1973 ANNUAL REPORT

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

1973 ANNUAL REPORT

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Standing — Left to Right: V. N. Stock, J. A. McKee, J. B. Clarke, B. H. Rieger.
Seated — Left to Right: L. W. Larkin, W. L. Gordon, J. P. Parker, L. C. Bonnycastle.

Officers

Hon. Walter L. Gordon	— Chairman
L. C. Bonnycastle	— Vice-Chairman
V. N. Stock	— President
B. H. Rieger	— Vice-President
J. Boyd Clarke	— Vice-President
J. P. Parker	— Vice-President
L. W. Larkin	— Vice-President
J. A. McKee	— Secretary-Treasurer
T. M. H. Hall	— Controller

Board of Directors

L. C. Bonnycastle	— Toronto
J. Boyd Clarke	— Toronto
R. Winfield Ellis	— Chicago
Hon. Walter L. Gordon	— Toronto
A. G. S. Griffin	— Toronto
Hon. Maurice Lamontagne	— Ottawa
L. W. Larkin	— Toronto
A. J. MacIntosh, Q.C.	— Toronto
J. P. Parker	— Toronto
B. H. Rieger	— Toronto
Godfrey S. Rockefeller	— New York
V. N. Stock	— Toronto

Head Office

2080 Commerce Court West,
P.O. Box 131,
Commerce Court Postal Station,
Toronto, Canada, M5L 1E6

Transfer Agents

National Trust Company, Limited
Toronto and Montreal

Bankers Trust Company
New York

Directors Report to Shareholders:

1973 was a record year for your company, with exceptional growth in both sales and profits continuing the trend of recent years.

	Sales	Income before Extraordinary Items	Income per Share before Extraordinary Items
1971	$120,616,000	$3,053,587	$1.43
1972	136,035,000	4,329,896	1.96
1973	167,216,000	7,190,552	3.25
Increases 1973 over 1972	23%	66%	66%

Net income before extraordinary items represented a return of 19.5% on shareholders' equity. These results are particularly gratifying for while they are partly due to the inflated economy in 1973, they are also the result of a programme of expansion with emphasis on companies which are least affected by cyclical conditions.

Commencing January 1974, the quarterly dividend was increased to 25¢ for Class A shares and to 21¼¢, payable out of the tax paid undistributed surplus, for Class B shares.

At the annual meeting in April shareholders will be asked to approve a by-law increasing the number of directors from 12 to 15.

In order to provide a clearer understanding of the sectors of the economy in which your company operates, the results of the various operating divisions have been regrouped under new headings. The financial results are shown on page 7 and a description of the companies' operations start on page 14.

The 1972 annual report referred to certain new fields for investment: leisure industries, leasing and land development.

In the category of leisure industries Jelinek Sports and its subsidiaries had a good year with the exception of Canadian Skate Industries. The management of Canadian Skate has been strengthened and as the demand for skates is increasing in both Canada and the United States, this company should have a profitable year in 1974.

Your company has not proceeded with its tentative plans in the leasing field primarily due to increasing competition.

In land development Arosa Properties Limited, in which your company has a 51% interest, had a profitable year and $92,213 has been taken into Canadian Corporate Management's consolidated net income for the year. This amount represents management fees and your company's share of profits on land sales actually realized in cash while profits from sales involving mortgages which have been taken back by Arosa will be deferred until the year in which the mortgage payments are received. This conservative practice, which conforms with the method of determining income for tax purposes, is explained further in Note 2 to the financial statements. Your company's share of future profits represented by mortgages receivable less provision for income taxes thereon, amounted to $565,000 at December 31, 1973.

Arosa Properties' investment in land holdings has been substantially reduced in view of uncertainties respecting the trend of land values.

Last year's report commented on the greatly improved management/union co-operation at Dominion Forge and the prospects for a profitable year in 1973. These expectations were fully borne out and all the company's officers and employees deserve credit for restoring the position of Dominion Forge as one of the leading forging companies in North America.

Canadian Corporate Management Company Limited was active in the acquisition of companies in 1973. Hull-Thomson Limited was acquired in May. It is located in Windsor, Ontario, and manufactures roll formed parts for the automotive industry and roll formed and stamped parts for the Canadian appliance industry.

Neo Industries Limited, Hamilton, Ontario, purchased as of January 1, 1973, is a unique facility combining hard chrome plating, engraving and machining. It supplies a wide range of customers in Canada such as steel mills, the printing industry, the oil industry and rubber companies. Hard chroming is adaptable for use in many other industries and growth prospects are excellent.

Regal Stationery Company Limited based in Toronto, was acquired as of November 1, 1973. It manufactures a wide variety of paper products including greeting cards, envelopes and gift wrap, principally for the Christmas season. These manufactured goods together with a range of imported gift items are sold from coast to coast by direct distribution and mail order. Its unique merchandising methods are applicable to other products and other countries.

Lyons of London Company Limited based in London, Ontario, is one of Canada's best known manufacturers of slippers and slipper-type shoes. The company's products have national distribution. Depicted on page 13 of this report are many of the company's famous brand lines including "Tender Tootsies", "Happy Hoppers" and "Lullabies". A majority interest in this company was purchased as of December 31, 1973.

Including these acquisitions your company has over 30 operating subsidiaries and divisions and the success of so many widely diversified companies is largely due to the overall management philosophy of Canadian Corporate Management Company Limited.

This philosophy is based on a balanced relationship between the head office and the subsidiaries whereby seasoned head office executives furnish general supervision and support to the senior officer of each operating subsidiary who in turn is responsible for and exercises a high degree of autonomy in the day-to-day operations of his company.

The president and/or general manager of each subsidiary reports to the president or to a vice-president of Canadian Corporate Management and works closely with him in developing plans and solving problems as they arise. Guide lines have been set up for return on assets, return on shareholders' equity and objectives for growth. Control reports are developed including annual budgets, rolling forecasts and monthly financial statements. Capital expenditures and acquisitions by subsidiaries must be approved by head office.

Within this relationship the presidents and/or general managers of the subsidiaries are in complete charge of operations and the detailed planning of expansion programmes. They are assessed and compensated on the basis of the results of the companies for which they are responsible. We have found this method of management works well and is appreciated by all concerned.

In the uncertain world conditions which prevail as this report is prepared including the threat of continued inflation and increasing shortages of materials, there are some who predict a sharp reduction in economic growth in the United States in 1974. If this proves to be correct the Canadian economy will undoubtedly be affected, but perhaps not until the latter part of the year. Despite these uncertainties your company expects improved results in 1974 in view of the following factors.

Canadian Chromalox is in a favoured position because Canada has an adequate supply of electricity and there is a strong swing to all forms of electric heating in which field this company is the leading manufacturer. Canadian Chromalox will negotiate a collective agreement with employees in 1974 and management believes the negotiations will be conducted with the same mutual respect and sense of responsibility which have characterized past agreements.

Since the end of the year Larkin Lumber Company and Canadian Tire Corporation have entered into an agreement under which building products will be merchandised through jointly owned stores located adjacent to existing Canadian Tire outlets. Initially two experimental stores are contemplated and if this joint venture works out as anticipated, the plan will be to establish other outlets. Canadian Tire has a deservedly high reputation in the field of merchandising as has Larkin Lumber and we believe this joint venture will prove highly profitable in the future.

Most of the other companies are also forecasting improved results though in some cases a shortage of materials will be a limiting factor. On the other hand, 1973 results included only two months of operations of Regal Stationery and Lyons of London was acquired only as of December 31, 1973. Both these subsidiaries will contribute in 1974 to the strong pattern of growth your company has established.

In conclusion, we wish to express our grateful thanks to the 4,000 men and women who represent Canadian Corporate Management Company Limited and its subsidiaries. We record our appreciation of the co-operation throughout the year of all those concerned and our pleasure at the good relations that have prevailed.

