 from 6,025,570.

There were no 1964 Series Preferred shares repurchased during the year.

Subject to regulatory approval, we intend to extend the normal course issuer bid for a further 12 months, commencing on October 1, 1994.

BALANCE SHEETS

As at June 30
(Incorporated under the Canada Business Corporations Act)

	1994	1993
ASSETS		
Cash	$ 32,291	$ 160,659
Interest-bearing demand deposits	307,599	593,849
Accrued interest and accounts receivable	209,816	247,540
Prepaid expenses	6,683	5,358
Investments at market value *(note 3 and schedule)*	55,235,372	54,736,842
Loans to officer *(note 2)*	29,113	32,180
Income taxes recoverable	106,654	3,796,793
	$55,927,528	$59,573,221
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 126,634	$ 167,757
Dividends payable	26,000	26,000
	152,634	193,757
Shareholders' equity:		
Share capital issued *(notes 5 and 6)* –		
80,000 1964 Series Preferred shares	2,000,000	2,000,000
5,976,170 Common shares (1993 – 6,025,570)	38,597,266	38,916,390
Retained earnings	959,665	977,132
Realized gains on disposals of investments	9,914,712	7,205,180
Unrealized appreciation of investments	4,303,251	10,280,762
	55,774,894	59,379,464
	$55,927,528	$59,573,221

See accompanying notes

On behalf of the Board:

Paul Chamon
Director

J K McBride
Director

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of MPG Investment Corporation Limited contained in this report, including the notes thereto, were prepared by management in accordance with generally accepted accounting principles. In addition, the financial information contained elsewhere in the annual report is consistent with the financial statements.

The Board of Directors is responsible for the financial statements included in this annual report. The Audit Committee reviews the contents of the financial statements prior to their approval by the Board of Directors. The external auditors discuss their audit work with the Committee.

The Corporation's external auditors, Ernst & Young, are responsible for auditing the financial statements and providing an opinion thereon and their report follows.

J K McBride

John K. McBride
President

J. Vernon Holt
Treasurer

STATEMENTS OF INCOME AND EXPENSES

Years ended June 30

	1994	1993
Income:		
Dividends from taxable Canadian corporations	**$1,448,012**	$1,296,771
Interest on investments	**277,627**	368,197
Dividends from United States corporations	**133,465**	106,539
Miscellaneous interest earned	**86,290**	12,740
	1,945,394	1,784,247
Expenses:		
Management fees	**459,509**	430,782
Trust company fees and charges	**48,221**	52,232
Legal, audit and professional fees	**40,136**	48,012
Directors' fees	**35,200**	39,200
Capital tax	**11,500**	17,725
Printing and stationery	**12,340**	7,907
General	**64,971**	71,105
	671,877	666,963
Income before income taxes	**1,273,517**	1,117,284
Income taxes *(note 4)*:		
Current	**346**	478
Foreign withholding	**11,517**	15,981
	11,863	16,459
Net income for the year	**$1,261,654**	$1,100,825
Earnings per Common share *(note 1e)*	**19.3¢**	16.3¢

See accompanying notes

AUDITORS' REPORT

To the Shareholders of
MPG Investment Corporation Limited

We have audited the balance sheets of **MPG Investment Corporation Limited** as at June 30, 1994 and 1993 and the statements of income and expenses, retained earnings, realized gains on disposals of investments, unrealized appreciation of investments and changes in net assets for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 1994 and 1993 and the results of its operations and the changes in its net assets for the years then ended in accordance with generally accepted accounting principles.

Ernst & Young, Chartered Accountants
Pointe-Claire, Canada
July 22, 1994.

STATEMENTS OF RETAINED EARNINGS

Years ended June 30

	1994	1993
Retained earnings, beginning of year	$ 977,132	$1,060,331
Net income for the year	1,261,654	1,100,825
Excess of purchase price over stated capital of Common shares repurchased *(note 5)*	(5,322)	(7,061)
	2,233,464	2,154,095
Dividends declared:		
1964 Series Preferred shares ($1.30 per share)	104,000	104,000
Common shares ($0.195 per share; 1993 – $0.175 per share)	1,169,799	1,072,963
	1,273,799	1,176,963
Retained earnings, end of year	$ 959,665	$ 977,132

