



Corporate Structure



*Canadian General Securities Limited is a holding company which owns 16.2% of total common share equity and 80.9% of voting common share equity of Traders Group Limited.

Financial Highlights

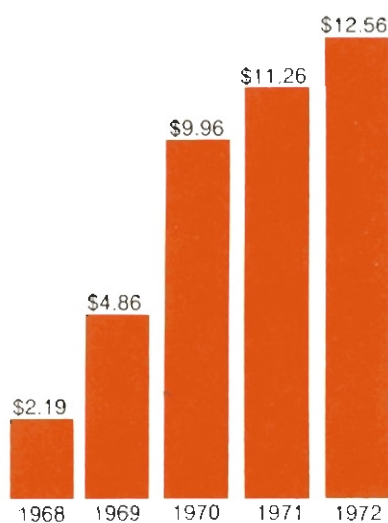


	(\$000) December 31	
FOR THE YEAR	1972	1971
Income from consulting operations	54	697
Income from Traders Group Limited and Canadian General Securities Limited and other sources	4,134	3,023
Income before exceptional and extraordinary items	4,151	3,235
Net income for the year	4,426	3,885
Earnings per common share —		
Before exceptional and extraordinary items	\$1.49	\$1.02
Before extraordinary items	\$1.56	\$1.32
After exceptional and extraordinary items	\$1.63	\$1.36

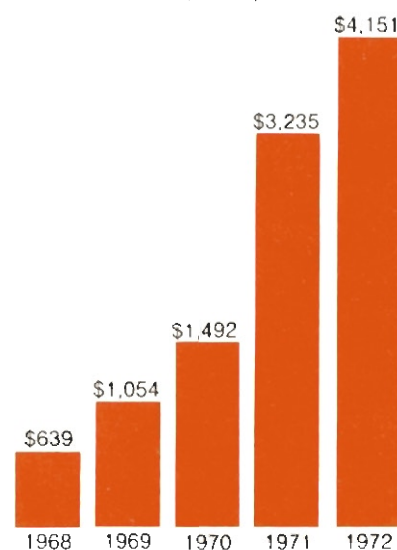
AT YEAR END

Working capital	2,742	3,346
Long-term debt	6,114	471
Total shareholders' equity	41,728	39,152

BOOK VALUE
PER COMMON SHARE



NET INCOME (\$000)*



EARNINGS
PER COMMON SHARE*



* Before exceptional and extraordinary items

Report to the Shareholders.

Our Company has completed another satisfying year of development in the Canadian business scene and has enjoyed increased benefits from its investments. The additional income has more than offset a reduced return from the consulting operations which have maintained a steady level of business but with lower margins.

The consulting business, which has now recovered from the recent period of reduced capital expenditures in its traditional markets, has made a determined effort to scale operating costs to a more profitable level and has improved prospects for the future.

Acres Limited has emerged from 1972 with results which may be viewed with satisfaction and which hold promise for further improvement as new investments augment income.

In 1972, earnings per share of Acres Limited, before extraordinary and exceptional items amounted to \$1.49 compared with \$1.02 for the previous year. The Company has continued the quarterly dividend payment of 5 cents per common share.

From its incorporation in 1924, Acres has been closely involved in the fields of power and energy production. Since then, there have been great changes in the practice of generation and transmission of energy, and in the extent of its utilization. Today, North American society is faced with the possibility of depletion of reserves and shortage of supply. There is growing concern over the adequacy of low cost energy which has, in the past, been of benefit to our process and manufacturing industries. New trends in world-wide energy marketing are strongly influencing Canada's role in North America. In seeking acceptable solutions to the power and energy problem, utilities will depend more and more on innovative and enterprising technology and financing. It is the objective of Acres to provide both.

As a further step towards enlarging



H. C. Rynard, President

G. R. Sharwood, Chairman of the Board

our role in the energy field, your Directors approved the acquisition of 21.3% of the common shares of Great Lakes Power Corporation Limited, a significant investor-owned utility in Ontario, supplying a 256,000 kilowatt system in the Sault Ste. Marie area. We look upon this as an investment of high quality, well suited to the interests and financial structure of Acres Limited.

The investment in Great Lakes Power Corporation will augment the income flowing from Traders Group Limited which rose from \$3,023,000 in 1971 to \$4,050,000 in 1972, reflecting improved results of both the finance and insurance operations. The good performance of Guaranty Trust Company of Canada also contributed to the gains achieved by Traders Group in 1972.

The consulting activities of the Company are now strongly concentrated in Toronto and Niagara Falls, Ont. and Buffalo, N.Y., with regional groups in the Atlantic provinces, Quebec and western Canada. Certain unprofitable operations have been curtailed or relocated. Centralization of management control and integration of functions common to domestic, U.S. and international activities have led to improved efficiency in operation.

During 1972, Acres Limited, acting jointly with Canadian General Securities Limited, Guaranty Trust Company of Canada and Traders Group Limited funded an investment group, MerBan Capital Corporation Limited, which has operated actively during the year. MerBan, functioning in the manner of a merchant bank, invests in promising opportunities and participates in management of the companies in which it

has a financial interest. This new group has engaged in a series of profitable ventures and shows considerable promise for future years.

The strengths and the achievements of our Company and of those with whom we are associated, are almost totally dependent on the collective skills and experience of their management and staff. We look forward with them to 1973 and beyond with continuing optimism. The formative years of Acres Limited as a significant corporate entity will now lead, we expect, to a sustained period of good operating results.

During the year, Gordon R. Sharwood was appointed President, Guaranty Trust Company of Canada and resigned from the Presidency of Acres Limited. Hugh C. Rynard became President, Acres Limited, and his place as Chairman of the Board was assumed by Gordon R. Sharwood.

Submitted on behalf of the Board.

*H. C. Rynard
President*

*Gordon R. Sharwood
Chairman of the Board*

Consolidated Statement of Income

(\$000 omitted) year ended December 31

	1972	1971
Consulting operations:		
Revenue	15,747	17,392
Costs	15,693	16,695
	54	697
Investment income:		
Income from Traders Group Limited and Canadian General Securities Limited (Note 2(b))	4,050	3,023
Other	84	—
	4,134	3,023
Corporate costs:		
Debt servicing	57	186
Interest earned, including \$253,000 charged to consulting operations (\$202,000 in 1971)	(291)	(233)
Corporate expenses	264	650
	30	603
Income taxes (Note 4)	7	(118)
Income before exceptional and extraordinary items	4,151	3,235
Exceptional item — profit related to the sale of insurance group investments by Traders Group Limited	154	573
Income before extraordinary items	4,305	3,808
Extraordinary items — in 1972, income tax reductions realized on the carry forward of past losses	121	77
Net income for the year	4,426	3,885
Earnings per common share (Note 5)		
Before exceptional and extraordinary items	\$1.49	\$1.02
Before extraordinary items	1.56	1.32
After extraordinary items	1.63	1.36

