



## *Annual Report 1971*







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## ANNUAL MEETING

The Annual Meeting of Shareholders of Acres Limited will be held in the Sheraton Room of the King Edward Sheraton Hotel, 37 King Street East, Toronto, at 11 a.m. Wednesday April 26, 1972.



# Financial Highlights

For the year —	(\$000)	
	DECEMBER 31 1971	1970
Income from consulting operations .....	697	770
Income from Traders Group Limited and Canadian General Securities Limited .	3,023	2,063
Income before exceptional and extraordinary items .....	3,235	1,492
Net income for the year .....	3,885	1,204
Earnings per common share —		
Before exceptional and extraordinary items .....	1.02	.32
After exceptional and extraordinary items .....	1.36	.16

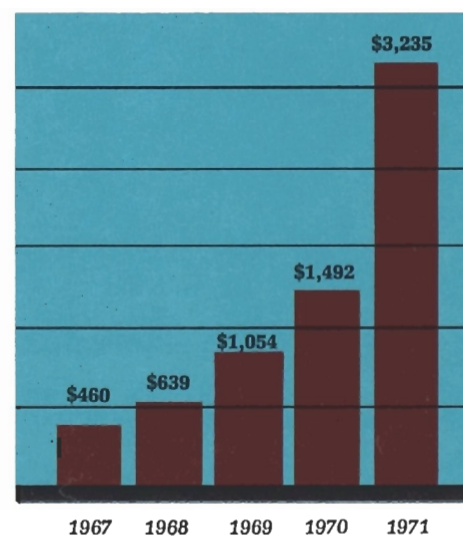
## At year end —

Working capital .....	3,346	1,687
Long-term debt .....	471	4,031
Total shareholders' equity .....	39,152	36,555

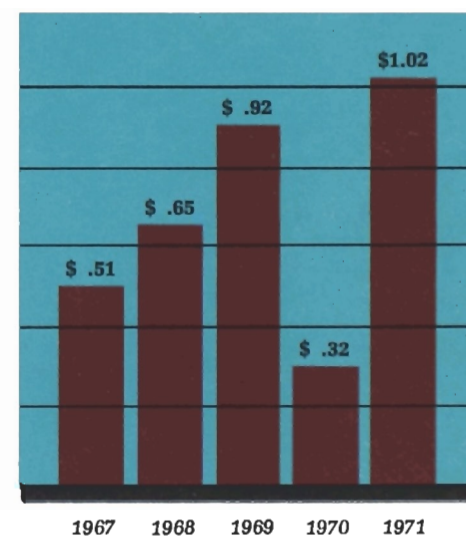
**BOOK VALUE  
PER COMMON SHARE**



**NET INCOME (\$000) \***



**EARNINGS  
PER COMMON SHARE \***



\* Before exceptional and extraordinary items

# Report to Shareholders

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H. C. Rynard  
Chairman of the Board



G. R. Sharwood  
President and Chief Executive Officer

## TO THE SHAREHOLDERS:

The recent history of Acres Limited has been one of considerable change and evolution. 1971 was not an exception. The Company has now established itself as a major corporate entity, with assets in excess of \$1.5 billion under its direct and indirect control. The consulting business has also emerged from the economic slow-down of the last two years with vigor. In 1971, earnings per share of Acres Limited, excluding extraordinary and exceptional items, amounted to \$1.02, compared to 32 cents for the previous year. An exceptional item arose as a result of gains on sales of securities in Canadian General Insurance Group, which is fully explained in the notes on the financial statement. In addition, there were several extraordinary items and, with these included, the earnings per share amounted to \$1.36, compared with 16 cents for the previous year. The financial position of the Company was substantially improved during 1971, arising both out of earnings and the sale of securities. On July 9, 160,000 Class "B" Canadian General Securities Limited shares were sold for a total price of \$5,858,000. Long-term debt was eliminated and, as a result, corporate cash flow could be used for purposes other than principal and interest payments. The improvement in the Company's financial affairs permitted the Directors to authorize the commencement of quarterly dividends, at present amounting to 5 cents per share.

In early June, C. Norman Simpson, R. L. Clinch and F. W. Patterson retired from participation in the affairs of the Company. This led to several changes in the Board of Directors and senior management; G. R. Sharwood was elected President and H. C. Rynard was elected Chairman of the Board. Norm Simpson, Ron Clinch and Fred Patterson had been associated with the Company since its earliest days and we pay tribute to their fine contribution to the Company over many years.

Later in June there was a take-over bid for the Company by Slater Steel Industries Limited, which was withdrawn on July 12, 1971.



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The activities of the consulting business were expanded during the year to provide capabilities in pipeline engineering and project management. Progress was made in developing further business in the United States.

The finance operations of Traders Group Limited made good progress in a year of strong competition. Traders' subsidiaries, the Canadian General Insurance Group, experienced continued but reduced underwriting losses; the substantial reorganization which took place in 1971 will have its effect in 1972. Guaranty Trust Company of Canada enjoyed the benefits of lower interest rates and, as a result earnings nearly doubled, from 52 cents to 97 cents per share.

Our emerging philosophy has been and will be distinguished by these fundamental characteristics:

**1 — Continuing technological leadership** — The consulting organization can be expected to play an ever-increasing role in resource-oriented development, where the combination of technical, economic and financial expertise is an essential ingredient in the conception and execution of very large projects. We will continue to strive toward the goal of developing a consulting group of the highest technical and professional competence, capable of operating successfully throughout the world.

**2 — The ability to make acquisitions of high potential** — For example, when Acres Limited purchased its interest in Traders Group Limited in January, 1970, the shares were trading at approximately \$10.50. They were recently trading at around \$17.00.

When controlling interest in Guaranty Trust was acquired about a year ago, the shares were trading at \$9.50. They were recently trading at about \$14.00.

Further acquisitions will be made and, while it may be difficult in the future to match the growth record to date, the concept of selecting undervalued situations with great potential will continue to be observed. The ability to execute disinvestments was demonstrated by the sale of Frankel Steel during 1971.

**3 — Active management participation** — The corporate management takes an active interest in the affairs of the associated companies. Major strategic decisions and policy changes are worked out by a group which provides a forum for innovative thinking. This will have ultimate effects on the long-range plans of the associated companies.