STATEMENTS OF REALIZED GAINS ON DISPOSALS OF INVESTMENTS

Years ended June 30

	1994	1993
Balance, beginning of year	$ 7,205,180	$14,211,795
Realized gains on sales of investments	3,984,244	4,233,014
Refund of refundable capital gains tax	–	4,722,808
Refundable capital gains tax paid *(note 4)*	(1,220,506)	(1,318,211)
Costs of issuing capital gains stock dividend	–	(64,371)
Capital gains stock dividend	–	(14,476,039)
Excess of purchase price over stated capital of Common shares repurchased *(note 5)*	(54,206)	(103,816)
Balance, end of year	$ 9,914,712	$ 7,205,180

STATEMENTS OF UNREALIZED APPRECIATION OF INVESTMENTS

Years ended June 30

	1994	1993
Balance, beginning of year	$10,280,762	$ 5,899,579
Increase (decrease) during the year	(5,977,511)	4,381,183
Balance, end of year	$ 4,303,251	$10,280,762

See accompanying notes

STATEMENTS OF CHANGES IN NET ASSETS

Years ended June 30

	1994	1993
Net assets, beginning of year	**$59,379,464**	$48,306,204
Add (deduct) changes during the year –		
Net income for the year	**1,261,654**	1,100,825
Realized gains on sales of investments *(note below)*	**3,984,244**	4,233,014
Costs of issuing capital gains stock dividend	–	(64,371)
Refundable capital gains tax, net	**(1,220,506)**	3,404,597
Appreciation (depreciation) in value of investments	**(5,977,511)**	4,381,183
Dividends paid out of investment income	**(1,273,799)**	(1,176,963)
Capital gains stock dividend cash elections and fractional shares *(note 5)*	–	(460,912)
Excess of purchase price over stated capital of Common shares repurchased *(note 5)*	**(59,528)**	(110,877)
Common shares repurchased for cancellation *(note 5)*	**(319,124)**	(233,236)
Net assets, end of year	**55,774,894**	59,379,464
Redemption value of 1964 Series Preferred shares	**(2,100,000)**	(2,100,000)
Refundable capital gains tax on hand *(note 4)*	**1,639,147**	418,641
Net assets, applicable to Common shares *(note 7)*	**$55,314,041**	$57,698,105
Net asset value per Common share	**$ 9.26**	$9.57

Note – realized gains on sales of investments

	1994	1993
Proceeds from sales include $16,771,321 from short-term investments (1993 – $15,338,822)	**$54,885,447**	$ 50,865,250
Cost of investments, beginning of year	**44,456,080**	41,481,873
Cost of investments purchased	**57,377,244**	49,606,443
Cost of investments, end of year *(note 3)*	**(50,932,121)**	(44,456,080)
Cost of investments sold	**50,901,203**	46,632,236
Realized gains on sales of investments	**$ 3,984,244**	$ 4,233,014

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

June 30, 1993 and June 30, 1994

1. ACCOUNTING POLICIES

a) Basis of accounting –

The financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards.

b) Recognition of revenue –

Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

c) Investment transaction –

Investment transactions are accounted for on the trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation of investments are calculated on an average-cost basis.

d) Foreign exchange –

Investment transactions in United States currency are translated at the exchange rate in effect on the settlement date. The market value of United States investments and cash balances are translated at the period-end exchange rate. The gains or losses on foreign exchange are included in the realized gains or losses on sales of investments or in the unrealized appreciation of investments, as applicable.

e) Earnings per Common share –

Earnings per Common share are calculated using the weighted monthly average number of Common shares outstanding during the year: 1994 – 6,000,870 (1993 – 6,120,396). The earnings available to the Common shares are calculated after deducting the 1964 Series Preferred share dividends.

2. LOANS TO OFFICER

The outstanding interest-free loan to an officer under the Executive Share Purchase Plan has been reduced from $12,225 as at June 30, 1993 to $10,802 as at June 30, 1994. A personal interest-free loan to an officer of the Corporation to purchase Common shares of the Corporation has been reduced from $19,955 as at June 30, 1993 to $18,311 at June 30, 1994. Both loans are collateralized by Common shares of the Corporation which have a market value at June 30, 1994 of $43,904. The loans require minimum annual payments of 2.5% of the original loan balances and all cash dividends received from the Corporation's shares must also be applied against the loans outstanding.