Submitted on behalf of the Board of Directors.

W L Gordon

Walter L. Gordon, Chairman.

Valentine N. Stock

V. N. Stock, President.

Toronto, Canada
March 8, 1974.

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

(Incorporated under the Canada Corporations Act)

Consolidated Balance Sheet December 31, 1973

(with 1972 figures for comparison)

ASSETS

	1973	1972
Current Assets:		
Cash	$ 1,432,642	$ 851,339
Marketable securities at cost (market value $3,144,000; 1972 - $1,870,000)	3,150,800	1,835,507
Accounts receivable	29,800,855	22,021,823
Inventories (note 3)	34,776,700	25,234,895
Prepaid expenses	383,091	344,029
Total current assets	69,544,088	50,287,593
Fixed Assets, at cost (note 4)	46,498,692	35,148,843
Less accumulated depreciation and amortization	26,240,956	19,493,167
Net fixed assets	20,257,736	15,655,676
Other Assets:		
Mortgages and other investments at the lower of cost or estimated realizable value	3,802,343	2,837,489
Patents and lease at cost less amortization	337,150	411,718
Total other assets	4,139,493	3,249,207
	$93,941,317	$69,192,476

The accompanying notes are an integral part of the financial statements.

Auditors' Report

TO THE SHAREHOLDERS OF
CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED:

We have examined the consolidated balance sheet of Canadian Corporate Management Company Limited as at December 31, 1973 and the consolidated statements of income, surplus, and changes in financial position 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, except for certain subsidiary companies whose statements have been examined and reported on by other chartered accountants.

In our opinion, which insofar as it relates to the amounts included for subsidiary companies whose state-

LIABILITIES AND SHAREHOLDERS' EQUITY

	1973	1972
Current Liabilities:		
Bank advances (note 5)	$ 9,993,829	$11,663,120
Accounts payable and accrued charges	21,759,513	11,093,983
Taxes due and accrued	3,439,011	2,809,275
Dividends payable	509,133	488,645
Current portion of long-term liabilities	498,951	326,622
Total current liabilities	36,200,437	26,381,645
Long-term Liabilities (note 6)	14,404,769	4,153,903
Deferred Income Taxes	694,895	11,599
Minority Interest in Subsidiary Companies	3,993,516	3,479,050
Shareholders' Equity (note 7):		
Capital stock		
Authorized —		
4,000,000 Class "A" convertible common shares without par value		
3,000,000 Class "B" convertible common shares without par value		
Issued and fully paid —		
1,028,660 Class "A" shares		
1,185,732 Class "B" shares		
2,214,392 shares	1,263,123	1,263,123
Surplus	37,384,577	33,903,156
Total shareholders' equity	38,647,700	35,166,279
	$93,941,317	$69,192,476

Approved by the Board:
Walter L. Gordon, Director
V. N. Stock, Director

ments have not been examined by us is based solely on the reports of other chartered accountants, these financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles (except that the accounts of Arosa Properties Limited are not consolidated as explained in Note 2 and the company's equity in the net income of that subsidiary is determined in the manner described in that note) applied on basis consistent with that of the preceding year as restated.

Toronto, Canada
March 8, 1974

Deloitte, Haskins & Sells
Chartered Accountants

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Consolidated Statement of Income

for the year ended December 31, 1973
(with 1972 figures for comparison)

	1973	1972
Sales (note 1)	$167,216,000	$136,035,000
Income from operations before providing for the undernoted items	18,547,621	13,002,391
Deduct:		
Depreciation and amortization	2,808,844	2,446,905
Amortization of patents and lease	74,568	74,567
Interest on long-term liabilities	520,190	374,001
	3,403,602	2,895,473
	15,144,019	10,106,918
Add:		
Net income from investments	190,745	109,038
Equity in income of Arosa Properties Limited (note 2)	92,213	15,899
	282,958	124,937
	15,426,977	10,231,855
Deduct provision for income taxes	7,209,302	5,048,256
	8,217,675	5,183,599
Deduct interest of minority shareholders in income of subsidiary companies	1,027,123	853,703
Income for the year before extraordinary items	7,190,552	4,329,896
Add extraordinary items		171,713
Net income for the year	$ 7,190,552	$ 4,501,609
Income per share before extraordinary items	$3.25	$1.96
Net income per share	$3.25	$2.03

Consolidated Statement of Surplus

for the year ended December 31, 1973
(with 1972 figures for comparison)

	1973	1972
Retained earnings at beginning of the year	$ 32,886,213	$ 31,343,852
Net income for the year	7,190,552	4,501,609
	40,076,765	35,845,461
Deduct:		
Dividends	1,730,387	1,332,477
Tax paid on undistributed income (note 7)	151,845	117,752
Goodwill written off (note 1)	1,826,899	1,509,019
	3,709,131	2,959,248
Retained earnings at end of the year	36,367,634	32,886,213
Contributed surplus	1,016,943	1,016,943
Surplus at end of the year	$ 37,384,577	$ 33,903,156

The accompanying notes are an integral part of the financial statements.

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Allocation of Sales and Income before Extraordinary Items by Class of Business

for the year ended December 31, 1973
(with 1972 figures for comparison)
(expressed in thousands of dollars)

	1973			1972		
	Sales	Income before extra-ordinary items	Income per share before extra-ordinary items	Sales	Income before extra-ordinary items	Income per share before extra-ordinary items
Electrical and Electronics	$ 31,468	$ 2,879	$ 1.30	$ 24,776	$ 1,815	$ .82
Braunoehler Company						
The Canadian Chromalox Company Limited						
Delhi Industries Limited						
Milltronics Limited						
Thermetic Controls Limited						
Residential Building Supplies	57,538	2,971	1.34	47,608	2,534	1.15
The Larkin Lumber Company Limited						
Burnel Graham Co. Limited						
Cashway North Limited						
Penn Building Centres Limited						
The Peterborough Lumber Company Limited						
Graphics	21,486	770	.35	15,991	560	.25
Canada Decalcomania Company Limited						
Regal Stationery Company Limited						
Richardson, Bond & Wright Limited						
Metallurgical and Chemical	25,596	1,676	.76	16,673	126	.06
Dominion Forge Company Limited						
The Guelph Engineering Company Limited						
Neo Industries Limited						
Northern Pigment (1970) Limited						
Products and Services	31,128	558	.25	30,987	517	.23
IEC-Holden Ltd.						
Jelinek Sports Limited						
Parker's Dye Works & Cleaners Limited						
Triad Acceptance Company						
York Telecommunications Limited						
	167,216	8,854	4.00	136,035	5,552	2.51
Less interest of minority shareholders and head office expenses		(1,663)	(.75)		(1,222)	(.55)
Total	$167,216	$ 7,191	$ 3.25	$ 136,035	$ 4,330	$ 1.96

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1973
(with 1972 figures for comparison)

		1973	1972
Financial Resources Provided By:			
Net income for the year		$ 7,190,552	$ 4,501,609
Add items not requiring an outlay of funds:			
Depreciation and amortization		2,883,412	2,521,472
Interest of minority shareholders in income of subsidiary companies		1,027,123	853,703
Deferred income taxes		573,593	11,599
Funds from operations		11,674,680	7,888,383
Fixed asset disposals		475,195	1,864,579
Increase in long-term liabilities		10,250,866	
Capital stock issued			833,750
Total		22,400,741	10,586,712
Financial Resources Used For:			
Acquisition of subsidiary companies		9,371,243	2,545,514
Less working capital acquired		4,753,946	1,223,314
		4,617,297	1,322,200
Consisting of:			
Fixed assets	$ 3,094,161		
Deferred income taxes	(109,703)		
Goodwill	1,826,899		
Minority interest	(194,060)		
	$ 4,617,297		
Purchase of fixed assets		4,791,938	3,901,805
Dividends paid:			
By parent company		1,730,387	1,332,477
By subsidiaries to minority shareholders		308,519	280,889
Tax of 15% on 1971 undistributed income		151,845	117,752
Increase in mortgages and other investments		964,854	1,870,552
Purchase of minority interests		398,198	696,283
Decrease in long-term liabilities			346,836
Total		12,963,038	9,868,794
Increase in Working Capital		9,437,703	717,918
Working Capital at Beginning of the Year		23,905,948	23,188,030
Working Capital at End of the Year		$33,343,651	$23,905,948

The accompanying notes are an integral part of the financial statements.