**4 — Investment management expertise** — This capability has been demonstrated by the supervision of the performance of the portfolio of the Insurance Companies and other parts of the associated companies where investment knowledge is necessary. Good performance was achieved in 1971. This kind of investment capability will continue to develop over the coming years.

In 1970 the Company greatly expanded through acquisition, and, as a result, its resources were taxed. 1971 was a year in which a firm base for the future was established. Looking to 1972 and the future, it is difficult not to be optimistic. We appear to be entering a stage of growth, where both the consulting business and the financial side should show good results.

  
President

  
Chairman of the Board.



# Financial Report

## CONSOLIDATED STATEMENT OF INCOME

(\\$000 OMITTED)  
YEAR ENDED DECEMBER 31  
1971 1970

		(NOTE 2)
Consulting operations:		
Revenue .....	17,392	17,535
Costs .....	16,695	16,765
	<u>697</u>	<u>770</u>
Income from Traders Group Limited and Canadian General Securities Limited (Note 3) .....	3,023	2,063
	<u>3,720</u>	<u>2,833</u>
Corporate costs after interest charged to consulting operations of \$202,000 in 1971 .....	603	451
Profit before the undernoted items .....	<u>3,117</u>	<u>2,382</u>
Discontinued costs .....	—	903
Income taxes recoverable .....	( 118)	( 131)
Minority interests .....	—	118
	<u>( 118)</u>	<u>890</u>
Income before exceptional and extraordinary items .....	3,235	1,492
Exceptional item-profit related to the disposal of investments by Traders Group Limited (Notes 1 and 3) .....	573	233
Income before extraordinary items .....	3,808	1,725
Extraordinary items (Note 4) .....	77	( 521)
Net income for the year .....	<u>3,885</u>	<u>1,204</u>
Earnings per common share (Note 6)		
Before exceptional and extraordinary items .....	\$1.02	\$ .32
Before extraordinary items .....	1.32	.44
After extraordinary items .....	1.36	.16

## AUDITORS' REPORT

To the Shareholders of Acres Limited.

We have examined the consolidated statement of financial position of Acres Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of income, retained earnings and source and use of funds 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 consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
February 25, 1972

Price Waterhouse & Co.,  
Chartered Accountants



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ASSETS

Cash and time deposits .....	602	113
Dividend receivable .....	407	333
Investment held for sale .....	—	9,146
Accounts and notes receivable .....	3,864	2,790
Services rendered for clients — unbilled .....	1,722	1,955
Other current assets .....	573	280

**Current assets** ..... **7,168** **14,617**

Investment in joint venture operations at cost plus undistributed income .....	949	826
Investment in Traders Group Limited and Canadian General Securities Limited (Note 3) .....	31,711	35,320
Sundry investments at cost .....	513	557
Fixed assets (Note 7) .....	1,805	1,940
Deferred expenses .....	—	469
Excess of carrying value of subsidiary companies over the depreciated cost of their net tangible assets .....	1,776	1,779

**43,922** **55,508**

## LIABILITIES

Current bank and other indebtedness .....	143	8,357
Dividends payable .....	405	314
Accounts payable and accruals .....	1,188	1,322
Current portion of long-term debt .....	63	1,066

**Current liabilities exclusive of deferred income taxes** ..... **1,799** **11,059**

Deferred income taxes relating to current assets (Note 5) .....	2,023	1,871
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**Current liabilities including deferred income taxes relating to current assets** ... **3,822** **12,930**

Deferred income taxes relating to non-current assets (Note 5) .....	477	685
Long-term debt (Note 7) .....	471	4,031
Minority interest in subsidiary .....	—	1,307

**948** **6,023**

Shareholders' equity .....		
Share capital (Note 8) .....	33,401	33,363
Retained earnings .....	5,751	3,192

**39,152** **36,555**

**43,922** **55,508**

On behalf of the board:

Director

*J. R. Shumway*

Director

*Andrew S. Smith*



## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(\$000 OMITTED)  
YEAR ENDED DECEMBER 31  
1971 1970  
(NOTE 2)

Balance at beginning of year .....	3,192	2,960
Net income for the year .....	3,885	1,204
	<u>7,077</u>	<u>4,164</u>
Dividends on preference shares .....	1,228	972
Dividend on common shares .....	98	—
	<u>1,326</u>	<u>972</u>
Balance at end of year .....	<u>5,751</u>	<u>3,192</u>

## CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

### Source of funds

#### Operations

Net income for the year .....	3,885	1,204
Deferred income taxes relating to non-current assets .....	( 208)	( 33)
Depreciation .....	176	226
Income of joint venture operations not yet distributed .....	( 123)	133
Income from Traders Group Limited and Canadian General Securities Limited in excess of dividends received (Note 3) .....	( 2,140)	( 1,193)
Funds from operations .....	<u>1,590</u>	<u>337</u>
Sale of 88,000 Class A Traders Group Limited shares to Canadian General Securities Limited (Note 3) .....	1,232	—
Sale of 160,000 Class B Canadian General Securities Limited shares after deduction of extraordinary gain of \$200,000 included in net income for the year (Notes 3 and 4) .....	5,658	—
Sale of other investments .....	44	4,195
Reduction in deferred expenses .....	469	—
Issue of share capital (Note 8) .....	38	30,355
Minority interest (Note 2) .....	(1,307)	1,307
Long-term debt obtained .....	—	6,026
	<u>7,724</u>	<u>42,220</u>

### Use of funds

#### Investments in:

Traders Group Limited — 64,000 Class A and 11,400 Class B common shares (Note 3) .....	1,013	34,127
Canadian General Securities Limited (Note 3) .....	128	—
Other .....	—	519
Investments obtained on acquisition of Canadian General Securities Limited .....	—	3,775
Repayment of long-term debt .....	3,560	2,592
Dividends on preference shares .....	1,228	972
Dividend on common shares .....	98	—
Other items .....	38	106
	<u>6,065</u>	<u>42,091</u>
Increase in working capital .....	<u>1,659</u>	<u>129</u>



# Notes to the Consolidated Financial Statements

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## ACCOUNTING PRINCIPLES

- NOTE 1** The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. The Company's interest in Canadian General Securities Limited (CGS) and Traders Group Limited (Traders) has been recorded on the equity accounting principle.
- In arriving at the equity acquired, certain accounts of Traders were restated by the Company at the time of its acquisition of Traders. The Company's share of Traders net income differs from income reported by Traders due to the realization by Traders of items which were restated at the time of acquisition. (Note 3)
- The Company's share of the net profit of joint venture operations (on an after-tax basis when carried on as limited companies) is taken into income as it is earned by those companies.
- Profit on contracts in process is recorded on the percentage of completion method.