3. INVESTMENTS

Investments consist of:

	1994		1993	
	Cost	**Market Value**	Cost	Market Value
Canadian stocks	**$38,361,949**	**$42,066,450**	$33,823,275	$42,994,938
United States stocks	**5,936,390**	**6,400,114**	4,990,011	5,704,793
	44,298,339	**48,466,564**	38,813,286	48,699,731
Canadian bonds and debentures	**3,469,851**	**3,609,785**	2,021,475	2,415,792
Government treasury bills	**3,163,931**	**3,159,023**	3,621,319	3,621,319
	$50,932,121	**$55,235,372**	$44,456,080	$54,736,842

4. TAXES

During the year, the Corporation met the requirements of Section 130 of the Income Tax Act (Canada) and thus continued to qualify as an investment corporation. An investment corporation is not taxed on dividends received from taxable Canadian corporations; other investment income is taxed at reduced rates.

Income from foreign investments is subject to withholding tax.

Taxes on capital gains are refundable to the Corporation as such gains are distributed to shareholders by way of capital gains dividends. For accounting purposes, since refundable taxes are potentially recoverable, they are not deducted in computing net income but are charged to realized gains on disposals of investments. When these taxes become refundable, the appropriate amounts are accounted for as income taxes recoverable. The amount of refundable taxes available to the Corporation at June 30, 1994 is $1,639,147 (1993 – $418,641).

If the Corporation incurs net capital losses, they may be carried back three years and any balance may then be carried forward indefinitely against taxable capital gains.

If the investments had been sold at their market value, approximately $3,227,500 (being the taxable portion of the capital gains thereby realized) would have been subject to tax, refundable as described above.

5. SHARE CAPITAL

The authorized share capital of the Corporation consists of the following:

a) 80,000 – 1964 Series Preferred non-voting shares, having $1.30 cumulative dividend rights, redeemable at the option of the Corporation, at $26.25 per share;

b) Unlimited number of Class B non-voting shares, ranking junior to the 1964 Series Preferred shares, issuable in series;

c) Unlimited number of Common shares.

The changes in the outstanding Common share capital are as follows:

NUMBER	**1994**	1993
Outstanding, beginning of year	**6,025,570**	3,847,190
Purchased for cancellation under a Normal Course Issuer Bid	**(49,400)**	(35,700)
Capital gains stock dividend	–	2,286,894
Capital gains stock dividend – fractional shares paid	–	(18)
Capital gains stock dividend – cash elections in lieu of Common shares	–	(72,796)
Outstanding, end of year	**5,976,170**	6,025,570

STATED VALUE	**1994**	1993
Outstanding, beginning of year	**$38,916,390**	$25,134,499
Purchased for cancellation under a Normal Course Issuer Bid	**(319,124)**	(233,236)
Capital gains stock dividend	–	14,476,039
Capital gains stock dividend – fractional shares paid	–	(112)
Capital gains stock dividend – cash elections in lieu of Common shares	–	(460,800)
Outstanding, end of year	**$38,597,266**	$38,916,390

During the year, the Corporation acquired a total of 49,400 (1993 – 35,700) Common shares for cancellation, under a Normal Course Issuer Bid, at an aggregate cost of $378,652 (1993 – $344,113), of which $319,124 (1993 – $233,236) was charged to Common shares, based on the average per-share amount ($6.46) (1993 – $6.53) in the Common share account at the purchase date, and the balance was charged proportionately to Retained Earnings and Realized Gains on Disposals of Investments in the amounts of $5,322 (1993 – $7,061) and $54,206 (1993 – $103,816) respectively.

On June 30, 1993, the Corporation paid a capital gains stock dividend of three Common shares for each five Common shares held. As a result, the number of Common shares issued increased by 2,286,894 and the stated value of the Common shares increased by $14,476,039, which represents the value of $6.33 per share assigned to the capital gains stock dividend ($6.33 is the market value adjusted for the new shares issued as at record date). However, shareholders were entitled to elect to receive one-third of the dividend in cash in lieu of Common shares, in which case shareholders could receive two Common shares and a cash payment of $6.33 for every five Common shares held. In this regard, cash payments to shareholders electing cash in lieu of Common shares totalled $460,800, representing 72,796 shares.

6. COMMON SHARES

The issued Common shares of the Corporation (which are traded on the Montreal and Toronto stock exchanges) are eligible investments for Registered Retirement Savings Plans and similar plans.

7. NET ASSET VALUE PER COMMON SHARE

The net asset value per Common share as at June 30, 1994 and the end of the four preceding years is as follows:

1994	$9.26
1993	$9.57
1992	$8.13
1991	$7.77
1990	$7.50

Net asset value per Common share at June 30, 1994 is based on 5,976,170 shares. The June 30, 1993 figure is based on 6,025,570 shares.