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1973.

1. Basis of Consolidation

The consolidated financial statements include the accounts of Canadian Corporate Management Company Limited and all subsidiaries except for certain subsidiaries, not material in the aggregate, which have been written down to nominal value and as explained in note 2, the accounts of Arosa Properties Limited have not been consolidated. This subsidiary was consolidated in 1972. In prior years the investment in Cashway North Limited, a 50%-owned company, was accounted for using the equity method of accounting. As this company and the retail lumber business of The Larkin Lumber Company Limited and its subsidiaries are operated as a single economic entity under the "Cashway Lumber" name and style and because there is free interchange of resources within this group, it has been considered appropriate to consolidate the accounts of Cashway North Limited. The 1972 comparative figures in the accompanying financial statements have been restated to reflect these changes, which have no effect on reported net income but have resulted in an increase in reported sales for 1972 in the amount of $4,925,000.

During the year, under agreements of purchase, the company acquired directly or through subsidiary companies, a controlling interest in each of the following:

	Percentage of Oustanding Equity Shares Acquired	Effective Date of Acquisition
Neo Industries Limited, an integrated hard chrome-plating, engraving and machining facility	100%	January 1, 1973
Hull-Thomson Limited, manufacturer of stampings and roll formed parts for the appliance and automotive industries	100%	May 31, 1973
Regal Stationery Company Limited, manufacturer and distributor of greeting cards, stationery and gift items	100%	November 1, 1973
Lyons of London Company Limited, manufacturer of casual footwear	85%	December 31, 1973

These acquisitions have been accounted for using the "purchase method" of accounting under which the operating results are included in the consolidated statement of income only for the period during which these companies were subsidiaries, and the net assets acquired are recorded at fair value with any excess cost of acquisition being recorded as goodwill.

The net assets acquired and consideration given for these acquisitons are as follows:

Net assets acquired:	
Net tangible assets at book value	$7,335,389
Adjustment of net assets to fair value	208,955
Premium ascribed to goodwill	1,801,846
	$9,346,190
Consideration given:	
Cash	$8,556,155
Long-term debt obligations	790,035
	$9,346,190

Under agreements in prior years pertaining to the acquisition of subsidiaries, Canadian Corporate Management Company Limited may be required to pay, depending upon the future earnings of the subsidiaries acquired, additional amounts for goodwill which might aggregate $1,045,000 over a four-year period. In 1973 the amount paid under these agreements was $25,053.

In accordance with the accounting practice followed by the company, payments made in 1973 in respect of goodwill on acquisitions in the aggregate amount of $1,826,899 have been charged to consolidated retained earnings.

2. Arosa Properties Limited

The accounts of Arosa Properties Limited in which Canadian Corporate Management Company Limited holds a 51% interest have not been included in the consolidated statements because the nature of Arosa's business is quite different from that of the other subsidiaries. The investment in Arosa Properties Limited is accounted for on the equity method under which the company's share of income of the subsidiary has been included in the consolidated statement of income. The financial position and operating results of Arosa Properties Limited are summarized as follows:

	1973	1972
Financial Position:		
Land held for development	$9,589,250	$8,188,013
Less mortgages payable	6,524,312	6,270,620
Net equity in land held for development	3,064,938	1,917,393
Mortgages receivable	3,331,226	
Other assets	475,138	7,767
Total Assets	6,871,302	1,925,160
Deduct:		
Bank indebtedness	3,004,658	1,735,000
Accounts payable, accrued charges and purchasers' deposits	1,530,139	158,180
Deferred income	2,260,971	
	6,795,768	1,893,180
Net Equity	$ 75,534	$ 31,980

Operating Results:

Operating revenues	$8,989,658	$1,652,972
Cost of sales and operating expenses	6,639,802	1,592,439
	2,349,856	60,533
Deferred income	2,260,971	
	88,885	60,533
Deferred income taxes	45,331	29,358
Net Income	$ 43,554	$ 31,175

The equity in income of Arosa Properties Limited of $92,213 shown in the accompanying consolidated statement of income includes fees received from the subsidiary together with the company's share of the reported net income.

Land sales of Arosa Properties Limited are recorded when sales are unconditional and all material conditions of sale are fulfilled. On many of these transactions a portion of the sale price is represented by a mortgage repayable at a future date. The company follows the practice of deferring the portion of the net income relating to such mortgages until instalments are received in cash. This method of accounting for its income on land sales conforms with the method of determining income for tax purposes. Generally accepted accounting practice in Canada, on the other hand, is to include in income the full profit on land sales at the time of sale if not less than 15% of the sale price is received in cash. If Arosa Properties Limited had followed this less conservative practice, its net income for the year would have been increased by $1,108,000 and the equity of Canadian Corporate Management Company Limited in that income would have been $565,000 greater than the amount shown in the consolidated statement of income.

3. Inventories

Inventories are stated at the lower of cost or market with cost being determined substantially on a first in, first out basis. The market value of finished goods represents net realizable value and for other inventories represents replacement cost. At December 31 the inventories are as follows:

	1973	1972
Finished goods	$19,844,038	$15,764,925
Work in process	4,755,676	3,275,086
Raw materials	10,176,986	6,194,884
	$34,776,700	$25,234,895

4. Fixed Assets

The major categories of fixed assets and related accumulated depreciation and amortization (calculated using substantially the declining-balance method) at December 31 are as follows:

	1973			1972	
	Cost of Fixed Assets	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value	Rates of Depreciation and Amortization
Buildings	$14,069,214	$ 4,867,150	$ 9,202,064	$ 7,608,499	4%-10%
Machinery & equipment	29,529,891	20,698,922	8,830,969	6,636,774	20%-30%
Leasehold improvements	1,229,857	674,884	554,973	350,649	term of lease
	44,828,962	26,240,956	18,588,006	14,595,922	
Land	1,669,730		1,669,730	1,059,754	
	$46,498,692	$26,240,956	$20,257,736	$15,655,676	

5. Bank Advances

Bank advances include bank loans of subsidiaries amounting to $3,624,000 which are secured by pledge of assets in the aggregate amount of $5,394,000.

6. Long-term Liabilities

	1973	1972
Bank term loans bearing interest at 1% to 1½% above the bank prime rate:		
Payable $500,000 annually from 1975 to 1982	$ 4,000,000	
Payable $300,000 annually from 1975 to 1978, balance due in 1979, secured by pledge of shares of subsidiary companies	3,000,000	
Payable in 1975, secured by a floating charge and first mortgage on the assets of a subsidiary company	2,750,000	$ 2,379,000
Payable $500,000 annually from 1975 to 1978, secured by assignment of the accounts receivable of a subsidiary company	2,000,000	
Payable $200,000 annually to 1977, balance in 1978, secured by a collateral debenture and pledge of inventories and accounts receivable of a subsidiary company	900,000	
Other secured loans	259,000	681,000
Total bank term loans	12,909,000	3,060,000

Notes and mortgages bearing interest at 7½% to 8%:		
Notes payable in annual instalments from 1975 to 1977	790,035	
Mortgage due February 1, 1993 repayable in monthly instalments	407,272	416,026
Other notes	424,700	639,550
Non-interest bearing loans:		
Government of Canada, secured	245,652	205,074
Other	127,061	159,875
	14,903,720	4,480,525
Less due within one year included in current liabilities	498,951	326,622
	$14,404,769	$4,153,903

7. Shareholders' Equity

The Class "A" convertible common shares and Class "B" convertible common shares are fully voting, full equity shares, are convertible into each other on a one-for-one basis and rank equally with respect to dividends and in all other respects. The only distinction between the two classes of shares is that the directors may, in declaring a dividend on the Class "B" shares, specify that the dividend shall be paid out of tax-paid undistributed surplus in which case the company pays a tax of 15% and the shareholder receives the balance of 85% which is not subject to any further income tax in his hands, though the valuation base for capital gains tax purposes will be decreased by the amount received by the Class "B" shareholder.