## 1970 COMPARATIVE FIGURES

- NOTE 2** As recommended in 1971 by the Canadian Institute of Chartered Accountants, the Company has adopted the segmented method of reporting operations. Comparative figures on the segmented Consolidated Statement of Income for the year ended December 31, 1970, have been presented as previously reported by management in the Operating and Financial Review section of the 1970 annual report. The segmented figures for the year 1970 were not examined by the auditors except for income before extraordinary items, extraordinary items, and net income which were included in the Consolidated Statement of Income as reported on by the auditors under date of March 5, 1971.
- The 1970 comparative figures include CGS on a consolidated basis because at that time the Company owned more than 50% of the voting common shares.
- Certain 1970 figures have been reclassified to conform to current year presentation.

## INVESTMENT IN TRADERS GROUP LIMITED AND CANADIAN GENERAL SECURITIES LIMITED AT COST PLUS UNDISTRIBUTED INCOME

- NOTE 3** (a) Investment at December 31, 1971
- Traders is a diversified finance company. CGS is an investment holding company whose principal asset is an investment in Traders. CGS owns 80.9% of the issued voting common shares and 17.0% of the total issued common shares of Traders.
- Acres Limited had the following investment in the common shares of Traders and CGS at December 31, 1971:

	NUMBER OF SHARES	% OF CLASS
<b>Traders</b>		
Class A common shares .....	1,393,859	34.3
Class B (voting) common shares .....	84,590	11.8
<b>CGS</b>		
Class A common shares .....	234,210	88.8
Class B (voting) common shares .....	145,975	47.2

The Company's direct and indirect interest in the total common share equity of Traders at December 31, 1971 was 42.2%.

(b) Transactions During the Year	(\$000 OMITTED)	
Investment at beginning of year .....		35,320
Share of 1971 income before extraordinary items — Traders .....	2,130	
— CGS .....	893	
Profit related to the sale of insurance group investments .....	573	
	<u>3,596</u>	
Less: Share of 1971 extraordinary items — Traders .....	96	
— CGS .....	35	
Dividends received — Traders .....	1,051	
— CGS .....	<u>274</u>	2,140
Purchase of shares during 1971 — Traders .....		1,013
— CGS .....		<u>128</u>
		<b>38,601</b>
Sale of shares during 1971 — Traders .....	1,232	
— CGS .....	<u>5,658</u>	6,890
Investment at December 31, 1971, consists of — Traders .....	22,526	
— CGS .....	<u>9,185</u>	<b>31,711</b>

(c) Valuation of the Company's Ownership in Traders	(\$ MILLION)
Equity of common shares of Traders per its financial statements at December 31, 1969 .....	55.3
Adjustments:	
Revaluation to market values of certain investments of	
Traders having a quoted market value:	
Investment in Cadillac Development Corporation Limited .....	8.6
Investment in Guaranty Trust Company .....	2.4
Investments of Insurance group .....	( 5.1)
Contingent reserve for exchange losses .....	( .7)
Retroactive accounting changes .....	( 3.7)
Valuation of Traders' equity by Acres as of December 31, 1969 .....	<u>56.8</u>
Acres' ownership therein .....	25.2
Acres' share of income reported by Traders in excess of dividends received in	
1970 — \$960,000; 1971 — \$5,344,000 .....	6.3
Restatements made by Acres in recording Traders' profits of 1970 — \$ 233,000 .....	
1971 — (\$3,204,000)* .....	( 3.0)
Acres' ownership in Traders at December 31, 1971 .....	28.5
Excess of cost of investment over the Company's share of the net book value of Traders ....	<u>3.2</u>
Acres' carrying value of investment in Traders at December 31, 1971 .....	<b>31.7</b>

**\* 1971 ACRES SHARE**

Profit related to the sale of Insurance group investments .....	\$ 573,000
Traders' reversal of contingent reserve for exchange losses .....	331,000
Reversal of Traders' gain on sale of Cadillac Development Corporation Limited .....	( 4,108,000)
	<u><b>(\$3,204,000)</b></u>



## EXTRAORDINARY ITEMS

<b>NOTE 4</b>	Acres Limited and subsidiaries	(\$000 OMITTED)
	Profit on the sale of 160,000 class B CGS shares .....	200
	Profit on the sale of land .....	103
		<u>303</u>
	Loss on the sale of aircraft -- less deferred income taxes of \$71,000 .....	( 70)
	Loss on sale of subsidiary .....	( 25)
		<u>208</u>
	Share of extraordinary items of Traders and CGS .....	(131)
		<u><u>77</u></u>

On July 9, 1971, the Company sold to Greywinds Investments Limited and Gormley Investments Limited 160,000 Class B (voting) common shares of CGS representing 51.7% of the voting shares which resulted in a gain of \$200,000. Under the terms of the sale agreement, Greywinds, Gormley, and the Company agreed that they would not dispose of any Class B (voting) common shares of CGS for a period of two years and for a further period of three years, Greywinds and Gormley agreed that they would give the Company first right of refusal should they wish to sell their shares to third parties.

## INCOME TAXES

**NOTE 5** Certain of the subsidiary companies, with the approval of the income tax authorities, report their income for Federal and Ontario tax purposes on a cash basis, thus deferring taxes charged against income which would otherwise be payable. The new tax legislation will require these subsidiaries to report their income on a modified accrual basis after 1971. The effect of the change will be that if operations continue at present or increased levels, the deferred taxes relating to receivables will be payable over a period of up to ten years and those relating to other current assets will not be materially reduced.

Taxes are also deferred to future periods because of timing differences in the recording for taxation and for accounting purposes of depreciation and certain other items of revenue and expenses.