SCHEDULE OF INVESTMENTS

June 30, 1994

Number of shares or face value of bonds or treasury bills		Cost	Market Value
EQUITY STOCKS			
Metals & Minerals			
40,000	Noranda Inc.	$ 1,034,269	$ 945,000
20,000	Potash Corporation of Saskatchewan Inc.	469,640	757,500
20,000	Inco Limited	691,514	670,000
20,000	Alcan Aluminium Limited	648,421	625,000
		2,843,844	2,997,500
Gold & Silver			
20,000	American Barrick Resources Corporation	639,652	660,000
60,000	TVX Gold Inc.	347,552	472,500
		987,204	1,132,500
Oil & Gas			
40,000	Suncor Inc.	760,000	1,170,000
50,000	Alberta Energy Company Ltd.	809,178	1,025,000
300,000	Harbour Petroleum Company Limited	860,139	990,000
20,000	PanCanadian Petroleum Limited	793,784	832,500
40,000	Canadian Natural Resources Limited	187,169	790,000
70,000	Poco Petroleums Ltd.	348,553	656,250
40,000	Alberta Natural Gas Company Ltd.	725,259	550,000
*3,000	Atlantic Richfield Company	401,281	424,020
*15,000	Occidental Petroleum Corporation	403,424	391,364
		5,288,787	6,829,134
Paper & Forest Products			
100,000	Abitibi-Price Inc. – Instalment Receipts	838,540	737,500
40,000	Slocan Forest Products Ltd.	405,043	510,000
35,000	International Forest Products Limited	502,846	498,750
*7,000	Weyerhaeuser Company	338,566	387,044
60,000	MacMillan Bloedel Limited – Instalment Receipts	393,761	382,500
20,000	Pacific Forest Products Limited	260,000	265,000
		2,738,756	2,780,794
Consumer Products			
80,000	Linamar Corporation	502,938	1,500,000
70,000	John Labatt Limited – Instalment Receipts	1,197,403	901,250
45,000	Canstar Sports Inc.	645,702	691,875
40,000	Hayes-Dana Inc.	684,420	505,000
22,200	Inter-City Products Corporation, 8% Pfd., Series C, Cv.	561,003	424,575
*5,000	Chrysler Corporation	291,992	328,296
40,000	BC Sugar Refinery, Limited – Class A	421,598	320,000
*3,500	Whirlpool Corporation	277,840	253,998
*4,000	Sunrise Medical Inc.	156,048	120,951
		4,738,944	5,045,945

Number of shares or face value of bonds or treasury bills		Cost	Market Value
Biotechnology			
*5,000	Chiron Corporation	$ 285,798	$ 378,405
Industrial Products			
70,000	Bombardier Inc. – Class B	387,212	1,373,750
50,000	Spar Aerospace Limited	918,476	718,750
35,000	Unican Security Systems Ltd. – Class B	344,572	700,000
150,000	The Canam Manac Group Inc. – Class A	731,890	570,000
35,000	Jannock Limited	701,668	560,000
10,000	Newbridge Networks Corporation	661,583	471,250
20,000	Moore Corporation Limited	511,422	465,000
*7,000	General Electric Company	483,174	451,148
*5,000	Intel Corporation	423,186	404,323
*7,000	Computer Associates International, Inc.	355,492	387,044
*8,000	Medusa Corporation	285,609	270,931
*4,000	Motorola, Inc.	139,010	246,740
*6,000	Amphenol Corporation – Class A	147,185	132,701
		6,090,479	6,751,637
Real Estate			
100,000	Markborough Properties Inc.	303,442	215,000
Pipelines			
80,000	TransCanada PipeLines Limited, Equity 2nd Pfd., Series B, Cv.	1,584,859	1,340,000
Utilities			
50,000	BCE Inc.	2,223,480	2,250,000
30,000	Teleglobe Inc., 2nd Pfd., Cv.	1,405,813	1,320,000
*30,000	Caribbean Utilities Company, Ltd. – Class A	648,766	694,606
30,000	BC TELECOM Inc.	603,750	678,750
35,000	TELUS Corporation	485,114	546,875
		5,366,923	5,490,231
Communications & Media			
75,000	Quebecor Inc. – Class B	710,050	1,303,125
25,000	Torstar Corporation – Class B	586,250	587,500
40,000	Le Groupe Vidéotron Ltée	420,200	495,000
		1,716,500	2,385,625
Entertainment			
*6,000	The Walt Disney Company	178,269	345,229
Merchandising			
40,000	The Loewen Group Inc.	241,421	1,345,000
60,000	Loblaw Companies Limited	1,451,130	1,230,000
*11,125	Mattel, Inc.	335,989	390,219
*5,000	The Home Depot, Inc.	300,675	291,147
*5,000	Toys "R" Us, Inc.	190,705	226,352
		2,519,920	3,482,718