During 1973 the holders of 31,914 Class "A" shares converted their shares into a similar number of Class "B" shares and 35,330 Class "B" shares were converted to Class "A" shares.

At December 31, 1973 the undistributed income on hand upon which tax could be paid and the balance distributed as dividends on Class "B" shares amounted to approximately $15,800,000.

8. Remuneration of Directors and Officers

As defined in the Ontario Securities Act totalled $673,282.

As defined in the Canada Corporations Act:

(a) The company's twelve directors received aggregate remuneration as directors of the company of $18,250.

(b) The company's nine officers received aggregate remuneration as officers of the company of $508,275.

Seven of the company's officers were also directors.

In addition, a director of the company received aggregate remuneration of $203,530 in his capacity as an officer of a subsidiary.

9. Pension Fund

At December 31, 1973 the unfunded past service costs of employees' pension plans amounted to $2,275,000 actuarially estimated. This amount will be charged to operations over a sixteen-year period.

10. Long-term Leases

As at December 31, 1973 the company and its subsidiaries have commitments under long-term lease agreements extending for various periods up to 1985. The current annual rental payments under these leases approximate $820,000.

11. Foreign Exchange

Foreign currencies have been translated to Canadian dollars as follows: income and expenses at average exchange rates during the year; non-current assets and non-current liabilities at historical rates; current assets and current liabilities at rates in effect at the year end.

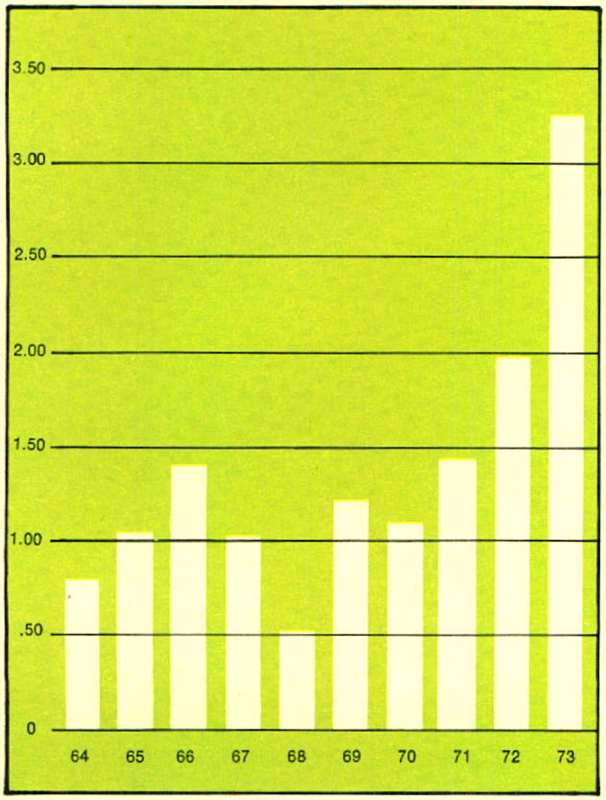
12. Contingent Liabilities

At December 31, 1973 subsidiary companies were contingently liable for $975,000 in respect of customers' loans guaranteed, letters of credit and a forgiveable loan from the Ontario Development Corporation.

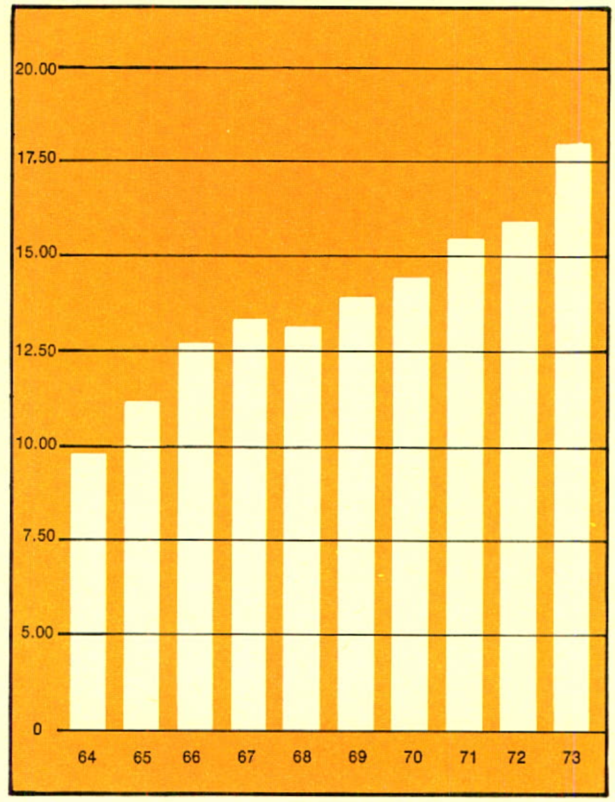
13. Comparative Figures

Certain 1972 figures in the financial statements have been reclassified to conform with the 1973 presentation.

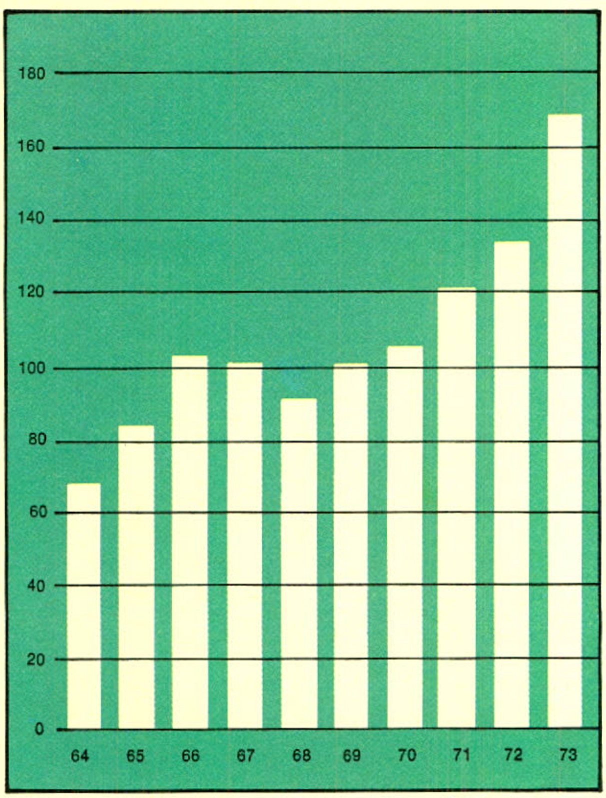
Income per Share before Extraordinary Items in dollars