The Company and its subsidiaries are involved in diverse and international activities and the related income tax interpretations, regulations, and legislation are subject to change. The companies have made what they believe are adequate provisions for income taxes. Losses in the amount of approximately \$450,000 are available up to 1975 to reduce income taxes otherwise payable by some subsidiary companies; none of these potential recoveries have been recorded in the companies' accounts.

## EARNINGS PER COMMON SHARE

**NOTE 6** Earnings per common share are based on the weighted average number of shares outstanding during the year. (1971 — 1,959,840; 1970 — 1,806,964) Dilution of the Company's equity in Traders' earnings would have been insignificant if all the conversion rights and share purchase warrants of Traders had been exercised and imputed earnings were calculated on the proceeds therefrom at the average rate of return on actual outstanding equity of Traders.

Also, no dilution in the earnings per share would have resulted if all the share purchase warrants and stock options outstanding in Acres Limited were exercised and appropriate earnings were imputed.

<b>NOTE 7</b>	<b>FIXED ASSETS (\$000 OMITTED)</b>	<b>1971</b>			<b>1970</b>
		<b>COST</b>	<b>ACCUMULATED DEPRECIATION</b>	<b>NET BOOK VALUE</b>	<b>NET BOOK VALUE</b>
	Land .....	53	—	53	62
	Buildings .....	1,569	442	1,127	1,006
	Equipment .....	1,009	655	354	409
	Leasehold improvements .....	481	210	271	463
		<u><b>3,112</b></u>	<u><b>1,307</b></u>	<u><b>1,805</b></u>	<u><b>1,940</b></u>

Long-term debt at December 31, 1971 represents a 7% mortgage due in 1979 secured by the land and buildings.

## SHARE CAPITAL

### NOTE 8 Preference Shares

Authorized — 1,000,000 preference shares, par value \$50 each,  
issuable in series, of which 350,000 have been designated 7.20%  
cumulative redeemable Series A

Issued — 341,203 Series A .....	341,203	17,060
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### Common Shares

Authorized — 3,500,000

Outstanding — December 31, 1970 .....	1,957,758.5	16,303
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Issued during the year for cash on exercise of employee stock options .....	3,850	38
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	1,961,608.5	16,341
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Total share capital outstanding December 31, 1971 .....		<b>33,401</b>
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341,203 common shares are reserved for exercise of share purchase warrants which are exercisable at a price of \$19 per share until April 1, 1973, and thereafter at \$21 per share until April 1, 1975.

Employees and officers of the Company, its subsidiaries and associated companies have been granted options to purchase common shares. At December 31, 1971, the following options were outstanding:

- 30,500 shares at \$9.90 expiring January 22, 1974
- 1,400 shares at \$15.30 expiring July 29, 1974
- 15,300 shares at \$17.10 expiring December 14, 1974
- 6,500 shares at \$13.28 expiring March 18, 1975
- 22,100 shares at \$9.90 expiring July 2, 1975
- 5,000 shares at \$9.90 expiring January 21, 1976

## CONTINGENT LIABILITIES AND LEASES

**NOTE 9** In conjunction with a consulting contract a subsidiary company has guaranteed bank loans up to \$500,000 to another consulting organization. No amount was outstanding with respect to the guarantee as at December 31, 1971.

The Company and its subsidiaries have leases on real property and equipment for varying terms up to a maximum of 7 years. Rental expenses for the 12 months ended December 31, 1971, aggregated \$765,000. The minimum rental for the succeeding 5 years will aggregate \$2,150,000.

## PENSION PLAN

**NOTE 10** Acres Consulting Services Limited, a subsidiary, initiated a new pension plan for its employees on January 1, 1971. The unfunded liability of the pension plan for past service obligations has been estimated by independent actuaries at approximately \$1,050,000. This obligation is being amortized by charges to earnings over a period of up to 18 years.

Contributions for current services are made and charged to operations in amounts estimated by actuarial valuation.

## STATUTORY INFORMATION

**NOTE 11** The total remuneration of directors and senior officers of the Company for the year ended December 31, 1971 was \$471,000 from the Company and its subsidiaries. This included \$145,000 paid to past officers and directors.

Interest on long-term debt amounted to \$208,000 (1970 — \$112,000).



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#### **ACRES CONSULTING SERVICES LIMITED**

Agricultural resource studies.  
Agricultural economics.  
Architecture.  
Chemical engineering.  
Civil engineering.  
Construction management.  
Electrical engineering.  
Electronic engineering.  
Geological engineering.  
Environmental studies.  
General economic studies.  
General resource studies.  
Geographic studies and planning.  
Geotechnical engineering.  
Hydraulic engineering.  
Marine services.  
Mechanical engineering.  
Meteorology.  
Mining engineering.  
Project management.  
Recreation studies.  
Systems analysis.  
Telecommunication engineering.  
Transportation engineering.  
Urban and regional planning.

#### **TRADERS GROUP LIMITED**

Financing of industrial and commercial equipment and other durable goods.  
Financing of automobiles and trucks.  
Leasing  
Direct cash lending and installment sales contracts on furniture and appliances.  
Short-term financing.  
Home improvement financing.  
Mortgage loans.  
Financing of accounts receivable and inventories.  
Purchasing of land for development and resale.  
General casualty insurance on automobiles and properties.

#### **GUARANTY TRUST COMPANY OF CANADA**

Savings and deposit facilities.  
Mortgage loans.  
Personal and consumer loans.  
Investors fund.  
Safety deposit boxes.  
Money orders and traveller's cheques.  
Administration of estates.  
Pension trusts.  
Registered retirement savings plan.  
Investment management.  
Stock transfers.  
Real estate sales, appraisals, and property management.  
Trustee for bondholders, Bankruptcy Act, business insurance trusts, endowment funds.  
Liquidator, Curator of incompetents.  
Safe-keeping service.  
Guardianship.

# Operating and Financial Review

## ACRES LIMITED

Earnings per common share for the year ended December 31, 1971 were \$1.02 before exceptional and extraordinary items and \$1.36 including these items. The exceptional item has been shown separately in the 1971 income statement and 1970 has been restated to conform to this presentation. This item resulted from the sale of investments by Canadian General Insurance Group. For the year ended December 31, 1970 earnings per common share before exceptional and extraordinary items were 32 cents, and after including these items, 16 cents. During 1971 several changes were made in the investments of the Company to improve its financial position. The improvement is reflected in the working capital which increased to \$3.3 million

from \$1.7 million and the repayment of \$3.5 million long-term debt. In April 1971 the Company sold 88,000 Class A common shares of Traders Group Limited to Canadian General Securities Limited for \$1,232,000 and in July 1971 sold 160,000 Class B voting common shares of Canadian General Securities Limited for \$5,858,000. The proceeds of these transactions were used to repay the Company's bank loans and the balance was used in the Company's operations. In October the Company purchased an additional 75,400 Traders common shares.

The unconsolidated balance sheet of Acres Limited displays the nature and size of the Company's investments.





**ACRES LIMITED**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 1971**

		(\$000)	%
<b>ASSETS</b>			
Cash and term deposits (\$518), dividends receivable (\$407) and other current assets excluding short-term loans to Acres Consulting Services Limited .....		1,016	2.6
Investment in Acres Consulting Services Limited			
Short-term loans .....	1,763		
Debenture .....	2,200		
Common shares .....	<u>2,742</u>	6,705	16.9
Investment in Traders Group Limited at cost plus undistributed income			
1,393,859 class A common shares .....	21,247		
84,590 class B common shares .....	<u>1,279</u>	22,526	56.9
Investment in Canadian General Securities Limited at cost plus undistributed income			
234,210 class A common shares .....	3,843		
145,975 class B common shares .....	5,326		
65,651 2 <sup>0</sup> / <sub>0</sub> preference shares .....	16	9,185	23.2
Other long-term investments at cost .....		<u>146</u>	<u>.4</u>
		<u><b>39,578</b></u>	<u><b>100.0</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Dividends payable (\$405) and other liabilities .....		426	1.1
Preference shares .....		17,060	43.1
Common shares .....		16,341	41.3
Retained earnings .....		<u>5,751</u>	<u>14.5</u>
		<u><b>39,578</b></u>	<u><b>100.0</b></u>

The repayment of the long-term debt had a beneficial effect on the operating results and on cash flow due to the reduction of interest expense and the increasing revenue from the investment of the excess proceeds on sale. The quarterly income statement also shows the reduction of corporate

expenses in the last two quarters of 1971. Reduction of corporate expense will continue in subsequent quarters. The corporate costs in the second quarter includes the costs to Acres Limited of the take-over bid by Slater Steel Limited.

### ACRES LIMITED CONSOLIDATED STATEMENT OF INCOME

	THREE MONTH PERIOD ENDED			
	(\$000 OMITTED)			
	MARCH 31 1971	JUNE 30 1971	SEPTEMBER 30 1971	DECEMBER 31 1971
Consulting operation —				
Revenues .....	4,297	4,249	4,050	4,796
Costs .....	4,061	4,155	3,802	4,677
	<u>236</u>	<u>94</u>	<u>248</u>	<u>119</u>
Income from Traders Group Limited and Canadian General Securities Limited .....	<u>759</u>	<u>578</u>	<u>800</u>	<u>886</u>
Corporate costs —				
Debt servicing .....	88	91	7	—
Interest earned .....	( 21)	( 66)	( 57)	( 89)
Corporate expenses .....	150	306	98	96
	<u>217</u>	<u>331</u>	<u>48</u>	<u>7</u>
Profit before taxes, exceptional and extraordinary items .....	778	341	1,000	998
Income taxes (recovery) .....	( 9)	( 55)	1	( 55)
Exceptional item (deduction) .....	( 28)	170	40	391
Net income before extraordinary items .....	<u>759</u>	<u>566</u>	<u>1,039</u>	<u>1,444</u>
Extraordinary items (loss) .....	<u>—</u>	<u>130</u>	<u>( 10)</u>	<u>( 43)</u>
Net income for the period .....	<u><u>759</u></u>	<u><u>696</u></u>	<u><u>1,029</u></u>	<u><u>1,401</u></u>

#### FINANCIAL GROUP OPERATIONS

On a consolidated basis, Traders Group Limited produced record earnings in 1971 of \$6,840,000 or \$1.50 per common share, compared with restated 1970 earnings of \$5,586,000 or \$1.03 per share.

Despite declining short-term interest rates through 1971, Traders' finance operations showed an overall improved performance in 1971 over 1970. The outstandings and profits of the Company's Personal Loan Division reached a new high in 1971. Impres-

sive profit contributions to the finance operations were also turned in by Traders' factoring and realty and mortgage divisions. Factoring reported a record net profit for the year 1971, as a result of a 33 per cent increase in volume, reduced interest costs and credit losses.

Traders' strong performance in 1971 was particularly noteworthy in light of an extensive marketing reorganization in the company's financial operations, beginning in April of the year. To facilitate

a stronger customer orientation and the ability to take fuller advantage of its specialized approach to the credit marketplace, Traders realigned its finance portfolios into two marketing components, one to serve the consumer credit market exclusively and the other to serve all sectors of the commercial financing market. The realignment involved extensive changes in the company's branch structure and considerable relocation of field operating personnel. Implementation of the marketing changes was completed on target by the year-end and was accomplished with minimal disruption to day-to-day business activity.

Traders took a major step during 1971 toward establishing a corporate leasing group, which will provide a broad range of lease accommodation to Canadian business. In 1971 the company successfully negotiated several substantial leases involving railway rolling stock.