Number of shares or face value of bonds or treasury bills		Cost	Market Value
Financial Services			
100,000	Royal Bank of Canada	$ 2,737,822	$ 2,675,000
70,000	Canadian Imperial Bank of Commerce	2,018,693	2,073,750
50,000	The Bank of Nova Scotia	1,285,783	1,250,000
50,000	A.G.F. Management Limited – Class B	871,920	750,000
*5,000	Citicorp	293,381	275,596
		7,207,599	7,024,346
Conglomerates			
80,000	Power Corporation of Canada	1,791,760	1,580,000
50,000	Denbridge Capital Corporation	655,255	687,500
		2,447,015	2,267,500
Total stocks		44,298,339	48,466,564

BONDS AND DEBENTURES

$500,000	Amoco Canada Petroleum Company Ltd., Cv. Deb., 7.375%, September 1, 2013	657,475	808,645
600,000	Noranda Forest Inc., Cv. Deb., 7.25%, October 30, 2002	709,500	780,000
600,000	Hollinger Inc., Cv. Deb., 7%, November 1, 1998	607,876	591,000
500,000	Government of Canada Bond, 7%, March 15, 1995	515,500	498,640
500,000	Poco Petroleums Ltd., Cv. Deb., 7.5%, February 16, 1997	502,500	487,500
600,000	MacMillan Bloedel Limited, Cv. Deb., 5%, May 1, 2007	477,000	444,000
Total bonds and debentures		3,469,851	3,609,785

TREASURY BILLS

$2,000,000	Canada Treasury Bill, 6.4729%, September 22, 1994	1,968,580	1,968,580
*870,000	U.S. Treasury Bill, 4.142%, September 22, 1994	1,195,351	1,190,443
Total treasury bills		3,163,931	3,159,023
Total investments		$50,932,121	$55,235,372

*The market values of foreign securities are translated into Canadian dollars at $1.3823, the United States rate of exchange prevailing at June 30, 1994.

Interest-bearing demand deposits on hand of $307,599 are not included in the Schedule of Investments.

CHANGES IN INVESTMENT PORTFOLIO

Year ended June 30, 1994

EQUITY STOCKS

		Number of Shares or Face Value of Bonds	
		Additions	Deletions
Metals & Minerals	Alcan Aluminium Limited	20,000	25,000
	Inco Limited	20,000	10,000
	Noranda Inc.	5,500	
	* Phelps Dodge Corporation		10,000
Gold & Silver	American Barrick Resources Corporation	20,000	
	TVX Gold Inc.	100,000	40,000
Oil & Gas	Alberta Natural Gas Company Ltd.	40,000	
	* Atlantic Richfield Company	3,000	
	CS Resources Limited		100,000
	Canadian Natural Resources Limited		10,000
	Harbour Petroleum Company Limited	300,000	
	Imperial Oil Limited	10,000	10,000
	* Occidental Petroleum Corporation	15,000	
	Poco Petroleums Ltd.		30,000
	Renaissance Energy Ltd.		15,000
Paper & Forest Products	Abitibi-Price Inc. – Instalment Receipts	100,000	
	Pacific Forest Products Limited	20,000	
	Slocan Forest Products Ltd.	20,000 (1)	
Consumer Products	BC Sugar Refinery, Limited – Class A	50,000	10,000
	* Chrysler Corporation	2,000	
	Dominion Textile Inc.		80,000
	Hayes-Dana Inc.	40,000	
	Inter-City Products Corporation, 8% Pfd., Series C, Cv.	15,000	37,800
	John Labatt Limited – Instalment Receipts	175,000 (1)	140,000
	* Johnson & Johnson		5,000
	Linamar Corporation	40,000 (1)	
	The Molson Companies Limited – Class A	20,000	20,000
	* PepsiCo, Inc.		10,000
	* Reebok International Ltd.		10,000
	The Seagram Company Ltd.		25,000
	* Sunrise Medical Inc.	4,000	
	* Whirlpool Corporation	3,500	
Biotechnology	* Calgene Inc.		20,000
Industrial Products	* Amphenol Corporation – Class A	6,000	
	* Aviall Inc.	2,500 (1)	2,500
	C-Mac Industries Inc.	90,000 (1)	140,000
	The Canam Manac Group Inc. – Class A	150,000	
	* Computer Associates International, Inc.	7,000	
	GSW Inc. – Class A	5,800	5,800
	GSW Inc. – Class B	4,700	4,700
	* General Electric Company	7,000 (1)	
	* Intel Corporation	5,000	
	Jannock Limited	35,000	
	* Medusa Corporation	8,000	
	Moore Corporation Limited	40,000	20,000
	* Motorola, Inc.	2,000 (1)	3,000
	Newbridge Networks Corporation	10,000	
	NOVA Corporation of Alberta		150,000
	* Oregon Steel Mills, Inc.	12,000	12,000
	* The Penn Central Corporation	7,600	7,600
	SNC-Lavalin Group Inc.		40,000
	Softkey Software Products Inc.		80,000