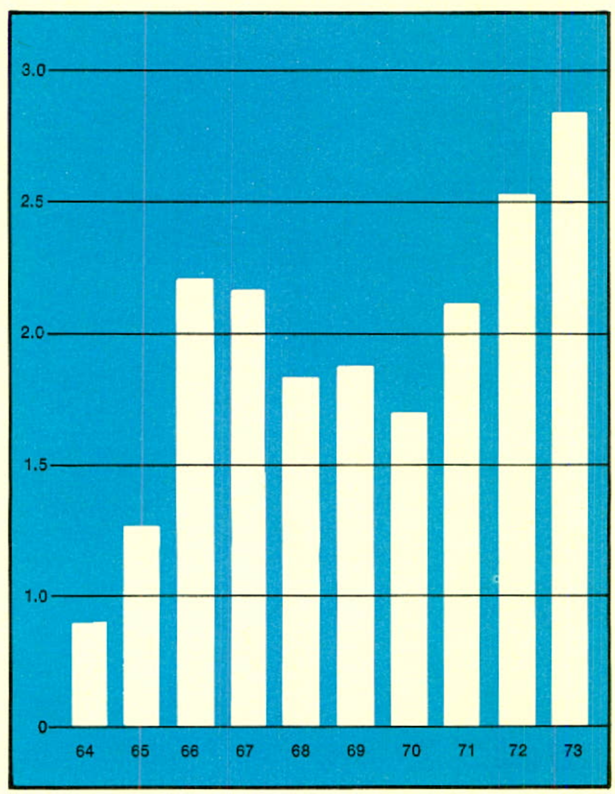
Equity per Share
in dollars



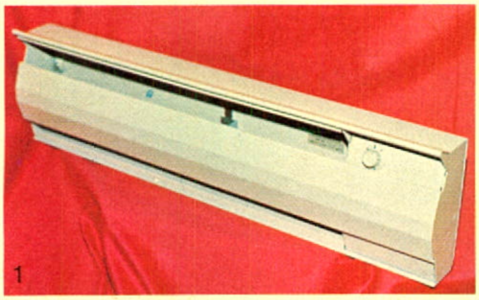
Sales
in millions of dollars

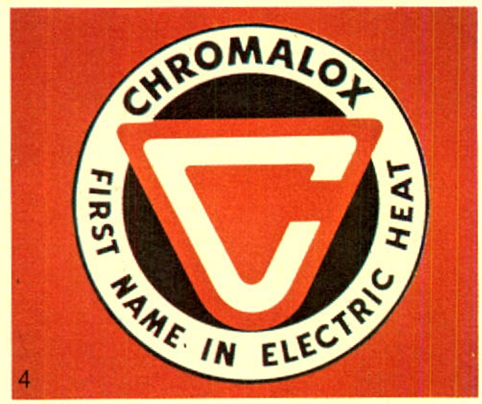


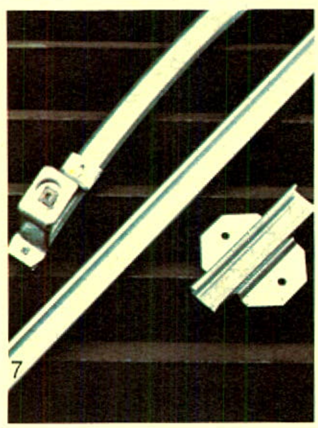
Depreciation and Amortization in millions of dollars

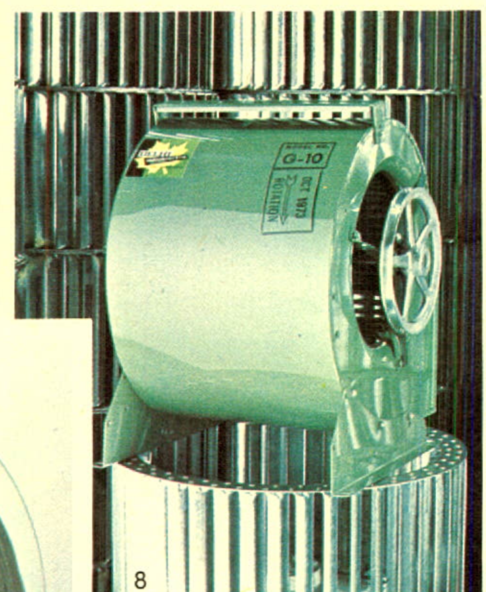


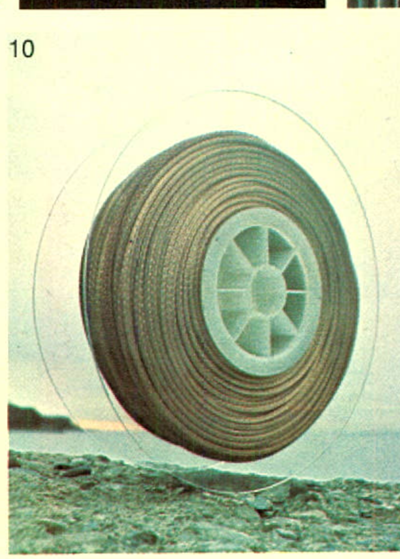
Lullabies
CUDDLE HER FEET IN COMFORT
"HAPPY HOPPERS"
Snuggle Bugs
Free-n-Easies
Tender Tootsies
FOR TIRED FOOTSIES
BUNNY HOPPERS
MOVE ABOUT IN...
MAN-A-BOUTS
for the man on the GO!
BE NATURAL
KEEP 'EM SMILIN'
Around the Clock
KEEP 'EM SMILIN'
LET YOUR FEET FEEL FREE!
FROM
Lyons
OF LONDON COMPANY LTD
.....ALWAYS A LITTLE BETTER!











Pictures: 1, 2, 3, 4. Products and trademarks of the Canadian Chromalox Company, 5. Thermetic Controls, 6. Glengarry Industries, 7. Hull-Thomson rolled forms, 8. Delhi industrial fans, 9. Milltronics product line, 10. Heron Cable, 11. Electrocoils for diesel motors.

ELECTRICAL AND ELECTRONICS

CANADIAN CHROMALOX is Canada's leading manufacturer of electric heating equipment for the residential, commercial and industrial markets. It is also a major Canadian manufacturer of through-the-wall heating and air conditioning equipment. It has maintained its market share through aggressive marketing of top quality products at competitive prices and a continuing programme of engineering, design and cost reduction techniques.

The company's strength and competitive position has been increased by both vertical and horizontal integration.

GLENGARRY INDUSTRIES supplies high alloy tubing for elements, roll formed parts for baseboards and other components for Chromalox products. Productive capacity is currently being increased by 25%.

HERON CABLE INDUSTRIES and NATIONAL WIRE manufacture electric heating cable. They have added specialty wire drawing equipment and are expanding their product line in areas which are compatible with their market.

HULL-THOMSON was acquired in May, 1973. It manufactures roll formed and stamped components for the North American automobile industry and the Canadian appliance industry. Its technology is compatible with that of Glengarry Industries.

DELHI INDUSTRIES manufacture air moving equipment for the commercial and industrial market as well as for domestic furnaces and appliances. A 30% increase in manufacturing facilities is under construction.

MILLTRONICS designs and manufactures electronic measuring control systems and markets specialized measuring equipment such as ultrasonic measuring metres.

THERMETIC CONTROLS makes linear cut-outs and other electrical control devices including safety controls for baseboards manufactured by Chromalox.

The Canadian Chromalox Company Limited

Toronto, Ontario
Z. D. Simo, President

Glengarry Industries

Cambridge, Ontario
Erwin Beck, Plant Manager

Heron Cable Industries Limited
National Wire Company Limited

Kitchener, Ontario
R. D. Stellings, General Manager

Hull-Thomson Limited

Windsor, Ontario
Robert Thomson, President

Delhi Industries Ltd.