Consolidated Statement of Financial Position

(\$000 omitted) December 31

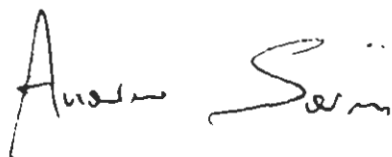
ASSETS	1972	1971
Current Assets:		
Cash and time deposits	463	602
Dividends receivable	354	407
Accounts and notes receivable	3,801	3,864
Services rendered for clients — unbilled	2,148	1,722
Other current assets	270	573
	7,036	7,168
Investments (Note 1(b)):		
Joint venture operations	797	949
Traders Group Limited and		
Canadian General Securities Limited (Note 2)	34,337	31,711
Great Lakes Power Corporation Limited (Note 3)	5,767	—
MerBan Capital Corporation Limited, at cost	740	—
Other, at cost	246	513
	41,887	33,173
Fixed Assets (Note 6)	1,817	1,805
Excess of Carrying Value of Subsidiary Companies over the Depreciated Cost of their Net Tangible Assets	1,776	1,776
	52,516	43,922

LIABILITIES & SHAREHOLDERS' EQUITY

Current Liabilities:		
Current bank indebtedness	536	143
Dividends payable	403	405
Accounts payable and accruals	1,300	1,188
Income taxes currently payable	96	—
Current portion of long-term debt	49	63
	2,384	1,799
Deferred income taxes relating to current assets (Note 4)	1,910	2,023
	4,294	3,822
Deferred Income Taxes Relating to Non-Current Assets (Note 4)	380	477
Long-Term Debt:		
Bank loans due January 30, 1974 (Note 3)	5,692	—
7% mortgage due in 1979	422	471
	6,114	471
Shareholders' Equity:		
Share capital (Note 7)	33,395	33,401
Contributed surplus (Note 7)	15	—
Retained earnings	8,318	5,751
	41,728	39,152
	52,516	43,922

Approved on behalf of the Board:

Director



Director



Consolidated Statement of Retained Earnings

(\$000 omitted) year ended December 31

	1972	1971
Balance at beginning of year	5,751	3,192
Less share of adjustments to surplus made by Traders	240	—
	5,511	3,192
Net income for the year	4,426	3,885
	9,937	7,077
Dividends on preference shares (\$3.60 per share)	1,225	1,228
Dividends on common shares (\$0.20 per share; 1971 — \$0.05 per share)	394	98
	1,619	1,326
Balance at end of year	8,318	5,751

Consolidated Statement of Source and Use of Funds

(\$000 omitted) year ended December 31

	1972	1971
Operations —		
Net income for the year	4,426	3,885
Reduction of deferred income taxes relating to non-current assets	(97)	(208)
Depreciation	173	176
Distributions from joint venture operations in excess of current income	163	(123)
Income from Traders Group Limited and Canadian General Securities Limited in excess of dividends received	(2,866)	(2,140)
	1,799	1,590
Sale of investments —		
Shares of Traders Group Limited	—	1,232
Shares of Canadian General Securities Limited	—	5,658
Other	372	44
Long-term bank loans	5,692	—
Reduction of deferred expenses	—	469
Issue of share capital	164	38
Minority interest	—	(1,307)
	8,027	7,724
Use of Funds:		
Investments —		
Traders Group Limited	—	1,013
Canadian General Securities Limited	—	128
Great Lakes Power Corporation Limited	5,767	—
MerBan Capital Corporation Limited	740	—
Joint venture operations	11	—
Other	105	—
Increase in fixed assets (net of disposals)	185	38
Purchase of preference shares for cancellation	155	—
Repayment of long-term debt	49	3,560
Payment of dividends —		
Preference shares	1,225	1,228
Common shares	394	98
	8,631	6,065
Increase (Decrease) in working capital	(604)	1,659

Notes to the Consolidated Financial Statements

ACCOUNTING PRINCIPLES

NOTE 1 (a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

(b) Investments

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. Income from this source is included in revenue of the consulting operations. The Company's investment in joint venture operations is recorded at cost plus undistributed income.

The investments in Traders Group Limited (Traders) and Canadian General Securities Limited (CGS) are recorded under the equity accounting principle. In arriving at the equity acquired by the Company at the time of its acquisition of these investments (and the resultant excess of cost over such equity value), certain accounts of Traders were restated by the Company. 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.

Investment in MerBan Capital Corporation Limited (MerBan) will be recorded under the equity accounting principle, excluding unrealized gains or losses on MerBan's investments. The Company's interest in the equity of MerBan at December 31, 1972 was 52.8%, of which 24.5% was held directly.

(c) Consulting contracts in process

Profit on contracts in process is recorded on the percentage of completion method.

INVESTMENT IN TRADERS GROUP LIMITED AND CANADIAN GENERAL SECURITIES LIMITED

NOTE 2 (a) Investment at December 31, 1972

Traders is a diversified finance company. CGS is an investment holding company whose principal asset is an investment in Traders. CGS owned 80.9% of the issued voting common shares and 16.2% of the total issued common shares of Traders at December 31, 1972.

Acres Limited had the following investment in the common shares of Traders and CGS at December 31, 1972:

	Number of shares	% of Class
Traders		
Class A common shares	1,393,859	32.4
Class B (voting) common shares	84,590	11.8
CGS		
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, 1972 was 40.2%. Excess of cost of investments over Acres' share of the equity of Traders and CGS was \$3.2 million.

(b) Transactions During the Year

	(\$'000 omitted)		
	Traders	CGS	Total
Investment at December 31, 1971	22,526	9,185	31,711
Equity share of net income for 1972	2,975	1,075	4,050
Dividends received in 1972	(1,109)	(229)	(1,338)
Profit related to the sale of insurance group investments by Traders	113	41	154
	1,979	887	2,866
Share of adjustments to surplus made by Traders	(176)	(64)	(240)
Investment at December 31, 1972	24,329	10,008	34,337

INVESTMENT IN GREAT LAKES POWER CORPORATION LIMITED

NOTE 3 During 1972, the Company acquired 262,625 common shares of Great Lakes Power Corporation Limited (GLP) by open market purchase, in the total amount of \$5,767,000. This represents 21.3% of the outstanding common shares of GLP at December 31, 1972. Indicated market value of the holding at that date was \$5,975,000.

A line of credit was established with four Canadian chartered banks to finance the acquisition of the shares of GLP, and at December 31, 1972 bank loans of \$5,692,000 were outstanding thereunder. Security for the loans comprised all the shares of GLP purchased, plus certain shares of Traders.

INCOME TAXES

NOTE 4 Certain of the subsidiary companies, with the approval of the income tax authorities, reported their income for Federal and Ontario tax purposes on a cash basis up to 1971, thus deferring taxes charged against income which would otherwise be payable. The new tax legislation requires 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 \$460,000 are available up to 1975 to reduce income taxes otherwise payable by some companies; none of these potential recoveries have been recorded in the companies' accounts.