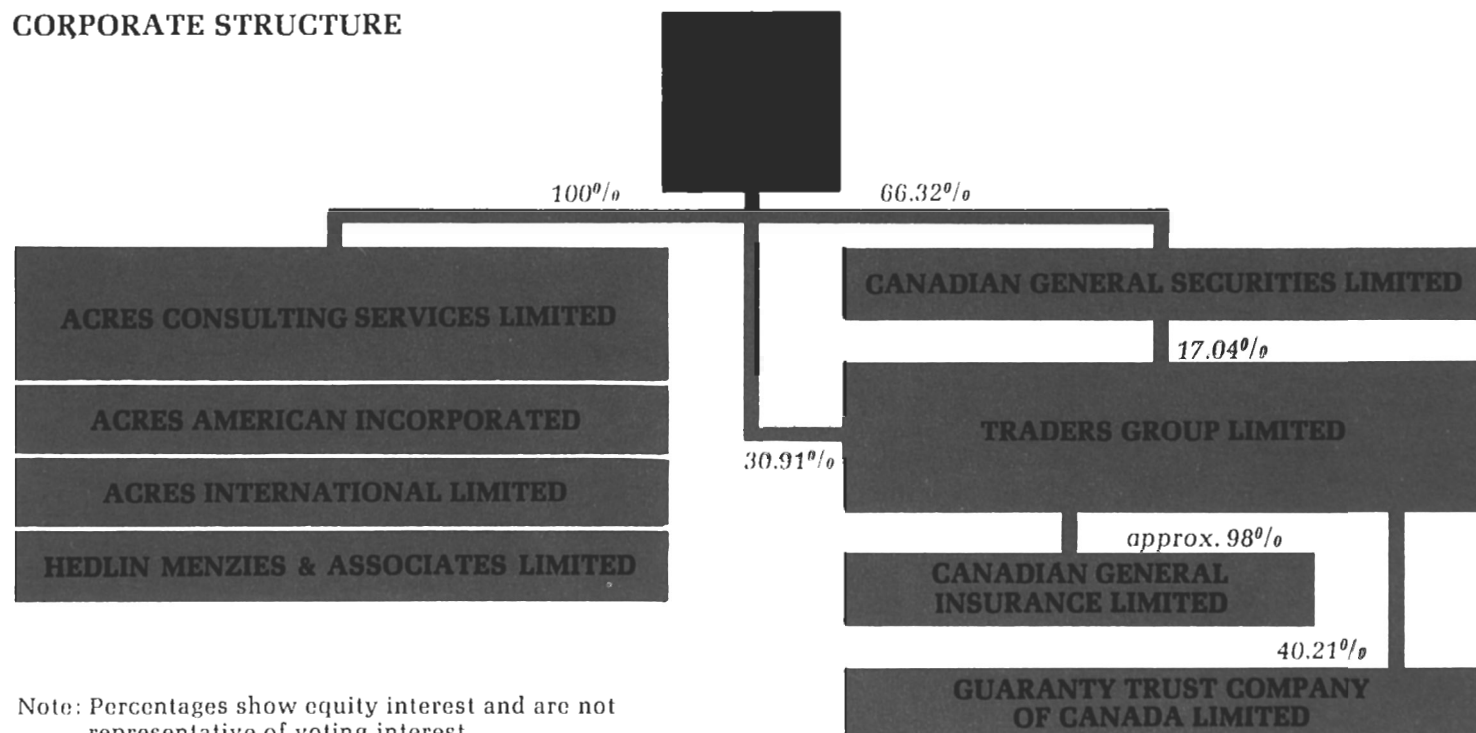
Traders' subsidiary, the Canadian General Insurance Company, showed promising indications in 1971 of a turn-around after suffering a loss in 1970

of \$853,000. As a result of extensive management changes and upgrading of marketing and underwriting policies, the insurance operation's losses last year were reduced to \$192,000. The full benefits of management and underwriting policy changes should accrue in 1972.

The Frankel Steel operations were sold by Traders in December last to the Frankel management, in keeping with the company's previously announced policy to sharply reduce non-financial holdings.

A major contribution to the improved performance of Traders was the outstanding net profit of Guaranty Trust Company of Canada. Traders increased its equity interest in Guaranty Trust in 1971 to slightly more than 40 per cent by the exercise of rights issued to shareholders and the purchase of additional shares. In 1971 Guaranty Trust achieved a net profit of \$3,822,000 — a 90 per cent increase over 1970 — in which Traders' share on an equity basis was \$1,467,000 or 32 cents per Traders' share. Continued good results by Guaranty Trust are anticipated in 1972.

## CORPORATE STRUCTURE

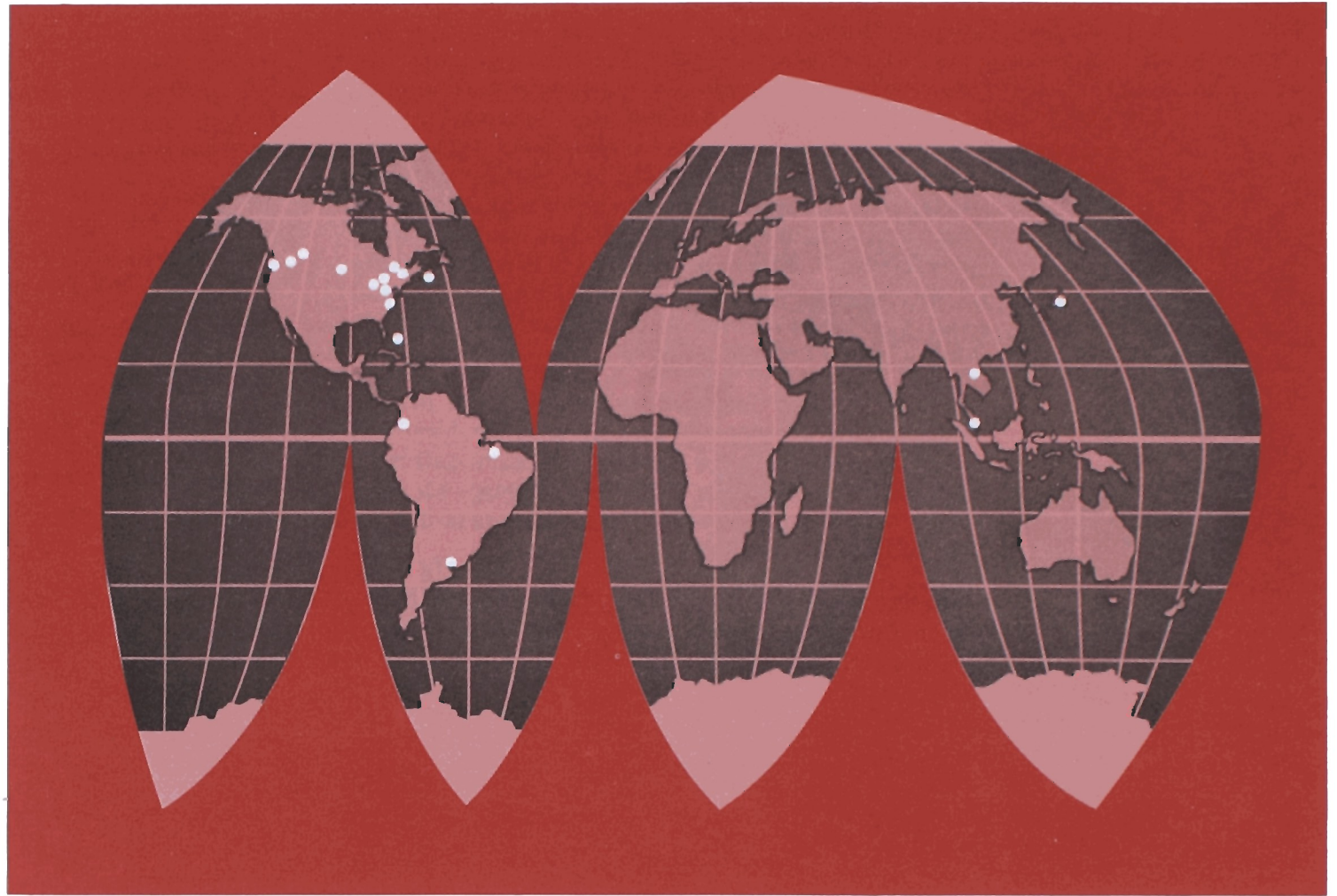


Note: Percentages show equity interest and are not representative of voting interest



# Acres Consulting Services

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## OFFICES

### Canada

Vancouver, Calgary, Edmonton, Winnipeg, Toronto,  
Niagara Falls, Ottawa, Montreal, Halifax

### Overseas

Nassau, Bahamas  
Vientiane, Laos  
Tokyo, Japan  
Cali, Colombia

Kuala Lumpur, Malaysia  
Belem, Brazil  
Buenos Aires, Argentina

### U.S.A.

Buffalo, N.Y.  
Washington, D.C.

# Consulting Highlights

The climax to the year was the successful start-up of the first two generating units of the 5,225,000 kw Churchill Falls Power Plant. In selecting the engineers and managers of construction for this \$1 billion project, Churchill Falls (Labrador) Corporation sought a high standard of performance. This was achieved, with power being delivered in advance of schedule and costs within budget. The project is a credit to Canadian engineering and management.

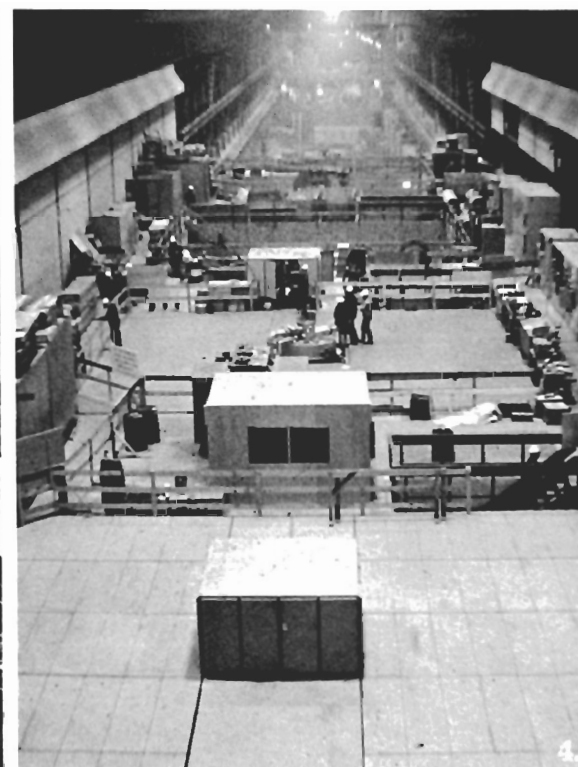
Within weeks of the successful start-up at Churchill Falls, the Lower Notch hydro-electric plant in Northern Ontario was placed in operation. This 250,000 kw power station was built for Ontario Hydro, on schedule, and within budget, under a comprehensive engineering and project management contract with the Company.

Our activities in the power and energy field continued to diversify during 1971. An increasing number and variety of assignments were undertaken on facilities for thermal power stations, many in the United States. Much of this new work arose from the growing impact of environmental

considerations. Typical examples of the trend are projects such as the testing of emissions from power station stacks, installation of equipment to reduce air pollution, investigation of the effects of cooling system discharge, and studies for the disposal of fly ash wastes.

The Company is participating to an increasing degree in the efforts being made by the power utilities, industry, and government to minimize the adverse environmental effects of their operations. Our Niagara Falls hydraulic laboratories, currently being expanded, are almost fully engaged in test work of this nature. We have established an environmental engineering group within which the many varied disciplines, necessary for comprehensive treatment of these problems, are assembled.

Within a consulting organization today, there must be awareness of the changing needs of society and the clients it serves. In recognizing the growing need for large bulk-carrying ships to accommodate the changing pattern of global oil supply, Acres has applied its heavy engineering skills to the planning and design of new shipbuilding facilities.



1. Concrete stack with dual flues to ensure air quality, St. Lawrence Starch Company Limited, Port Credit. 2. Chilled water plant, University of Toronto. 3. Hydroelectric power development, Nam Ngum, Laos. 4. Underground powerhouse, Churchill Falls





During 1971, major studies were undertaken for yards in Europe, Asia, and North America. Through affiliation with others experienced in shipbuilding practices, advanced techniques have been applied to the plans for these new facilities. This new area of activity provides a useful application of the heavy engineering skills developed over the years in hydro-electric work.

The Company's activities were also expanded during the year to provide comprehensive capability in pipeline engineering, construction supervision, and project management. At this time, a 70 man project group is employed on a major trans-continental pipeline project and will be available for future work on northern gas and oil transmission facilities.

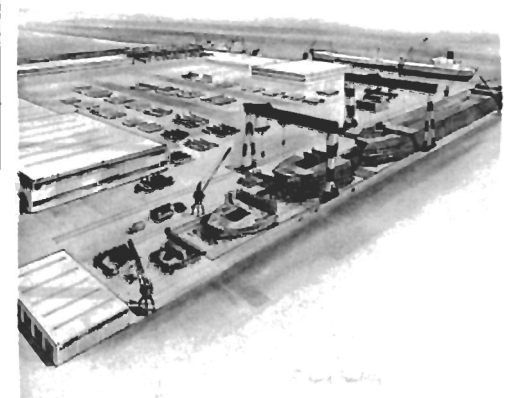
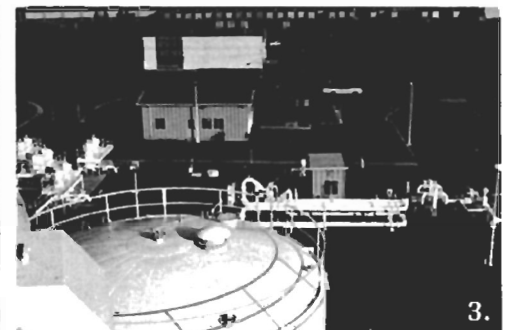
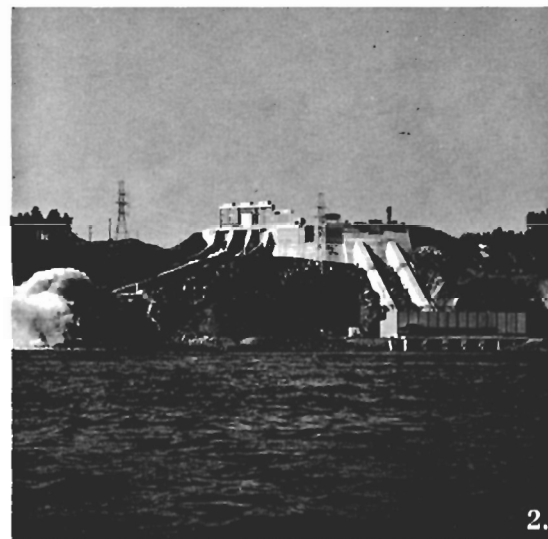
In the International field, our General Consultancy to the East Pakistan Water and Power Development Authority was interrupted by the outbreak of hostilities there. Our team in Dacca, numbering some 40 persons, was evacuated without incident during February and March 1971. Its work was con-

tinued for some time on return to Canada, but the staff has now been deployed to other activities.

Airport and economic planning services also provided opportunities overseas. Teams from Acres, Hedlin Menzies, and affiliates undertook a study of Malaysia's airport needs and of the forest resources of Sabah, North Borneo. In Africa, a major study of hydro-electric resources was made in Ethiopia, and a study of telecommunication systems was carried out for West Africa.

While consulting activities through 1971 were affected by the general slowdown in the economy, the impetus of the Company's development was sustained by increasing activity in the United States. An engineering office is now established in Buffalo, N.Y., to serve power utilities and industries there, and the Company has representation in Washington, D.C.

The consulting services are undertaking a long term study to assist planning of our resources for the decade and beyond. From all indications, it is a promising future.



1. Stack sampling platform, Niagara Mohawk Power Corporation. 2. Powerhouse and headworks, Lower Notch Generating Station. 3. Trans-northern pipeline jet fuel terminal, Dorval, Quebec. 4. Artist's impression of a proposed shipyard facility.

## COMPARATIVE FINANCIAL STATISTICS

	(000 OMITTED)				
	DECEMBER 31			OCTOBER 31	
	1971	1970	1969	1968	1967
Consulting operations revenues .....	\$17,392	17,535	17,461	13,864	10,120
Income from Traders Group Limited and Canadian General Securities Limited .....	\$ 3,023	2,063	—	—	—
Income before exceptional and extraordinary items .....	\$ 3,235	1,492	1,054	639	460
Common shares outstanding at year end ...	1,962	1,958	1,172	930	900
*Earning per common share:					
Before exceptional and extraordinary items .....	\$ 1.02	.32	.92	.65	.51
Exceptional items .....	\$ .30	.12	—	—	—
Extraordinary items .....	\$ .04	( .28)	—	—	—
Total .....	\$ 1.36	.16	.92	.65	.51
Dividends Record:					
Preferred shares .....	\$ 1,228	972	48	35	1
Common shares .....	\$ 98	—	— **	93 **	44
Equity per common share .....	\$ 11.26	9.96	4.86	2.19	1.84

\* Based on the average number of shares outstanding during the year.

\*\*Stock dividend also paid.

## DISTRIBUTION OF COMMON SHAREHOLDERS

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES OWNED
Under 1,000 shares .....	4,963	324,116.5
1,001 to 10,000 shares .....	116	429,264
Over 10,000 shares .....	39	1,208,228
	<u>5,118</u>	<u>1,961,608.5</u>

# Directors and Officers

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## **ACRES LIMITED**

Head Office: 20 Victoria Street, Toronto, Ontario

## **BOARD OF DIRECTORS**

J. M. Gardiner  
D. B. McCaskill  
R. A. Pillman  
D. M. Pringle  
H. C. Rynard  
A. Sarlos  
G. R. Sharwood  
S. Tibshirani

## **CORPORATE OFFICERS**

H. C. Rynard	Chairman of the Board
G. R. Sharwood	President and Chief Executive Officer
A. Sarlos	Vice President, Finance
H. N. Crawford	Vice President
F. H. Jonker	Vice President
M. F. K. Carter	Secretary-Treasurer
M. MacGirr	Assistant Secretary

## **AUDITORS**

Price Waterhouse & Co.

## **GENERAL COUNSEL**

Lash, Johnston, Sheard & Pringle  
Foster, Leggat, Colby & Rioux

## **BANKERS**

The Royal Bank of Canada  
Banque Canadienne Nationale

## **TRANSFER AGENT AND REGISTRAR**

Common Shares: Canada Permanent Trust Company  
Preference Shares: The Royal Trust Company

## **LISTING**

The Toronto Stock Exchange  
The Montreal Stock Exchange  
The Vancouver Stock Exchange