Delhi, Ontario
G. K. McClatchie, President

Milltronics Limited

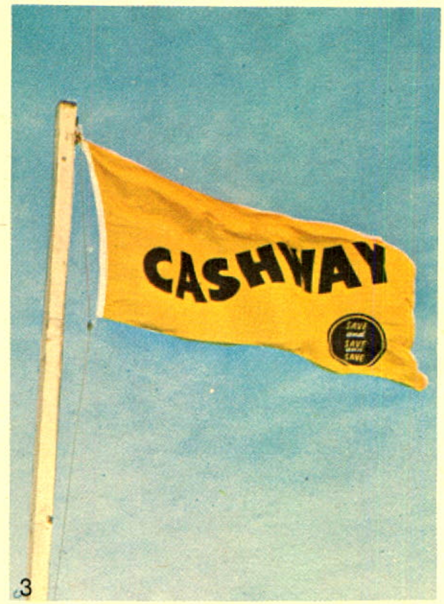
Peterborough, Ontario
J. P. Gemmell, Vice President and General Manager

Thermetic Controls Limited

Toronto, Ontario
W. G. Rea, President

SALES AND NET INCOME FOR THE GROUP

	1970	1971	1972	1973
Sales	$16,403,000	$20,391,000	$24,776,000	$31,468,000
Income before extraordinary items	789,000	1,317,000	1,815,000	2,879,000



Pictures: 1. 2. 3. 4. 8. 9. Cashway and Peterborough Lumber retail outlets, 5. Peterborough Lumber summer home, 6. 7. Cabinet manufacturing plant and finished product.

RESIDENTIAL BUILDING SUPPLIES

LARKIN LUMBER is one of Canada's major retailers of lumber for interior and exterior building purposes and also merchandises virtually all the products necessary for the construction and furnishing of homes. It operates more than 40 distribution centres throughout Ontario under the names of CASHWAY LUMBER, CASHWAY NORTH, in which Larkin Lumber holds a 50% interest, PENN BUILDING CENTRES in Hamilton, BURNEL GRAHAM in Schomberg, immediately north of Toronto, and PETERBOROUGH LUMBER, serving Peterborough and neighboring counties.

PETERBOROUGH LUMBER is a major retailer of building supplies, and is active in cottage and home building and land development. It also operates a millwork plant furnishing kitchen cabinets to the retail outlets in the Larkin group, while other millwork products such as doors and window sashes are furnished by REDI-FIT WOOD SPECIALTIES, a Larkin division.

The companies in this group provide materials for the sustained upsurge of activity in home and vacation construction and do-it-yourself renovation. This market continues to increase, even in periods of recession. As a result, Larkin Lumber and its associated companies have enjoyed a consistent growth.

As mentioned in the Directors' Report the company has entered into an agreement with Canadian Tire Corporation under which building products will be merchandised through jointly owned stores located adjacent to existing Canadian Tire outlets. Two experimental stores are planned and if this joint venture works out as anticipated, further outlets will be added.

The Larkin Lumber Company Limited

Canada Cashway Lumber Limited

Cashway North Limited

Toronto, Ontario
L. W. Larkin, President

Burnel Graham Co. Limited

Schomberg,Ontario,
Trevor Graham, President

Penn Building Centres Limited

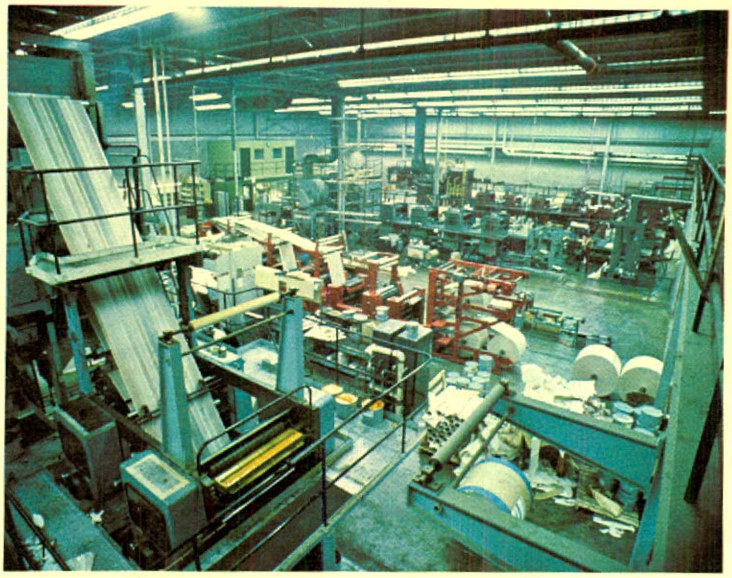
Hamilton, Ontario
Robert Becker, President

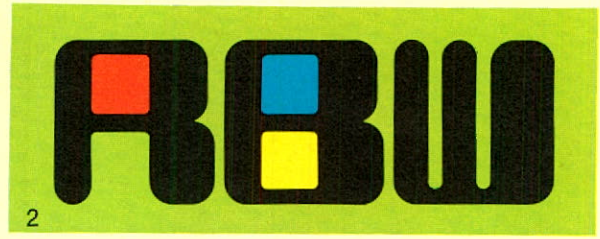
The Peterborough Lumber Company Limited

Peterborough, Ontario
J. F. Haldimand, President

SALES AND NET INCOME FOR THE GROUP

	1970	1971	1972	1973
Sales	$24,963,000	$38,360,000	$47,608,000	$57,538,000
Income before extraordinary items	1,443,000	1,992,000	2,534,000	2,971,000



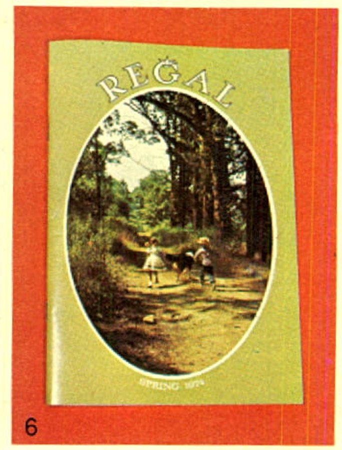


2

3

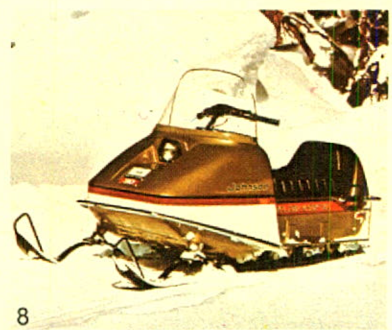
4

5



6

7



8

9

Pictures: 1. 2. 3. Richardson, Bond & Wright — Press room — Trademark and finished products 4. 5. 6. Regal Stationery — Sales catalogues and product line, 7. 8. 9. Canada Decal modern screen printing plant and vehicle markings.

GRAPHICS

CANADA DECAL is Canada's largest manufacturer of transfers for identifying and decorative purposes. The company products include decalcomania transfers, as well as pressure sensitive products and labels. It also manufactures a wide range of transfer products for the consumer market.

EAGLE TRANSFERS and DECORETTES are two wholly-owned subsidiaries of Canada Decal. These companies are located in England, Decorettes being a sales organization and Eagle Transfers the leading company in the manufacture of industrial and consumer goods transfers in Great Britain.

REGAL STATIONERY was acquired late in 1973, and this company has added to the group's coverage of the broad field of graphics. The company manufactures greeting cards, personal stationery and miscellaneous paper products. It also merchandises a wide range of novelty items through a unique direct selling organization serving a market untouched by other manufacturers. The company has plants in Toronto and Omemee, Ontario, and distribution centres in Toronto, Halifax and Vancouver.

RICHARDSON, BOND & WRIGHT, located in a modern 200,000 square foot plant in Owen Sound, provides a complete commercial printing service. It is a leader in its field, and with the latest sophisticated equipment can meet the highest demands of the market. Its operations include initial art work, type setting, plate making, printing and binding, so that it serves a breadth of market equalled by few other Canadian companies.

This group provides materials and processes for a large area within the graphic arts industry. The recent acquisition of Regal Stationery has added significantly to the markets served and prospects for 1974 for the group will be enhanced since a full twelve months operations of Regal Stationery will be included in the 1974 results.

