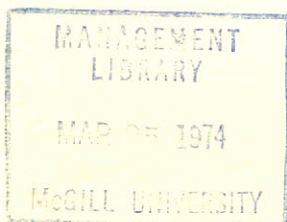


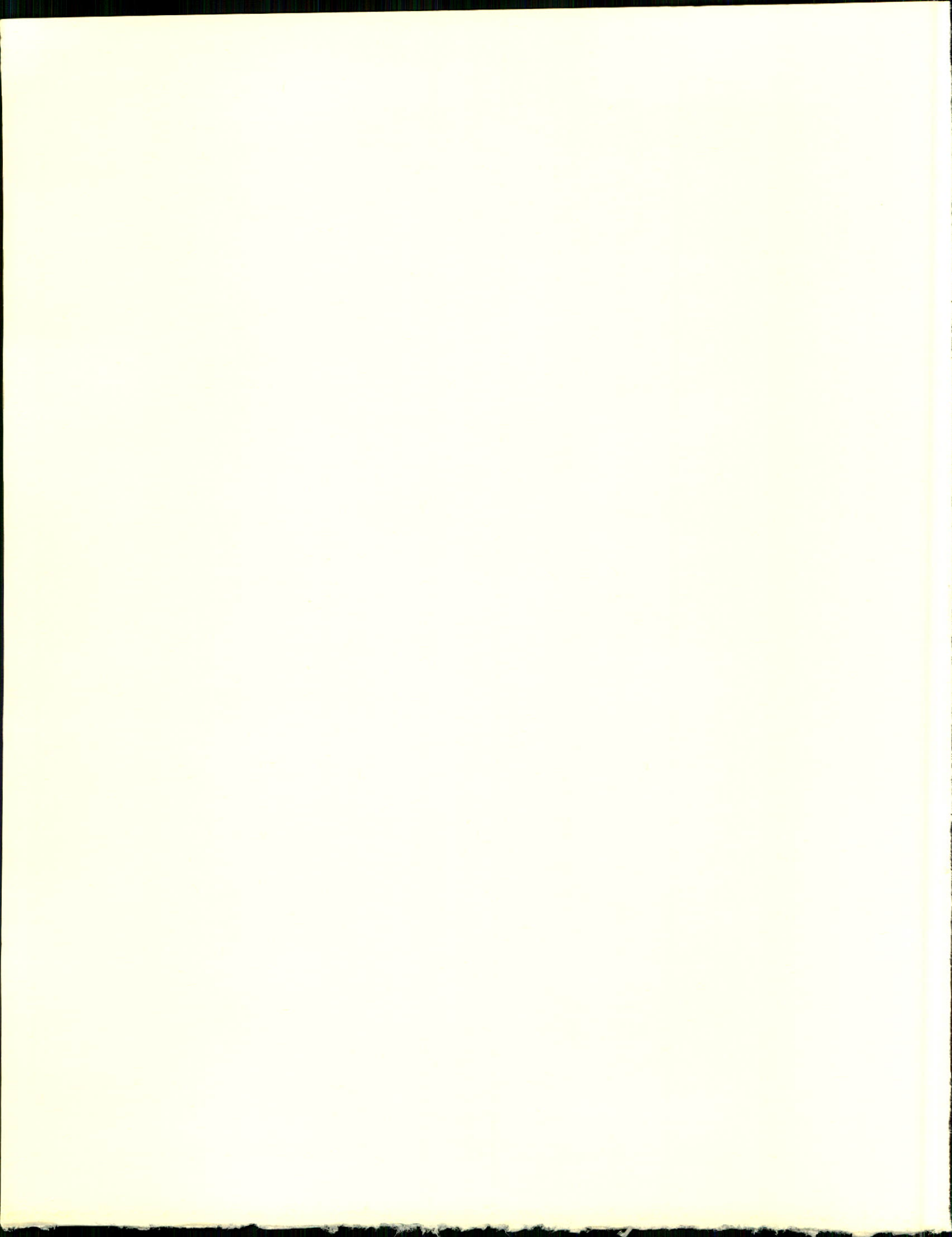
CANADIAN GENERAL INVESTMENTS LIMITED

1973

Annual Report

D E C E M B E R 3 1, 1 9 7 3





CANADIAN GENERAL INVESTMENTS LIMITED

Board of Directors _____

RALPH M. BARFORD	M. C. G. MEIGHEN, O.B.E.
JOHN D. BARRINGTON	T. R. MEIGHEN, Q.C.
ALEX E. BARRON	JOHN C. RYKERT
DAVID L. CAMPBELL	J. ALLYN TAYLOR
DOUGLAS N. KENDALL	DONALD C. WEBSTER
A. BRUCE MATTHEWS, C.B.E., D.S.O.	PATRICK O. G. WRIGHT

Officers _____

M. C. G. MEIGHEN, O.B.E. -	<i>Chairman of the Board</i>
ALEX E. BARRON -	<i>President</i>
JOHN C. RYKERT -	<i>Treasurer</i>
E. LOUISE MORGAN -	<i>Secretary</i>
PATRICK O. G. WRIGHT -	<i>Assistant Treasurer</i>

Auditors _____

PRICE WATERHOUSE & CO. Toronto

Registrar and Transfer Agent _____

THE CANADA TRUST COMPANY Toronto

Office of Company _____

110 YONGE STREET, SUITE 1702, M5C 1T4 (Telephone 416-366-2931) - Toronto

CANADIAN GENERAL INVESTMENTS LIMITED

TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting the Annual Report of your Company for the year ended December 31, 1973, consisting of the Consolidated Balance Sheet, and Consolidated Statements of Income, Retained Earnings, Unrealized Gain on Investments and Changes in Net Assets.

The balance sheet discloses that the total consolidated assets of the Company as at December 31, 1973 amounted to \$133,232,888. From this amount is deducted accounts payable, income taxes payable, minority interest and deferred income taxes which leaves a net value of \$126,785,563. Based on the 960,941 common shares outstanding as at December 31, 1973, each common share had an apparent equity value of approximately \$131.94. It should be noted that while \$6.3 million in deferred income taxes was deducted from Consolidated Assets in calculating the equity value per share, the \$6.3 million continues to work for the benefit of the shareholders. Such will be the case until future realization of capital gains necessitates part or all of these deferred taxes to be paid to the government.

The Consolidated Statement of Income discloses that your Company, after paying all expenses and providing for income taxes and the minority interest, had a net income for the year of \$3,034,390. This is equivalent to \$3.16 for each of the outstanding common shares.

During 1973, Shareholders received dividends of \$2.70 per share, an increase of \$0.30 from the previous year. The quarterly payment was increased from \$0.60 to \$0.70 in December and an extra dividend of \$0.20 paid.

The 1972 Annual Report mentioned that the Company was investigating a type of capitalization that would allow the payment of either taxable cash dividends or "tax-free" dividends from 1971 surplus. A detailed review of the proposal by the Company and its legal and accounting advisors indicated that it was not sufficiently attractive to be implemented at this time.

During 1972 the company elected to pay the 15% tax on the remainder of the 1971 undistributed income on hand. As a result of this payment and because of the changes in the Income Tax Act (Canada), the Company is now able to pay dividends from 1971 Capital surplus upon which no tax is payable either by the Company or the Shareholders. (See Note 4 to Financial Statements). Such dividends, however, do reduce the adjusted cost base of your shares and this in turn could affect the taxable capital gain or loss resulting from any future sale of shares.

Your Directors have decided, for the time being, to continue paying dividends for tax purposes out of the Company's December 31, 1971 surplus accounts. Such a dividend in the amount of seventy cents per common share, tax-free in the hands of the shareholders, has been declared payable March 15, 1974 to shareholders of record February 28, 1974.

Your Directors passed a resolution proposing a four for one sub-division of the Company's common shares at a meeting held on January 30, 1974. The Directors also propose that the 25,046,602 3% non-cumulative non-voting preference shares with a par value of 20 cents each be removed from authorized capital. This class of shares was required to disburse tax-free dividends under the previous Income Tax Act and has no purpose under the current Act. You will be asked to vote on these alterations in capital at the Annual and Special General Meeting to be held on April 11, 1974.

We advised shareholders last year of the fact that we did not qualify as an "investment company" for Income Tax purposes. Representations were made to the authorities during the year and we understand that it is unlikely that a favourable change will be made in the near future.

The portfolio of investments as at December 31, 1973 is to be found on pages 10 and 11 of this report. A complete list of the securities held by C.G.I. and Third Venture Capital Limited is shown on the last page of this report.

Submitted on behalf of the Board.

M. C. G. Meighen
Chairman of the Board

Alex E. Lamm
President

TORONTO, January 30, 1974.

**C A N A D I A N G E N E R A L
AND SUBSIDI**

Consolidated Balance Sheet

(Note 1)

Assets

	December 31	
	1973	1972
Investments at indicated market value (Note 2):		
Securities having a quoted market value - - - - -	\$127,032,240	\$139,054,001
Securities not having a quoted market value - - - - -	3,934,748	3,531,498
	130,966,988	142,585,499
(Cost as at—		
December 31, 1973—\$47,381,083		
December 31, 1972—\$45,478,649)		
Short term investments, at cost plus accrued interest - - - - -	1,866,285	150,062
Income taxes recoverable - - - - -	—	11,123
Cash in bank - - - - -	399,615	28,790
	\$133,232,888	\$142,775,474

Liabilities and Shareholders' Equity

Accounts payable - - - - -	\$ 32,575	\$ 700
Income taxes payable - - - - -	9,428	—
Minority interest in subsidiary - - - - -	54,822	69,181
Deferred income taxes (Note 4) - - - - -	6,350,500	8,985,132
Shareholders' equity:		
Capital stock—		
Authorized—		
25,046,602 3% non-cumulative non-voting preference shares with a par value of 20¢ each redeemable at the amount paid up thereon		
1,000,000 common shares without par value		
Issued and outstanding—		
960,941 common shares - - - - -	24,023,525	24,023,525
Unrealized gain on investments - - - - -	77,246,146	88,115,324
Retained earnings - - - - -	25,515,892	21,581,612
	126,785,563	133,720,461
	\$133,232,888	\$142,775,474

APPROVED ON BEHALF OF THE BOARD:

ALEX E. BARRON, Director

J. ALLYN TAYLOR, Director

Auditors' Report to the Shareholders of

CANADIAN GENERAL INVESTMENTS LIMITED:

We have examined the consolidated balance sheet of Canadian General Investments Limited and its subsidiary as at December 31, 1973 and the consolidated statements of income, retained earnings, unrealized gain on investments and changes in net assets for the year then ended. Our examination included an inspection of share certificates and other evidence of the investments held by the companies as at December 31, 1973 and 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, 1973 and the results of their operations and the changes in their net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.

Chartered Accountants

TORONTO, January 15, 1974.

I N V E S T M E N T S L I M I T E D
ARY COMPANY

Consolidated Statement of Income

	Year ended December 31	
	1973	1972
Income:		
Dividends received - - - - -	\$ 3,358,097	\$ 2,926,381
Interest earned - - - - -	48,339	25,148
	3,406,436	2,951,529
Expense:		
Management fee - - - - -	334,250	259,248
Directors' fees (Note 3) - - - - -	5,600	5,900
Miscellaneous - - - - -	32,045	19,158
	371,895	284,306
Income before income taxes and interest of minority shareholders -	3,034,541	2,667,223
Recovery of income taxes - - - - -	—	27,022
Income before minority interest - - - - -	3,034,541	2,694,245
Interest of minority shareholders - - - - -	151	102
Net income for the year - - - - -	\$ 3,034,390	\$ 2,694,143
Net income for the year per common share - - - - -	\$3.16	\$2.80

Consolidated Statement of Retained Earnings

	Year ended December 31	
	1973	1972
Balance at beginning of year - - - - -	\$ 21,581,612	\$ 19,735,116
Net income for the year - - - - -	3,034,390	2,694,143
Gain on investments sold or redeemed, less minority interest of \$2,625 (1972— Nil) and income taxes of \$11,792 (1972—\$22,000) (Note 4(iv)) - - - -	3,494,431	1,900,464
	28,110,433	24,329,723
Dividends paid on common shares - - - - -	2,594,541	2,306,258
Tax paid under Section 196(1) of the Income Tax Act - - - - -	—	441,853
	2,594,541	2,748,111
Balance at end of year - - - - -	\$ 25,515,892	\$ 21,581,612
Dividends paid per common share - - - - -	\$2.70	\$2.40

Consolidated Statement of Unrealized Gain on Investments

	Year ended December 31	
	1973	1972
Increase (decrease) during the year - - - - -	\$(13,520,944)	\$ 37,171,280
Less:		
Deferred income taxes - - - - -	(2,634,632)	8,985,132
Interest of minority shareholders - - - - -	(17,134)	10,922
	(2,651,766)	8,996,054
	(10,869,178)	28,175,226
Balance at beginning of year - - - - -	88,115,324	59,940,098
Balance at end of year - - - - -	\$ 77,246,146	\$ 88,115,324

N V E S T M E N T S L I M I T E D
ARY COMPANY

Consolidated Statement of Changes in Net Assets

	Year ended December 31	
	1973	1972
Net assets at beginning of year - - - - -	\$133,720,461	\$103,698,739
Add:		
Net income for the year - - - - -	3,034,390	2,694,143
Gain on investments sold or redeemed less minority interest and income taxes	3,494,431	1,900,464
Increase in unrealized gain on investments - - - - -	—	28,175,226
	140,249,282	136,468,572
Less:		
Decrease in unrealized gain on investments - - - - -	10,869,178	—
Dividends paid - - - - -	2,594,541	2,306,258
Tax paid under Section 196(1) of the Income Tax Act - - - - -	—	441,853
	13,463,719	2,748,111
Net assets at end of year - - - - -	\$126,785,563	\$133,720,461
Gain on investments sold or redeemed:		
Cost of investments at beginning of year - - - - -	\$ 45,478,649	\$ 42,153,628
Add: Purchase of investments during year - - - - -	3,478,357	3,775,507
	48,957,006	45,929,135
Less: Cost of investments at end of year - - - - -	47,381,083	45,478,649
Cost of investments sold or redeemed during year - - - - -	1,575,923	450,486
Proceeds from sale or redemption of investments during year - - - - -	5,084,771	2,372,950
Gain on investments sold or redeemed before minority interest and income taxes - - - - -	3,508,848	1,922,464
Provision for income taxes (Note 4(iv)) - - - - -	11,792	22,000
Interest of minority shareholders - - - - -	2,625	—
	14,417	22,000
Net gain on investments sold or redeemed - - - - -	\$ 3,494,431	\$ 1,900,464
Apparent liquidating value per common share:		
At beginning of year - - - - -	\$139.16	\$107.91
At end of year - - - - -	\$131.94	\$139.16

**CANADIAN GENERAL INVESTMENTS LIMITED
AND SUBSIDIARY COMPANY**

Notes to the Consolidated Financial Statements

DECEMBER 31, 1973

1. The consolidated financial statements include the accounts of the Company and its 90% owned subsidiary, C.G.I. and Third Venture Capital Limited.
2. The indicated market values of quoted securities are the result of pricing the companies' holdings at the closing quoted market prices as at December 31. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations. Securities not having a quoted market value have been included at values determined by the directors based principally on the underlying value of the assets represented by these securities.
3. No remuneration is paid by the Company to its "senior officers", as defined by the Business Corporations Act, 1970.

4. Taxation:

- (i) The companies do not qualify as "investment corporations" as defined in Section 130 of the Canadian Income Tax Act; accordingly, they are subject to income tax as "public corporations". "Taxable dividends" received from "taxable Canadian corporations", as defined by the Act, are excluded from taxable income; one-half of gains on disposal of investments, to the extent that these have accrued since December 31, 1971, are subject to income tax at full corporate rates.
- (ii) Unrealized appreciation on investments includes \$25,644,152 which has accrued since December 31, 1971. In addition, the parent company has received dividends of \$612,100 since December 31, 1971 which were paid out of "tax paid undistributed surplus on hand" of the payor corporations and, therefore, must be applied to reduce the adjusted cost base of the investments in the payor corporations resulting in a corresponding increase in the gain which may ultimately be realized on these investments. Provision for deferred income taxes on these unrealized gains has been made in the accounts.
- (iii) As at December 31, 1973 the parent company estimates its tax surplus categories, as defined by the Income Tax Act and subject to confirmation by the Canadian taxation authorities, to be as follows:

	(a) Tax paid Undistributed surplus (Section 89(1)(k))	(b) 1971 Capital surplus
Balance at beginning of year - - - - -	\$ 501,576	\$20,607,799
Dividends received - - - - -	313,700	—
Tax-free dividends paid on common shares - - - - -	(815,276)	(1,779,265)
Accrued gains on subsequent disposal of investments - - - - -	—	2,540,184
Balance at end of year - - - - -	\$ —	\$21,368,718

Dividends paid out of Categories (a) and (b) are not required to be included in the shareholders' income but reduce the adjusted cost base of his investment for Canadian tax purposes.

- (iv) Gains realized on investments sold or redeemed during the year include taxable gains accrued since December 31, 1971 which have been offset for income tax purposes by expenses of \$323,382 charged in the consolidated statement of income. In accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants, income taxes of \$164,900 otherwise payable on the gains should have been charged to retained earnings with a corresponding increase in net income for the year. This practice has not been followed since it would give an unfair presentation of the net income for the year.

CANADIAN GENERAL INVESTMENTS LIMITED

Summary by Industry

	VALUE AS OF DEC. 31, 1973	PERCENT OF PORTFOLIO
Finance -	\$ 27,434,437	20.9
Merchandising -	16,504,000	12.6
Business Forms -	14,735,000	11.3
Industrial Management -	12,678,150	9.7
Steel -	11,021,250	8.4
Energy -	10,288,100	7.9
Investment Trusts -	8,965,000	6.9
Beverages -	9,083,750	6.9
Metals -	7,556,875	5.8
Miscellaneous -	4,045,240	3.1
Forest Products -	2,891,252	2.2
Packing -	2,790,000	2.1
Metal Products -	1,626,187	1.2
Real Estate -	840,000	.6
Venture Capital -	507,747	.4
	\$130,966,988	100.0

CANADIAN GENERAL INVESTMENTS LIMITED

Portfolio of Investments

AS AT DECEMBER 31, 1973

No. of Shares	Total Market Value \$	% of Portfolio	No. of Shares	Total Market Value \$	% of Portfolio
	Beverages	9,083,750	6.9	40,000	Royal Bank of Canada - - - - 1,460,000
215,000	Distillers Corporation-Seagrams -	9,083,750		20,000	Toronto-Dominion Bank - - - 740,000
					(B) FINANCE COMPANIES - 907,687
	Business Forms	14,735,000	11.3	51,500	IAC Limited - - - - - 907,687
280,000	Moore Corporation - - - - -	14,735,000			(C) LIFE INSURANCE - - - 98,000
				1,000	London Life Insurance Co. - - 98,000
	Energy	10,288,100	7.9		(D) TRUST COMPANY - - 23,940,000
	(A) OILS - - - - -	6,200,000		760,000	Huron & Erie Mortgage Corporation - - - - - 23,940,000
20,000	Hudson Bay Oil & Gas Co. - -	862,500			
100,000	Imperial Oil Ltd. - - - - -	3,987,500			
75,000	Shell Canada 'A' - - - - -	1,350,000			
	(B) PIPELINES - - - - -	1,900,600			Forest Products
80,000	Interprovincial Pipeline - - -	1,620,000		22,503	Maclaren 1.00 Prefd. - - - - 11,252
9,200	TransCanada PipeLines - - -	280,600		90,000	MacMillan, Bloedel Ltd. - - - 2,880,000
	(C) OTHER - - - - -	2,187,500			
50,000	Rio Algom Mines Limited - -	1,700,000			Industrial Management
50,000	Union Gas Limited - - - - -	487,500		730,000	Argus Corporation Class 'C' Prefd. - - - - - 9,125,000
				28,729	Ravelston Corp. Ltd. - - - - 906,400
	Finance Industry	27,434,437	20.9	264,675	Ravelston Corp. Ltd. Prefd. - - 2,646,750
	(A) BANKS - - - - -	2,488,750			
15,000	Bank of Montreal - - - - -	288,750			

Note: Argus Corporation holds shares in the following companies: British Columbia Forest Products, Dominion Stores, Domtar Limited, Hollinger Mines, Massey-Ferguson and Standard Broadcasting Corp. Ltd.

CANADIAN GENERAL INVESTMENTS LIMITED

No. of Shares	Total Market Value \$	% of Portfolio	No. of Shares	Total Market Value \$	% of Portfolio		
	Investment Trusts	8,965,000	6.9		Packing	2,790,000	2.1
652,000	Third Canadian General Investment Trust Limited - -	8,965,000		120,000	Canada Packers Limited 'C' - -	2,790,000	
	Merchandising	16,504,000	12.6		Real Estate	840,000	.6
270,000	Canadian Tire Corporation 'A' Prefd. - - - - -	12,960,000		35,000	Trizec Corporation - - - - -	840,000	
7,000	Cochrane-Dunlop Hardware - -	259,000			Steel	11,021,250	8.4
360,000	Simpsons Limited - - - - -	2,925,000		220,000	Algoma Steel Corp. - - - - -	4,427,500	
20,000	Woodward Stores Ltd. - - - -	360,000		100,000	Dominion Foundries & Steel - -	2,937,500	
	Metal Products	1,626,187	1.2	125,000	Steel Co. of Canada - - - - -	3,656,250	
220,500	Hayes Dana Ltd. - - - - -	1,626,187			Venture Capital	507,747	.4
	Metals	7,556,875	5.8		(see p. 12)		
	(A) BASE METALS - - - - -	3,037,500			Miscellaneous	4,045,240	3.1
90,000	Cominco Ltd. - - - - -	3,037,500		35,000	Extendicare (CDA) Ltd. - - -	227,500	
	(B) OTHER METALS AND MINERALS - - - - -	4,519,375		31,300	Kenting Limited - - - - -	150,240	
60,000	Alcan Aluminium Ltd. - - - -	2,347,500		90,000	Scott's Restaurants Ltd. - - -	765,000	
62,500	International Nickel Co. Canada	2,171,875		96,000	Southam Press Ltd. - - - - -	2,592,000	
				36,000	D. A. Stuart Oil Co. Ltd. - - -	310,500	

C.G.I. AND THIRD VENTURE CAPITAL LIMITED

Authorized Capital—

10,000 6% non-cumulative, non-voting preference shares with a par value of \$100 each redeemable at the amount paid up thereon.

100,000 common shares without par value.

Issued and outstanding—

5,000 preference shares

100,000 common shares.

As at December 31, 1973 Canadian General Investments Limited held 4,500 preference shares and 90,000 common shares for a total investment of \$540,000. Third Canadian General Investment Trust Limited held 500 preference shares and 10,000 common shares for a total investment of \$60,000. There are no other shareholders.

Portfolio of Investments

AS AT DECEMBER 31, 1973

No. Shares		Class	Total Value
* *44,000	Applied Digital Data Systems - - - - -	Common	\$55,341
*10,000	Helix Investments Ltd. - - - - -	Common	10,000
*10,000	Helix Investments Ltd. - - - - -	Preferred	100,000
*77,521	Hermes Electronics Ltd. - - - - -	Common	90,006
* 2,000	Hermes Electronics Ltd. - - - - -	Preferred	40,000
1,000	Hoborough Limited - - - - -	Preferred	1,150
50,000	Ionarc Smelters Ltd. - - - - -	Common	40,000
5,000	Leigh Instruments Ltd. - - - - -	Common	23,500
1,000	MacLean Hunter Cable TV - - - - -	Common	11,500
* 5,000	Oxyplast Limited - - - - -	Common	50,000
25,000	Spar Aerospace Products Ltd. - - - - -	Common	61,250
* 5,000	Venturetek International Limited - - - - -	Common	25,000
	Sub-total - - - - -		507,747
	Cash held for investment - - - - -		40,480
			\$548,227

* *The major portion of the Company's holdings of Applied Digital Data Systems is restricted from current sale by S.E.C. ruling and therefore have been valued at cost. The remaining shares have been valued at current market price.

*NOTE: Securities not having a quoted market value have been included at values determined by the Directors based principally on the underlying value of the assets represented by these securities.