EARNINGS PER COMMON SHARE

NOTE 5 Earnings per common share are based on the weighted average number of shares outstanding during the year (1972 — 1,969,616; 1971 — 1,959,840). Dilution of the Company's equity in Traders' earnings would have been insignificant if all the 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.

A dilution of 5 cents 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.

FIXED ASSETS (\$000 omitted)

NOTE 6

		1972		1971
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	53	—	53	53
Buildings	1,609	483	1,126	1,127
Furniture & Equipment	1,062	680	382	354
Leasehold improvements	493	237	256	271
	3,217	1,400	1,817	1,805

SHARE CAPITAL AND CONTRIBUTED SURPLUS

NOTE 7

Preference Shares —

Authorized — 996,588 preference shares, par value \$50 each, issuable in series, of which 346,588 have been designated 7.20% cumulative redeemable Series A

Issued and outstanding at December 31, 1971 — Series A

Purchased for cancellation during 1972

Issued and outstanding at December 31, 1972

Common Shares —

Authorized — 3,500,000

Outstanding — December 31, 1971

Issued during the year for cash on exercise of employee stock options

Total share capital outstanding — December 31, 1972

No. of
Shares

(\$000
omitted)

341,203

17,060

3,412

170

337,791

16,890

1,961,608.5

16.341

16,600

164

1,978,208.5

16.505

33,395

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, 1972, the following options were outstanding:

16,700 shares at \$9.90 expiring January 22, 1974

400 shares at \$15.30 expiring July 29, 1974

13,200 shares at \$17.10 expiring December 14, 1974

6,500 shares at \$13.28 expiring March 18, 1975

17,400 shares at \$9.90 expiring July 2, 1975

3,000 shares at \$9.90 expiring January 21, 1976

Contributed Surplus

During the year, the Company purchased for cancellation 3,412 of the Series A preference shares issued and outstanding at the beginning of the year. The difference between the aggregate cost of the preference shares so purchased and the aggregate par value thereof, amounting to \$15,000, has been credited to contributed surplus.

COMMITMENTS, CONTINGENT LIABILITIES AND LEASES

NOTE 8 In 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. 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.

In the ordinary course of business the Company and its engineering consulting subsidiaries have lawsuits outstanding against them. In the opinion of counsel, the companies should suffer no significant losses with regard to any of the suits outstanding at December 31, 1972.

The Company and its subsidiaries have leases on real property and equipment for varying terms up to a maximum of 6 years. Rental expenses for the 12 months ended December 31, 1972 aggregated \$942,000. The minimum rentals for the succeeding 5 years will aggregate \$2,651,000.

PENSION PLAN

NOTE 9 The unfunded liability of the Company's pension plan for past service obligations has been estimated by independent actuaries at approximately \$1,017,000 at December 31, 1972. This obligation is being amortized by charges to earnings over a period of up to 17 years.

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

STATUTORY INFORMATION

NOTE 10 The total remuneration of the directors and senior officers of the Company for the year ended December 31, 1972 was \$291,000 from the Company and its subsidiaries.

Interest on long-term debt for the year ended December 31, 1972 amounted to \$87,000 (1971 - \$208,000).

AUDITORS' REPORT

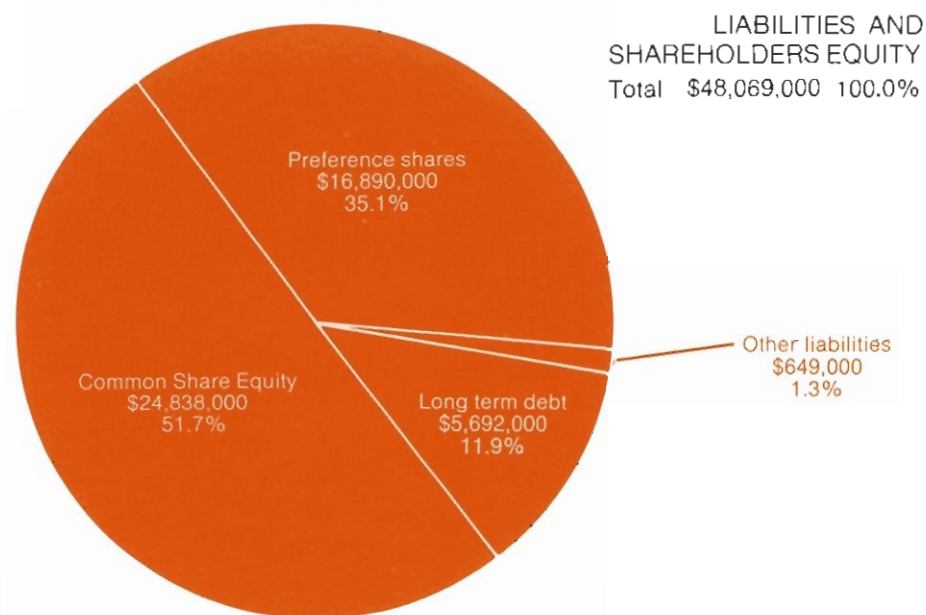
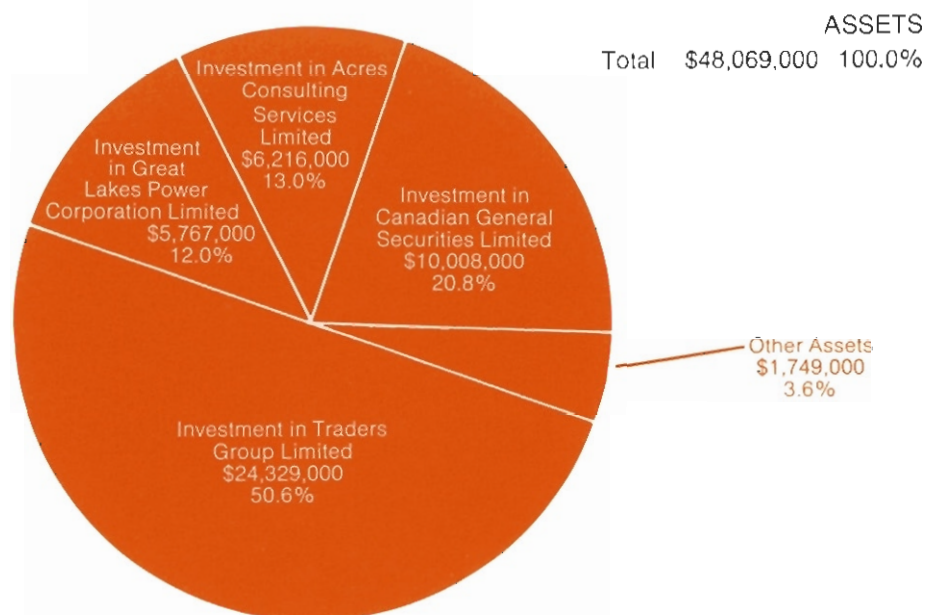
To the Shareholders of Acres Limited:
We have examined the consolidated statement of financial position of Acres Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included 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, 1972, 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 20, 1973

Price Waterhouse & Co.
Chartered Accountants.

Unconsolidated Financial Position

year ended December 31



Distribution of Common Shareholders

Shareholdings	Number of Shareholders	Number of Shares
1 to 1,000 shares	4,308	308,585.5
1,001 to 10,000 shares	100	348,228
10,001 and over	42	1,321,395
Total		1,978,208.5

Services □ **Acres Consulting Services Limited:** Hydro Electric Power; Thermal Power; Power Systems; Electrical Engineering; Energy Studies; Oil and Gas Pipelines; Transportation Studies; Marine Engineering; Shipyard Planning; Civil Engineering; Industrial Plants; Steel Mills; Environmental Engineering; Mechanical Engineering; Architectural Services; Geotechnical Services; Foundations; Construction Management; Mineral and Resource Development; Urban Development; Resource Studies; Recreational Studies; Regional Development; Environmental Impact Studies; Water Supply and Treatment; Hydraulic Engineering; Hydraulic Laboratory Testing; Systems Analysis; Future Studies; Economic Studies; Project Management. **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; Purchasing of Land for Development and Resale. **Canadian General Insurance Group:** General Casualty Insurance on Automobiles and Properties; Surety Bonding; Life, Disability, Sickness and Accident Insurance. **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. **MerBan Capital Corporation Limited:** Equity Investment; Underwriting; Private Placements; Bridge Financing; Financial Services.

Traders Group Limited

Through its position in Canadian General Securities Limited and through direct investment, Acres Limited holds 40.2% of the total common share equity of Traders Group Limited. The income from these investments had a major influence on the financial results for 1972. Traders Group Limited achieved record earnings available for common shareholders before extraordinary

items, of \$9,715,000 or \$2.01 per share compared to the previous high level of \$6,840,000 or \$1.50 per share in 1971.

Consolidated assets increased by \$118 million to a total exceeding \$750 million.

Receivables increased by \$110 million in 1972 with the distribution by major portfolios shown below:

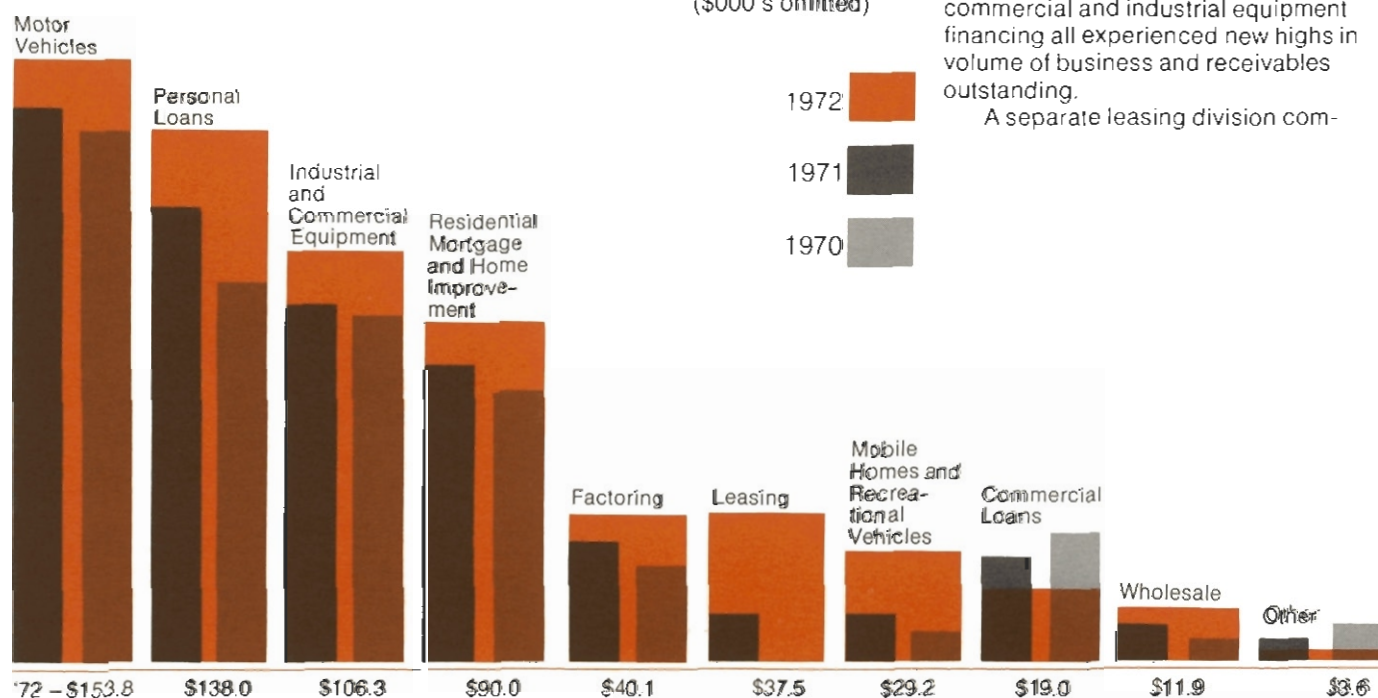
FINANCE OPERATIONS

The Finance Operations continued to make a consistent improvement. Record levels were reached in business acquired and receivables outstanding creating an excellent base for future earnings. There is a buoyant demand for the financial services offered and the quality of business has substantially improved.

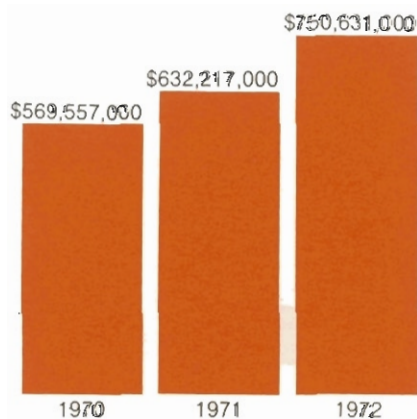
The sales financing operations contribute a major share to Traders' business through their diversified activities. Consumer purchase financing and commercial and industrial equipment financing all experienced new highs in volume of business and receivables outstanding.

A separate leasing division com-

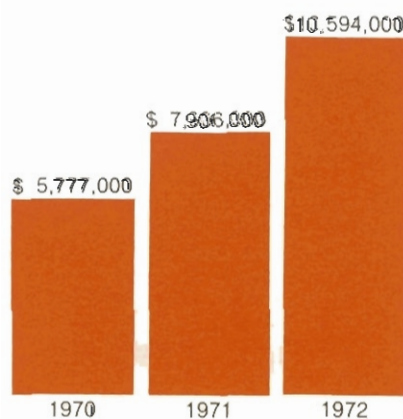
CONSOLIDATED FINANCE RECEIVABLES BY MAJOR PORTFOLIOS ('\$000's omitted)



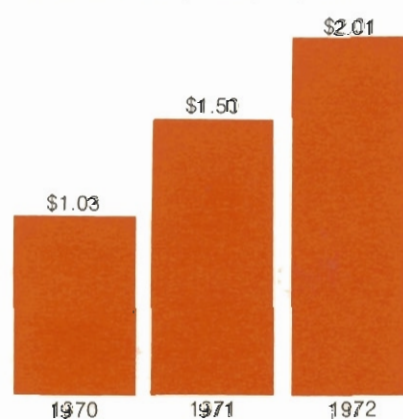
CONSOLIDATED TOTAL ASSETS



CONSOLIDATED NET PROFIT (before extraordinary items)



EARNINGS PER COMMON SHARE (based on monthly average of shares outstanding during the year)



pleted its first full year of activity. It offers a corporate leasing service to cover capital machinery and equipment, construction and mining machinery, commercial aircraft and ships.

The Personal Loan Operation offers direct cash loans to consumers and achieved record volume and a 20% gain in receivables outstanding.

The factoring and accounts receivable operation also experienced substantial growth of receivables. However, profits did not achieve the record level of 1971.

The Land Development Operation buys raw land in communities adjacent to major urban areas, develops the land and sells serviced lots to builders. The 1972 operations achieved a 75% gain over the previous year.

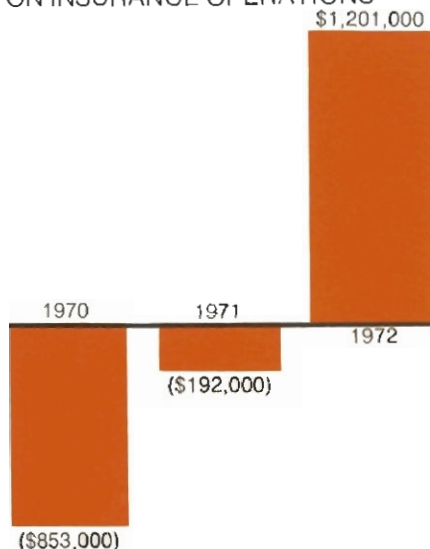
INSURANCE OPERATIONS

The Canadian General Insurance Group provides bonding, general, life, sickness and accident insurance.

During the year, every underwriting activity experienced a major improvement in results. This was due to the upgrading and refining of all portfolios. The Group contributed a profit of \$1,201,000 compared with a loss in the amount of \$192,000 the previous year.

The Group has acquired Income Disability & Reinsurance Company of Canada, thus broadening its range of customer services to include life, and accident and sickness insurance.

NET PROFIT (LOSS) TO TRADERS ON INSURANCE OPERATIONS



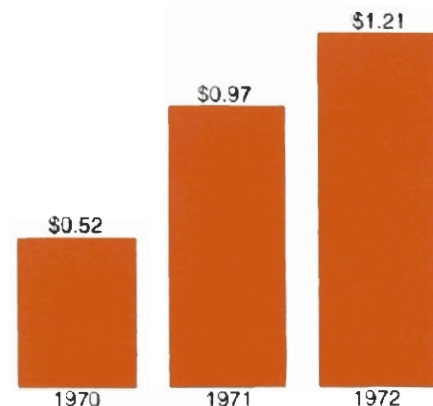
GUARANTY TRUST COMPANY OF CANADA

Guaranty Trust Company of Canada, in which Traders Group Limited owns 40.82% of the outstanding shares, offers trust, investment and lending services in both the personal and commercial fields.

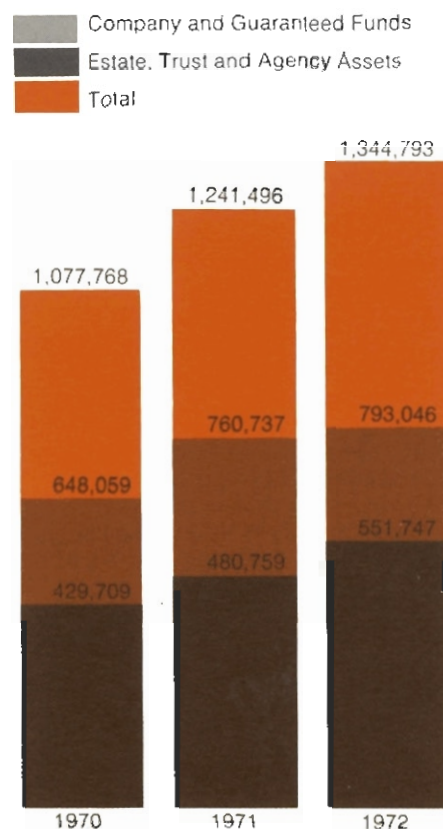
The Company's profit increased to \$5,382,000 from \$3,822,000 in 1971. Traders' share of income on an equity accounting basis rose to \$2,100,000 compared to \$1,467,000 the previous year.

The profit improvement is the result of the growth in the mortgage portfolio and the widening spread between average yield earned on mortgages and other investments and the cost of deposits.

EARNINGS PER SHARE



ASSETS UNDER ADMINISTRATION (\$000's omitted)



MerBan Capital Corporation

MerBan Capital Corporation Limited was formed in March 1972 by Acres Limited, Canadian General Securities Limited, Guaranty Trust Company of Canada and Traders Group Limited. The \$4,000,000 capitalization of the Company was subscribed in approximately equal proportions by the principal shareholders. The management group of MerBan Capital Corporation have a 10 per cent interest in the equity of the Company. Acres Limited has a 52.8 per cent interest, held both directly and indirectly, in the Company.

MerBan Capital acts as an investor in situations where its assistance in capital reorganization can result in a significant increase in the value of the investment. A wholly owned subsidiary, MerBan Securities Limited, acts as an agent in arranging financings and in the purchase of securities and will underwrite security issues.

During 1972 MerBan has made five investments: Alpa Industries Limited, Biltmore Hats Limited, Cablecasting Limited, Electronic Associates of Canada Limited, Kaps Transport Ltd.

The Company acted on behalf of the Canadian General Insurance Group in negotiations which resulted in their acquisition of Income Disability & Reinsurance Company of Canada.

ALPA INDUSTRIES LIMITED

Alpa Industries Limited operates a number of wholesale lumber outlets in southern Ontario and also manufactures lumber products. MerBan negotiated the purchase of a controlling interest in Alpa from the founding shareholders. In this instance, MerBan acted as an investor for its own account, and arranged the participation of another financial institution. Subsequently, MerBan arranged a public issue of the shares of the Company through a Canadian investment dealer. The shares of Alpa are now listed on the Toronto Stock Exchange.

MerBan has assisted the management of Alpa in negotiating a number of

acquisitions in the wholesale lumber trade and as a result of these acquisitions and the internal growth of Alpa, sales and profits of Alpa have grown substantially during the past year.

MerBan holds 168,720 shares of Alpa Industries Limited which it acquired at a cost of \$1,086,000 and which had a market value as at December 31, 1972 of \$2,510,000.

BILTMORE HATS LIMITED

Biltmore Hats Limited is one of the few remaining felt hat manufacturers in North America, having absorbed over past years many of the product lines of its competitors. The Company is listed on the Toronto Stock Exchange and has maintained a profitable operation despite the decline in the market for its product. MerBan proposed a reorganization of the Company's capital structure and acquired control. MerBan has since worked with the Company's management in completing the acquisition of two other companies manufacturing goods for the men's wear trade. These acquisitions have broadened Biltmore's sales line and have improved its profits significantly.

MerBan holds 81,052 common shares and 5,507 Class "B" preferred shares of this Company, which were acquired at a cost of \$282,000. As at December 31, 1972 the market value of this investment was \$540,000.

CABLECASTING LIMITED

Cablecasting Limited owns an interest in Cable Television Systems in Toronto, western Ontario, Winnipeg and Calgary. It also provides management services to these systems. At the time that MerBan acquired its interest in Cablecasting Limited, it was a private company and one of its larger shareholders was in the process of disposing of its holdings. MerBan joined with others in the acquisition of this holding and in this instance has acted primarily as an investor. It is anticipated that Cablecasting Limited will make a public issue of its shares during 1973.

MerBan has a net interest of 18,000 shares of Cablecasting Limited which were acquired at a cost of \$73,000. The value of these securities as of December 31, 1972 was \$108,000.

ELECTRONIC ASSOCIATES OF CANADA LIMITED

Electronic Associates is a manufacturer and designer of process control systems, primarily for the pulp and paper industry. It has recently developed a new control system and is experiencing considerable growth in sales and profits. MerBan has acquired the shares of one of the founding shareholders of the Company and is working with its management to ensure that adequate financing is available to the Company to enable it to realize full benefit from its new product lines.

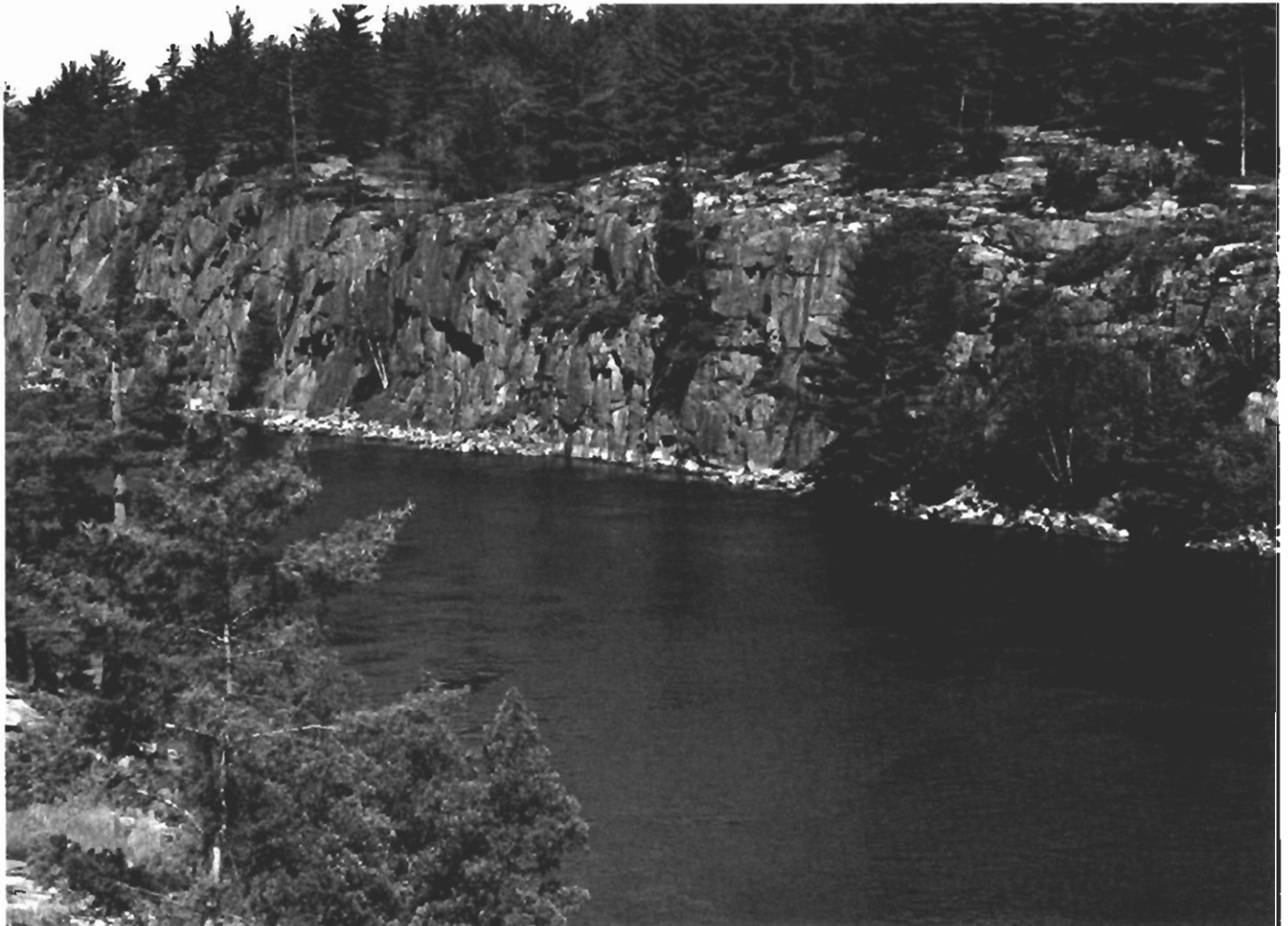
MerBan holds 156,600 common shares of Electronic Associates, which it acquired at a cost of \$670,000. The market value of these securities as at December 31, 1972 was \$685,000.

KAPS TRANSPORT LTD.

Kaps Transport Ltd. is a transportation and service company, based in Edmonton and operating in western Canada, the Yukon and the Northwest Territories. The Company will be a direct beneficiary of any growth in oil and gas exploration or development in northern Canada. MerBan has representation on the board of Kaps Transport Ltd. and has been directly involved in the selection of a senior executive for the Company. It is anticipated that MerBan's involvement with Kaps Transport Ltd. will be one of the Company's most important activities during the next two years.

MerBan, through a subsidiary company, holds 450,000 shares of Kaps Transport Ltd. After allowing for minority interests and for the exercising of options granted at the time of the financing of the purchase, MerBan has a net interest of approximately 215,000 shares of Kaps Transport Ltd. at a cost of \$2,150,000. As at December 31, 1972 these shares had a market value of \$2,440,000.

Great Lakes Power Corporation Limited



Acres Limited is actively seeking new opportunities for investment in the energy field. As an initial step in this direction, the Company has made a substantial investment in acquiring, during 1972, 262,625 common shares of Great Lakes Power Corporation Limited. This represents 21.3% of the outstanding common shares of the corporation at December 31st, 1972. The purchase involved a total amount of \$5,767,000 or an average price of \$21.96 per share.

Great Lakes Power Corporation Limited is the largest, and one of the few remaining investor-owned electric utilities operating in Ontario. It has earned an excellent reputation for service to the industrial and residential communities in the South St. Mary's area through a power system with a

1972 peak demand of 256,000 kilowatts. Energy sales in 1972 were 1,399 billion kilowatt hours. The utility, together with Ontario Hydro, serves the important northwest region of the province. Power is produced in nine hydro-electric generating stations owned and operated by Great Lakes Power and distributed over an interconnected transmission system with 313 miles of transmission lines.

From operating revenues and other income of \$12,671,022, Great Lakes Power Corporation Limited had a 1972 net income of \$2,835,586 or \$2.30 per share.

Consulting Highlights



Acres projects around the world.

The inauguration of the Churchill Falls Power Development on June 16th, 1972 was of great significance to the province of Quebec and to the province of Newfoundland and Labrador. At that time, two 475,000 kilowatt generating units had been operating for some time to meet contractual requirements in full. The schedule for completion of the 5,225,000 kilowatt installation has been advanced by the Churchill Falls (Labrador) Corporation to 1975.

In Ontario, work began on the Arnprior hydro-electric development for which Acres has engineering and project management responsibility. Operating under 68 feet head on the Madawaska River in the Ottawa Valley, this Ontario Hydro power generating station will develop 72,000 kilowatts. A substantial portion of the project responsibility will be applied to measures to accommodate environmental issues.

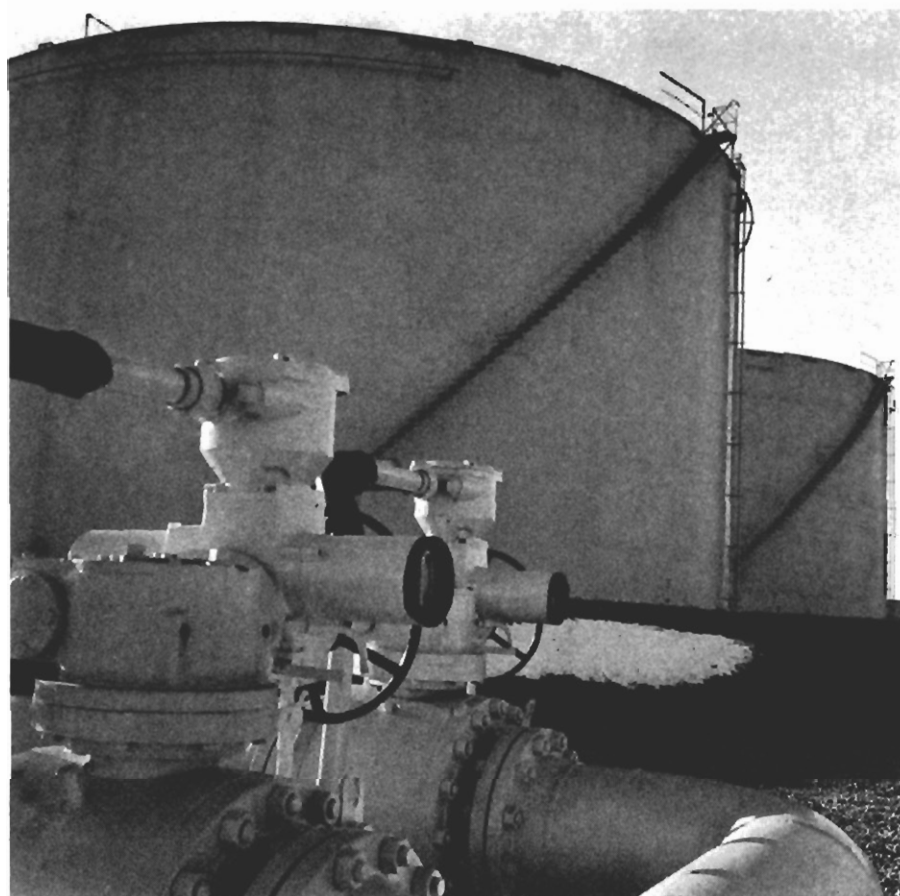
In the international field, work has proceeded on power projects and studies in Thailand, Laos, Brazil, Argentina, Colombia, Ethiopia and Europe.

During the year, studies were completed for hydro-electric facilities of a novel form: — that of major pumped storage developments with the lower reservoir entirely excavated at depths of 3,000-4,000 feet below ground level. This extension of Acres' considerable experience in conventional underground power plants, such as Churchill Falls, is part of a concerted program of technological development aimed at effective use of subsurface "space". Acres is applying special effort to a variety of such innovative schemes for creating energy storage capacity in major power systems.

Acres laboratories at Niagara Falls have been augmented by facilities at Buffalo, N.Y. Almost all available space is occupied now by large models built to test the effect and dissipation of thermal plumes at the outfalls from major thermal and nuclear power plants. Work is being undertaken for Niagara Mohawk



Power and Energy



Oil and Gas

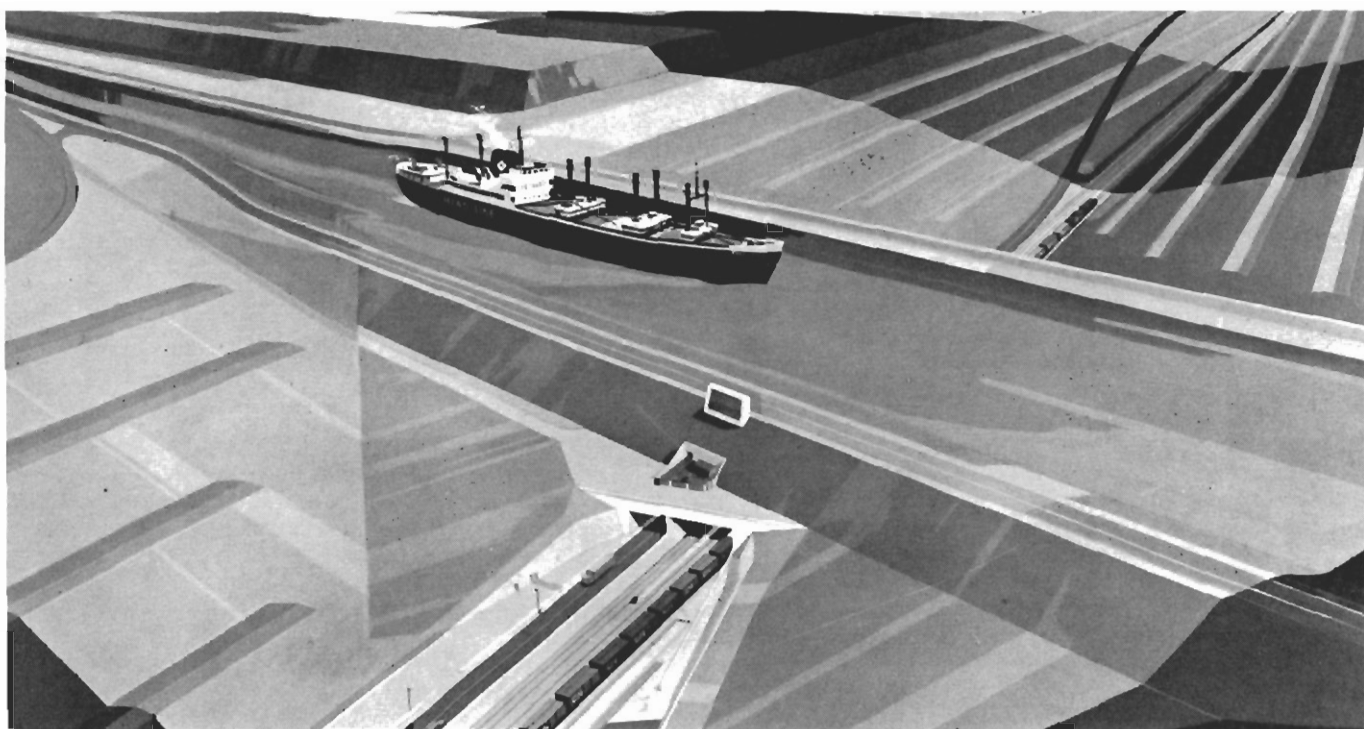
Power Corporation, New York State Electric & Gas Co., and Cleveland Illuminating Co. Other laboratory work to assist environmental objectives involves aerodynamic testing to prove the efficiency of air pollution control equipment.

Major work on precipitator installations to reduce particulate emissions to meet stringent local standards was completed at Niagara Mohawk's Dunkirk generating station and is underway for the American Electric Power Corporation at Glen Lyn Va. As State authorities in the U.S.A. clarify their regulation standards and stipulate time requirements for compliance, the volume of this type of work is expected to grow to a point where it may strain the resources of equipment suppliers and engineering firms alike.

In the related field of systems for the recovery and re-cycling of particulate matter by agglomeration of metallic and non-metallic materials, Acres has a working arrangement with the Stirling Processing Company of Pittsburg, Pa. This increases the breadth of our services, particularly to the steel industry which continues to provide a significant proportion of Acres industrial work. The Company, with Dominion Engineering Works, is undertaking a substantial assignment for Sysco (Sydney Steel Corporation) in Nova Scotia.

During the year, work was completed on major facilities for the Iron Ore Company of Canada at Labrador City. A major railway tunnel and ore pass built to Acres' engineering design is now in service.

Construction work is proceeding on the eastern segment of Dome Petroleum's Cochin Pipeline. Deferral of the main line of this project will lead to a gradual re-orientation of the strong group built up in Calgary to other promising areas in the oil and gas pipeline industry. We foresee a major



Transportation

opportunity in the northern oil and gas transmission facilities. Acres' staff have been involved in the exploratory program essential for major pipe-line construction. Through assignments on the proposed Mackenzie Valley highway, on the Lost River mining project in Alaska and on conceptual design of offshore drilling platforms for Imperial Oil, the Company has been directly involved in advanced northern technology involving delicate ecological balance, permafrost, cold weather construction, ice hazards and other associated problems.

In the transportation field, Acres provided engineering and construction supervision of the road-rail tunnel recently completed under the relocated

section of the Welland Canal in Ontario. The entire facility will be put into regular service for shipping, road vehicles and trains in the spring of 1973.

While highlights of activity in the consulting field tend to concentrate attention on the large spectacular projects, important segments of our organization are steadily employed in providing support services for major Canadian and U.S. power utilities. Work includes an important succession of transformer and switching stations and electrical system services for major thermal and nuclear power plants.

Economic consulting work has provided a steadily increasing volume of business for the Company during the past months. An energy study has been completed for Alberta and Southern Gas Company Limited. Other work has included assignments for the Transportation Development Agency, for departments of the Government of Canada, for overseas projects in Australia, Malaysia, Hong Kong, Latin America and Europe and for a variety of private corporate clients.

During the year, Acres played a leading role in establishing a new grouping of Canadian engineering organizations to act together in seeking

major project management and turn-key assignments throughout the world. Shareholders of the new company, CIPM Canadian International Project Managers Ltd., include Acres Consulting Services Limited, Montreal Engineering Company Limited, The Shawinigan Engineering Company Limited and Surveyer, Nenniger & Chenevert Inc.

R. A. Pillman, a director of our Company, has been elected President of CIPM.

During 1972, company realignment has been completed to bring all regional and international operations under a cohesive management. This and other measures have substantially reduced costs. Future planning has clearly defined the major areas for the consulting company's particular attention. These are energy, transportation, steel and industrial facilities and the environment. We are well equipped to contribute to the growth of engineering and management in these vital areas.

Directors and Officers

BOARD OF DIRECTORS

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Grafton Group Limited

John M. Gardiner
Vice President
Acres Consulting Services Limited

Donald B. McCaskill
President & Chairman of the
Executive Committee
Connaught Laboratories Limited

James W. McCutcheon
Partner
Shibley, Righton & McCutcheon

Raymond A. Pillman
President
CIPM Canadian International
Project Managers Ltd.

Hugh C. Rynard
President
Acres Limited

Andrew Sarlos
Vice President, Finance
Acres Limited
— and —
President,
MerBan Capital Corporation Limited

Gordon R. Sharwood
Chairman of the Board
Acres Limited
— and —
President,
Guaranty Trust Company of Canada

Sami Tibshirani
Vice President
Acres Consulting Services Limited

CORPORATE OFFICERS

G. R. Sharwood, Chairman of the Board
H. C. Rynard, President
A. Sarlos, Vice-President Finance
M. MacGirr, Secretary
D. F. Pols, Treasurer

AUDITORS

Price Waterhouse & Co.

GENERAL COUNSEL

Lash, Johnston, Sheard & Pringle

BANKERS

The Royal Bank of Canada
Banque Canadienne Nationale
Bank of Montreal
The Toronto-Dominion Bank

TRANSFER AGENT AND REGISTRAR

Canada Permanent Trust Company

LISTING

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

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. Thursday, April
26th, 1973.



Acres Limited, 20 Victoria Street, Toronto, Ontario