Canada Decalcomania Company Limited

Toronto, Ontario,
R. C. Broad, President

Eagle Transfers Limited &
Decorettes Limited
Litchfield, England,
J. P. Polmear, Chairman

Regal Stationary Company Limited

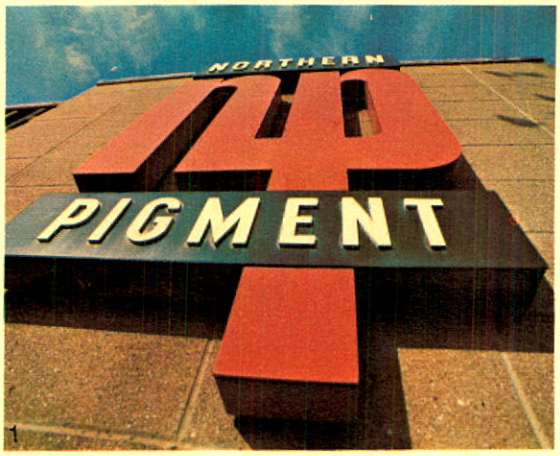
Toronto, Ontario,
W. S. McCartney, President

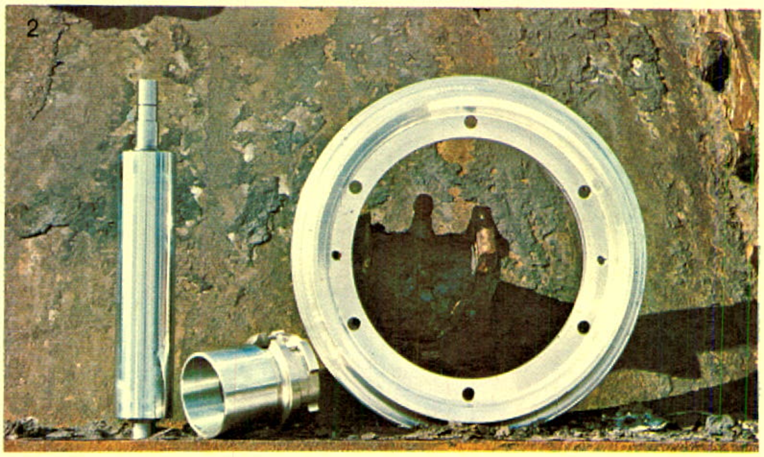
Richardson, Bond & Wright Limited

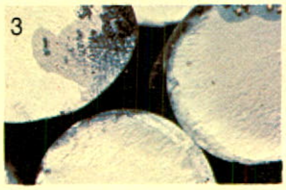
Owen Sound, Ontario,
C. G. Fleming, President

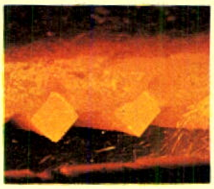
SALES AND NET INCOME FOR THE GROUP

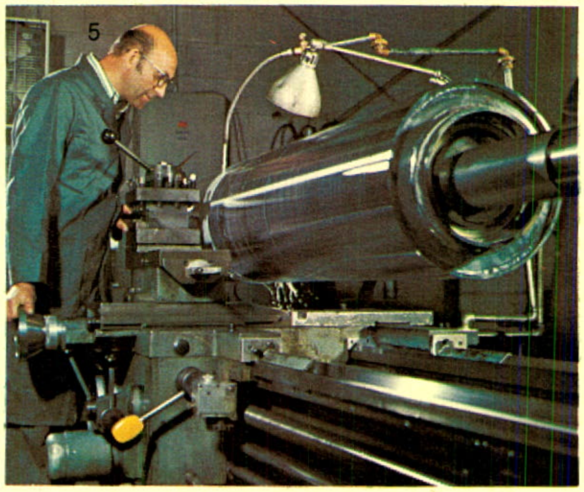
	1970	1971	1972	1973
Sales	$ 9,342,000	$13,638,000	$15,991,000	$21,486,000
Income before extraordinary items	136,000	262,000	560,000	770,000

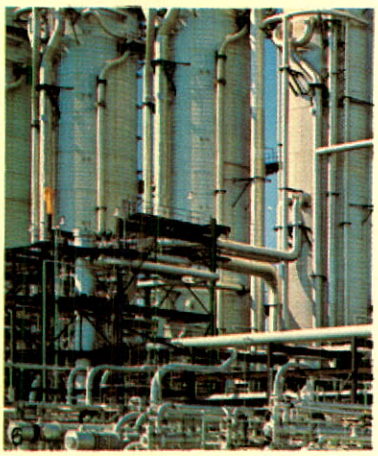


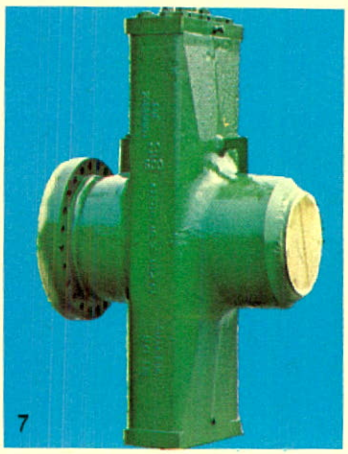


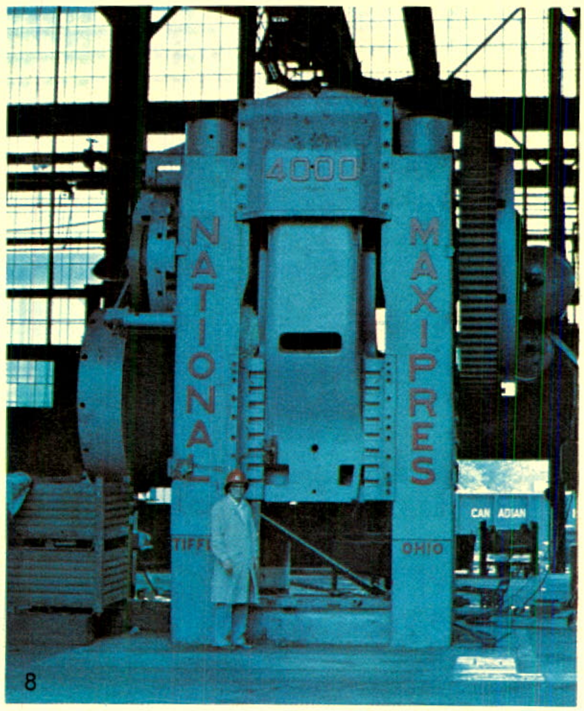












Pictures: 1. Northern Pigment, 2. 5. Neo Industries chrome and specialized machines, 3. 4. 8. Dominion Forge — Product forming — Plant and equipment, 6. 7. Guelph Engineering valves.

METALLURGICAL AND CHEMICAL

DOMINION FORGE is one of the most efficient hot forge operations in North America. A cold extrusion division in the same facility operates under licence from Braun Engineering, the leading cold forge company in the United States. The company has been greatly strengthened in recent years by extensive market diversification and a substantial equipment modernization programme.

GUELPH ENGINEERING is Canada's leading manufacturer of custom engineered steel valves. These valves are used for nuclear and non-nuclear power stations as well as for oil and gas transmission lines and for petro-chemical plants. The company is carrying out a research and development program to meet the constant demands of the nuclear and petroleum industries.

NEO INDUSTRIES which was acquired in 1973 provides a unique combination of integrated operations for a number of manufacturers. It plates rolls for the large steel mills and also produces special engraved rolls used by the printing and textile industry. The company also operates Canada's leading hard chrome plating facility and does specialized machining and grinding to close tolerances.

NORTHERN PIGMENT has experienced rapid growth as a supplier of synthetic iron oxides used in magnetic components in the electronic, telecommunications, hand appliance and automotive industries throughout the world. Continued strong demand for pigment grade oxides in the construction field and related markets has necessitated major facility expansion.

This group of companies should have an interesting future. The substantial variations in sales and profits in the following table is due to a strike at Dominion Forge Limited in 1971-72. Union-management relations have been greatly improved at that company and there is every reason to expect a sustained growth pattern for this group in the future.