		Number of Shares or Face Value of Bonds	
		Additions	Deletions
Real Estate	Markborough Properties Inc.	100,000	
Transportation	Laidlaw Inc., 5% Pfd., Series G		42,000
	* Ryder Systems, Inc.		10,000
Pipelines	TransCanada PipeLines Limited		80,000
	TransCanada PipeLines Limited, Equity 2nd Pfd., Series B, Cv.	80,000	
	Westcoast Energy Inc.	50,000	50,000
	Westcoast Energy Inc. – Instalment Receipts		50,000
Utilities	* Ameritech Corporation	5,000 (1)	10,000
	BCE Inc.	30,000	
	* Caribbean Utilities Company, Ltd. – Class A	30,000	
	Teleglobe Inc., 2nd Pfd., Cv.	30,000	
Communications & Media	Le Groupe Vidéotron Ltée	45,454 (1)	5,454
	Maclean Hunter Limited	30,000	30,000
	Quebecor Inc. – Class B		25,000
	The Thomson Corporation		30,000
	Torstar Corporation – Class B	25,000	
Merchandising	Canadian Tire Corporation, Limited – Class A	40,000	40,000
	The Home Depot, Inc.	2,000	
	Hudson's Bay Company	30,000	30,000
	Hudson's Bay Company – Instalment Receipts		75,000
	Loblaw Companies Limited	60,000	
	The Loewen Group Inc.		10,000
	* Mattel, Inc.	11,125 (1)	
	* Toys "R" Us, Inc.		5,000
Financial Services	A.G.F. Management Limited – Class B	50,000	
	Bank of Montreal		100,000
	The Bank of Nova Scotia	40,000	30,000
	Canadian Imperial Bank of Commerce		30,000
	* Citicorp	5,000	
	* GEICO Corporation		4,000
	The Laurentian Group Corporation – Class B		100,000
	Power Financial Corporation	10,000	55,000
	Royal Bank of Canada	100,000	60,000
	The Toronto-Dominion Bank	100,000	100,000
Conglomerates	Denbridge Capital Corporation	40,000 (1)	
	Canadian Pacific Ltd.		40,000
	Power Corporation of Canada	80,000	
	Scott's Hospitality Inc.	80,000	80,000

BONDS AND DEBENTURES

		Additions	Deletions
	Government of Canada Bond, 7%, March 15, 1995	$500,000	
	Le Groupe Vidéotron Ltée, Cv. Deb., 7.5%, March 31, 2002		$500,000
	Hollinger Inc., Cv. Deb., 7%, November 1, 1998	$600,000	
	Noranda Forest Inc., Cv. Deb., 7.25%, October 30, 2002	$600,000 (1)	$600,000
	Poco Petroleums Ltd., Cv. Deb., 7.5%, February 16, 1997	$500,000	

(1) The above transactions include shares received through stock splits, stock dividends, exchanges of rights issued or conversions. Changes in short-term deposits are excluded.

* Foreign securities.

PORTFOLIO ANALYSIS

OUR TEN LARGEST HOLDINGS

	Cost	Value	% of Total Portfolio	% Yield
Royal Bank of Canada	$2,737,822	$2,675,000	4.8	4.3
BCE Inc.	2,223,480	2,250,000	4.1	6.0
Canadian Imperial Bank of Commerce	2,018,693	2,073,750	3.7	4.5
Power Corporation of Canada	1,791,760	1,580,000	2.8	3.5
Linamar Corporation	502,938	1,500,000	2.7	0.0
Bombardier Inc. – Class B	387,212	1,373,750	2.5	1.6
The Loewen Group Inc.	241,421	1,345,000	2.4	0.2
TransCanada PipeLines Limited, Equity 2nd Pfd., Series B, Cv.	1,584,859	1,340,000	2.4	7.5
Teleglobe Inc., 2nd Pfd., Cv.	1,405,813	1,320,000	2.4	4.5
Quebecor Inc. – Class B	710,050	1,303,125	2.3	1.3

PERFORMANCE OF OUR TEN LARGEST HOLDINGS OVER THE LAST YEAR*

	% Change
Royal Bank of Canada	-2.3
BCE Inc.	-3.6
Canadian Imperial Bank of Commerce	-8.1
Power Corporation of Canada	-11.8
Linamar Corporation	+28.2
Bombardier Inc. – Class B	+58.6
The Loewen Group Inc.	+23.4
TransCanada PipeLines Limited, Equity 2nd Pfd., Series B, Cv.	-15.4
Teleglobe Inc., 2nd Pfd., Cv.	-6.1
Quebecor Inc. – Class B	-12.0

*or since acquisition

TSE 300 Composite Index	+1.5

RELATIVE SECTOR WEIGHTINGS

	% of our Total Portfolio 1994	1993	% of Toronto Stock Exchange 300 Composite Index 1994
Oil & Gas	**14.6**	13.5	12.1
Financial Services	**12.6**	19.1	15.6
Industrial Products	**12.2**	10.4	9.4
Utilities	**9.9**	4.5	10.1
Consumer Products	**9.1**	9.4	8.8
Paper & Forest Products	**7.2**	5.4	4.3
Merchandising	**6.3**	6.5	3.6
Metals & Minerals	**5.4**	5.0	7.7
Communications & Media	**5.4**	5.5	2.7
Conglomerates	**4.1**	2.7	4.7
Pipelines	**2.4**	4.1	2.3
Gold & Silver	**2.0**	0.0	11.2
Biotechnology	**0.7**	1.4	0.4
Entertainment	**0.6**	0.6	1.4
Real Estate	**0.4**	0.0	0.5
Chemicals	**0.0**	2.6	3.7
Transportation	**0.0**	1.7	1.5
Total Equity Exposure	**92.9**	92.4	100.0
Reserves	**7.1**	7.6	0.0
TOTAL	**100.0**	100.0	100.0

PERFORMANCE OF MPG COMMON SHARES COMPARED TO TSE 300 COMPOSITE INDEX

Years Shares held (June 30)	Average Annual Compound Rate of Return on MPG Common shares*	Toronto Stock Exchange 300 Composite Index Compound Rate of Return*
1	-4.14%	3.93%
3	15.32%	8.29%
5	9.41%	4.77%
10	10.60%	9.67%

*assuming reinvestment of dividend income

CORPORATE INFORMATION

For comparative purposes, all information expressed either as a market price or as a value per Common share, and relating to the periods prior to the payment of capital gains stock dividends on November 10, 1986 and June 30, 1993, has been restated to provide for the increase in the number of shares issued.

COMPARATIVE FINANCIAL SUMMARY

(for years ended June 30)

	Gross Assets	Gross Income	Net Income	Earnings per share (1)	Dividend per share	Expense Ratio (2)	Net Asset Value (3)	Market Price
	(000's)	(000's)	(000's)					
1984	$27,064	$1,141	$ 849	11.3¢	10.2¢	.98%	$4.53	$3 5/8
1985	35,242	1,334	1,008	14.3	11.3	.97	6.06	4 3/8
1986	48,099	1,752	1,314	14.8	11.8	1.03	7.09	5 3/8
1987	52,916	1,726	1,229	9.4	13.4	1.05	7.75	5 1/2
1988	47,738	2,014	1,433	13.6	16.3	1.10	7.06	4 5/8
1989	52,806	2,376	1,711	19.0	18.1	1.09	7.89	5 3/8
1990	54,137	3,188	2,273	26.4	21.9	1.40	7.50	5
1991	46,708	2,450	1,552	18.9	19.4	1.61	7.77	5
1992	48,508	1,988	1,270	18.9	20.6	1.36	8.13	5 5/8
1993	59,573	1,784	1,101	16.3	17.5	1.28	9.57	7 1/2
1994	**55,928**	**1,945**	**1,262**	**19.3**	**19.5**	**1.12**	**9.26**	**7**

(1) Earnings per Common share are based on the weighted monthly average number of shares outstanding.

(2) Expenses as a percentage of average quarterly net assets.

(3) Net Asset Value per Common share figures have been calculated as follows:

- the figure for June 30, 1985 is based on the assumption that all 1984 Warrants outstanding were exercised at $5.04 per Common share;
- the figures for June 30, 1986, 1987, 1988 and 1989 are based on the assumption that all 1984 and 1985 Warrants outstanding were exercised at $5.04 and $5.99 per Common share respectively;
- the figure for June 30, 1990 is based on the assumption that all 1985 Warrants outstanding were exercised at $5.99 per Common share.

VALUATION DAY

(December 22, 1971 share prices)

Common shares	– $0.82 (reflects capital gains stock dividends paid on October 14, 1981, November 10, 1986 and June 30, 1993)
1964 Series Preferred shares	– $15.00

PRICE RANGE OF COMMON SHARES ON THE TORONTO STOCK EXCHANGE

1993/1994	High	Low	Close
First Quarter	$7 3/8	$6 1/2	$7
Second Quarter	7 5/8	7 1/8	7 1/2
Third Quarter	8	7 1/2	7 3/4
Fourth Quarter	7 7/8	7	7
Year	8	6 1/2	7
1992/1993	8	5 1/2	7 1/2

Common shares and 1964 Series Preferred shares are listed for trading on the Toronto and Montreal stock exchanges.

Stock Symbols: Common shares – MPG
1964 Series Preferred shares – MPG.PR.A

NET ASSET VALUE PER COMMON SHARE

In order to provide shareholders and investors with a regular flow of corporate information, the Corporation issues press releases disclosing the month-end Net Asset Value figures to the stock exchanges and newspapers. If shareholders or other interested parties wish to know the latest Net Asset Value figures, they are invited to telephone our Executive Office at (613) 932-0183.

ADDITIONAL INFORMATION

Head Office

220-42nd Avenue S.E.
Calgary, Alberta
T2G lY4

Bankers

The Bank of Nova Scotia

Custodian

The Canada Trust Company

Executive Office

215 Sydney Street
Cornwall, Ontario
K6H 3H3

Counsel

Blake, Cassels & Graydon

Auditors

Ernst & Young

Transfer Agents & Registrar

The R-M Trust Company
Calgary, Montreal, Toronto

Annual Meeting

of Shareholders will be held at the Corporation's Executive Office, 215 Sydney Street, Cornwall, Ontario on Friday, October 28, 1994 at 11:00 o'clock a.m

DIRECTORS

The Rt. Hon. H. Paul G. Channon, M.P.
Chairman and Director since 1992.
Member of the United Kingdom Parliament. He is also a Director of The Iveagh Trustees Limited – management company.

Robert P. Mather
Director since 1989.
Investment Executive with Legg Mason Wood Walker Incorporated.

A. Julian Robarts
Appointed a Director in February 1994.
He is Chief Executive and a Director of The Iveagh Trustees Limited – management company.

J. Robertson Collins
Director since 1983.
Chairman and Chief Executive Officer, Morgan Financial Corporation. He is also a Partner, Blake, Cassels & Graydon – barristers & solicitors.

John K. McBride
Director since 1990 and President since 1991.
Vice-President of Elgistan Management Limited. He is also a Director of Jones Heward Fund Ltd. and a Trustee of Bullock American Fund.

Thor A. Foss
Director since 1983.
Vice-Chairman and Director of Jones Heward Investment Management Inc. and a Director of Burns Fry Limited.

John A. Ogilvy, Q.C.
Director since 1993.
Consultant with the law firm of Ogilvy Renault and a Director of the Jones Heward Fund Ltd., as well as a Trustee of the Jones Heward American Fund.

OFFICERS

The Rt. Hon. H. Paul G. Channon, M.P.
Chairman of the Board

John K. McBride
President

J. Vernon Holt
Treasurer

Sheila A. Duncan
Secretary

J. Robertson Collins
Assistant Secretary

Debra D. Hunt, C.G.A.
Assistant Treasurer

Joyce N. Madden
Assistant Secretary

Norman L. Scott, C.A.
Assistant Secretary

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