Dominion Forge Company Limited

Windsor, Ontario,
J. P. Halada, President

The Guelph Engineering Company Limited

Guelph, Ontario,
J. R. Gauch, Vice President and General Manager

Neo Industries Limited

Hamilton, Ontario,
J. P. Jones, Vice President and General Manager

Northern Pigment (1970) Limited

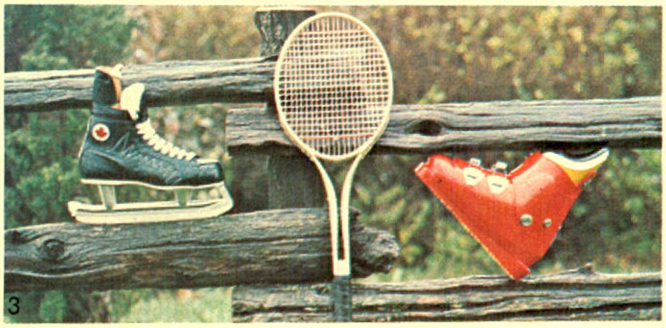
Toronto, Ontario,
R. F. Taylor, President

SALES AND NET INCOME FOR THE GROUP

	1970	1971	1972	1973
Sales	$33,778,000	$23,203,000	$16,673,000	$25,596,000
Income before extraordinary items	517,000	223,000	126,000	1,676,000

1

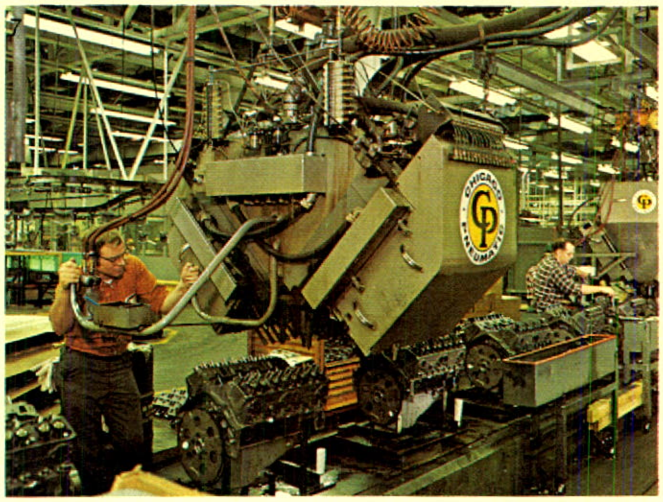

2


3


4

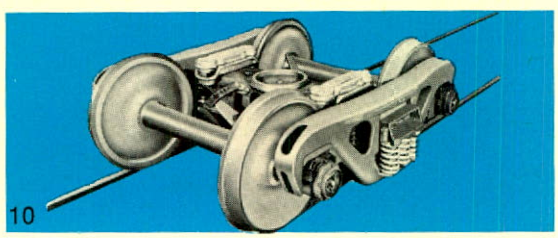
5

6


7

8

9



10

Pictures: 1. 2. 3. 4. Jelinek Sports & Canadian Skate Products, 5, 7. 9. 10. IEC-Holden — Industrial tools handling equipment and railways supply sales. 6. York Telecommunications, 8. Parker's store.

PRODUCTS AND SERVICES

AROSA PROPERTIES is engaged in real estate and land development in the major metropolitan areas of Southern Ontario.

IEC-HOLDEN is a distributor of railway and industrial supplies with branches across Canada. The railroads are continuing customers for large quantities of equipment and are re-assessing their needs in view of new emphasis on rail transportation. In the industrial field the company sells material handling equipment, pneumatic power tools, gas and diesel truck engines and other miscellaneous products.

JELINEK SPORTS imports, manufactures and distributes a wide range of quality sporting goods to the expanding leisure time market. Its subsidiary CANADIAN SKATE INDUSTRIES manufactures hockey and figure skates and FRANK MARIANO COMPANY imports and distributes skis and skiing equipment.

LYONS OF LONDON has been added to this group but as it was acquired only at the end of 1973 neither its sales nor income figures are recorded in the table below. The company is one of Canada's best known manufacturers of slippers and slipper-type shoes. Its products are depicted on page 13 of this report.

PARKER'S CLEANERS is a respected name in a major service industry in Metropolitan Toronto. It has been expanded since originally acquired in 1971 and besides providing a home pick-up and delivery service for laundry and dry cleaning, it operates 26 modern fast service stores, a number of which are located in new shopping malls.

TRIAD ACCEPTANCE is a small but profitable acceptance company financing industrial equipment in the Province of Ontario.

YORK TELECOMMUNICATIONS leases and sells two-way radio communication systems to a wide range of customers in Toronto and adjacent areas. Its customers include transportation companies, security organizations and service industries. The demand for such services is steadily growing and the company is fortunate in having a number of VHF and UHF radio channels assigned by the Department of Communications.

While this group is widely diversified there is potential for growth and with the addition of Lyons of London 1974 should show a substantial increase in both sales and profits.

Arosa Properties Limited

Toronto, Ontario,
E. C. LaBerge, President

IEC-Holden Ltd.

Montreal, Quebec,
J. C. Hodges, President

Jelinek Sports Limited

Canadian Skate Industries
Frank Mariano & Company Inc.

Toronto, Ontario,
F. V. Jelinek, President

Lyons of London Company Limited

Watford Footwear Limited
Lullabies of London Limited

London, Ontario,
G. E. Lyons, President

Parker's Dye Works & Cleaners Limited

Toronto, Ontario,
R. R. McGillivray
Vice-President and General Manager

Triad Acceptance Company

Toronto, Ontario,
R. C. Fisher, General Manager

York Telecommunications Limited

Toronto, Ontario,
E. S. Cockle, Vice-President and General Manager

SALES AND NET INCOME FOR THE GROUP

	1970	1971	1972	1973
Sales	$20,468,000	$25,024,000	$30,987,000	$31,128,000
Income before extraordinary items	70,000	123,000	517,000	558,000

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

- ELECTRICAL AND ELECTRONICS
  - THE CANADIAN CHROMALOX COMPANY LIMITED
    - GLENGARRY INDUSTRIES
    - HULL THOMSON LIMITED
    - HERON CABLE INDUSTRIES LIMITED
    - NATIONAL WIRE COMPANY LIMITED
    - THERMETIC CONTROLS LIMITED
    - DELHI INDUSTRIES LTD.
    - BRAY CHROMALOX LIMITED
  - MILLTRONICS LIMITED
- RESIDENTIAL BUILDING SUPPLIES
  - THE LARKIN LUMBER COMPANY LIMITED
    - CANADA CASHWAY LUMBER LIMITED
    - CASHWAY NORTH LIMITED
    - BURNEL GRAHAM CO. LIMITED
    - THE PETERBOROUGH LUMBER COMPANY LIMITED
    - PENN BUILDING CENTRES LIMITED
- GRAPHICS
  - RICHARDSON, BOND & WRIGHT LIMITED
  - REGAL STATIONERY COMPANY LIMITED
  - CANADA DECALCOMANIA COMPANY LIMITED
    - EAGLE TRANSFERS LIMITED
- METALLURGICAL AND CHEMICAL
  - DOMINION FORGE COMPANY LIMITED
  - THE GUELPH ENGINEERING COMPANY LIMITED
  - NEO INDUSTRIES LIMITED
  - NORTHERN PIGMENT (1970) LIMITED
- PRODUCTS AND SERVICES
  - LYONS OF LONDON COMPANY LIMITED
  - IEC-HOLDEN LTD.
  - JELINEK SPORTS LIMITED
    - CANADIAN SKATE INDUSTRIES
    - FRANK MARIANO & COMPANY INC.
  - PARKER'S DYE WORKS & CLEANERS LIMITED
  - YORK TELECOMMUNICATIONS LIMITED
  - AROSA PROPERTIES LIMITED
  - TRIAD ACCEPTANCE COMPANY

1973

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED