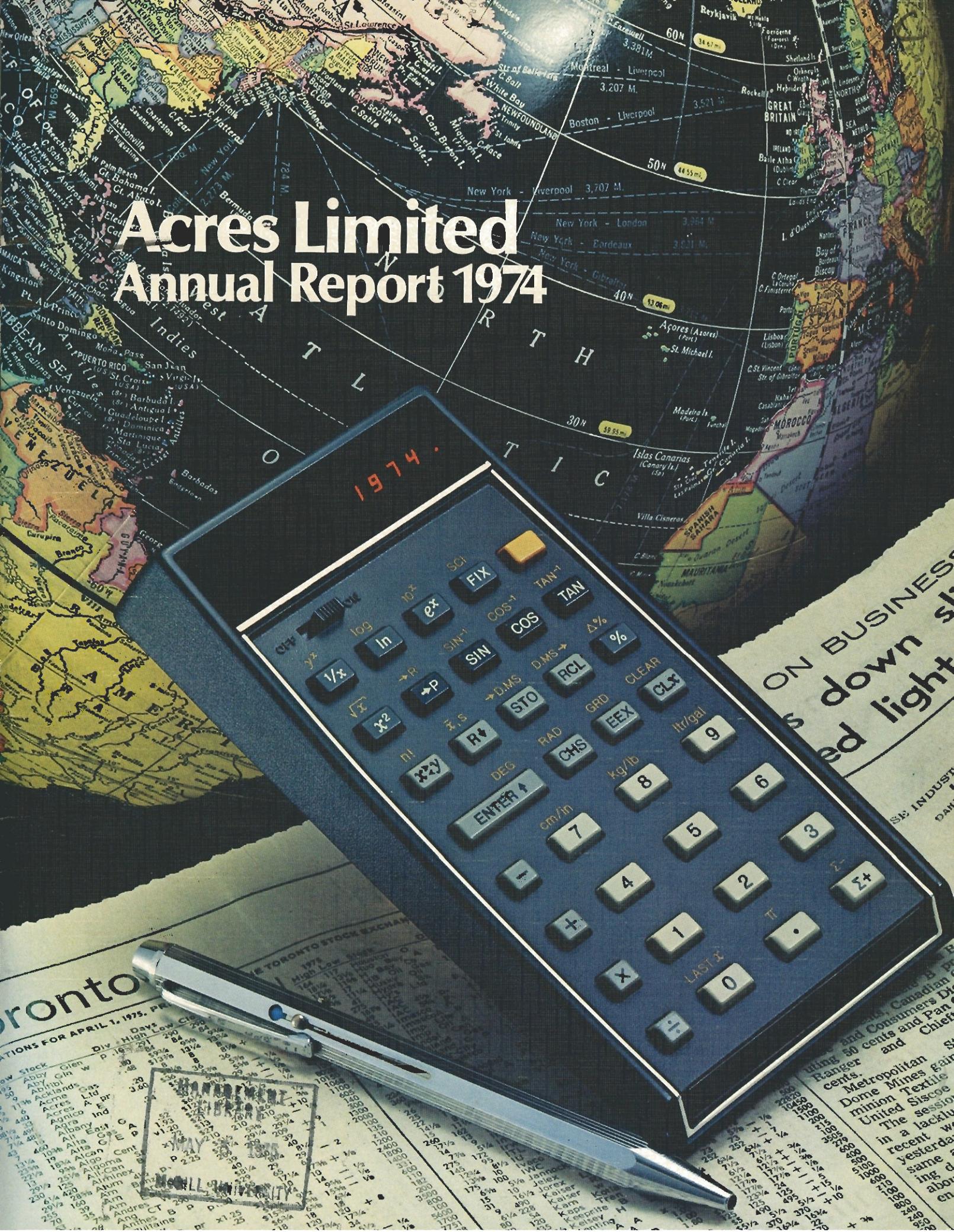


Acres Limited Annual Report 1974



toronto

STOCK MARKET DATA

Stock	High	Low	Close	Change
Acres Ltd	12.50	12.00	12.25	+0.25
Alcan	18.00	17.50	17.75	-0.25
Bank of Montreal	45.00	44.00	44.50	-0.50
Bell Canada	35.00	34.00	34.50	-0.50
Imperial Oil	25.00	24.00	24.50	-0.50
Ontario Power	15.00	14.00	14.50	-0.50
Quebec Inc	10.00	9.50	9.75	-0.25
Seaboard	8.00	7.50	7.75	-0.25
St. Lawrence	6.00	5.50	5.75	-0.25
Union Pacific	12.00	11.50	11.75	-0.25
Western Union	9.00	8.50	8.75	-0.25

...and Consumers ...

Directors and Officers

BOARD OF DIRECTORS

G. Richard Chater
President
Grafton Group Limited

John M. Gardiner
Vice President
Acres Consulting Services Limited

Robert G. Graham
President
Inter-City Gas Limited

Donald B. McCaskill
President
Connlab Holdings Limited

James W. McCutcheon
Partner
Shibley, Righton & McCutcheon

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

Hugh C. Rynard
President
Acres Limited
and
President
Acres Consulting Services Limited

David F. Pols
Treasurer
Acres Limited
and
Vice President and Controller
Traders Group Limited

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

Sami Tibshirani
Vice President
Acres Consulting Services Limited

ANNUAL MEETING

The Annual and General Meeting of Shareholders of Acres Limited will be held in the Quebec Room of the Royal York Hotel, 100 Front Street West, Toronto at 11:00 a.m., Tuesday, April 15, 1975.

CORPORATE OFFICERS

Gordon R. Sharwood, Chairman of the Board
Hugh C. Rynard, President
David F. Pols, Treasurer
Bernice Simpson, Assistant Secretary

AUDITORS

Price Waterhouse & Co.

GENERAL COUNSEL

Lash, Johnston, Sheard & Pringle

BANKERS

The Royal Bank of Canada
Banque Canadienne Nationale
Marine Midland Bank—Western Buffalo, N.Y.

TRANSFER AGENT AND REGISTRAR

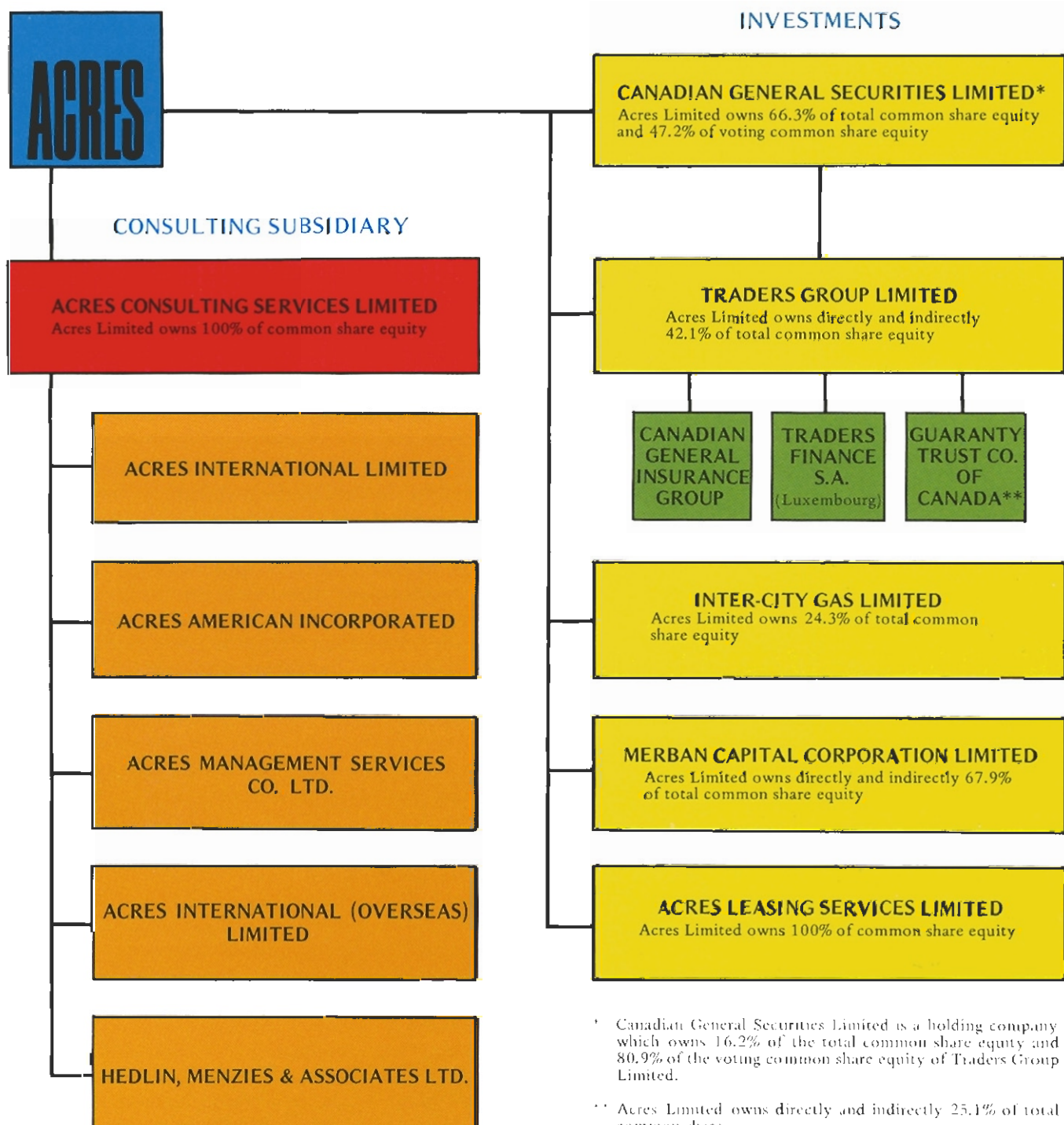
Guaranty Trust Company of Canada

LISTING

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

Corporate Profile

Acres Limited, headquartered in Toronto, Canada, comprises Acres Consulting Services Limited and investment interests in the fields of finance, land development, insurance, merchant banking and gas transmission and distribution. Acres Limited functions primarily as an investment management company with all operational activities being carried out in the company's wholly-owned subsidiaries and in other companies in which Acres Limited has investments. The organization of the company and the nature of its investments are set out in the accompanying chart.





Acres Consulting Services Limited is active in many diversified fields of planning, engineering and project management requiring a wide array of skills, abilities and academic qualifications.



During 1974, the 5,225,000 kilowatt Churchill Falls Power Development was completed. Acres, in joint venture, undertook engineering and construction management responsibilities for this project.



In the international field, Alto Anichaya, Colombia was inaugurated in 1974. Acres Power and Heavy Civil Engineering Group was responsible for the engineering on this project which included the world's highest concrete-faced rock-fill dam.

Acres Consulting Services Limited

The principal business activities of Acres Limited are centered in the wholly-owned subsidiary, Acres Consulting Services Limited, a major international consulting organization which is active in many diversified fields of planning, engineering and project management. Clients served by Acres Consulting Services Limited include major industrial corporations, all levels of government in Canada, foreign governments and numerous international agencies. In 1974, approximately 66% of the company's revenues were derived in Canada, 25% in the United States and 9% overseas.

Acres Consulting Services Limited has a staff of approximately 1300 in permanent offices across Canada and the U.S.A. and in project offices around the world. Principal offices in Canada are located in Vancouver, Calgary, Toronto, Burlington, Montreal, Halifax and Niagara Falls where the head office is located. In the U.S.A., Acres American Incorporated has engineering offices in Buffalo, N.Y., Raleigh, N.C. and Pittsburgh, Pa. and a liaison office in Washington, D.C. Economic consulting services in the agricultural, industrial, business, transportation, resource and energy fields are provided through Hedlin, Menzies & Associates Ltd. In certain instances, Acres Consulting Services Limited also acts in joint ventures with others in order to provide comprehensive services or to undertake particularly large or special projects.

In order to focus the company's unique combination of talent, facilities and resources distinctly on the market areas which it serves, Acres Consulting Services Limited is organized into four major divisional groups which are supported by a central technical and administrative resource. This market-oriented approach allows the company to concentrate the capabilities required to meet today's demand for specialization while yet retaining the sound base of proficiency built up in over 50 years of consulting experience. The four divisional groups and the market segments to which they relate are:

POWER & HEAVY CIVIL ENGINEERING GROUP	Power Generation; Electrical Services; Heavy Civil Engineering; Water Resources
FUELS & INDUSTRIAL GROUP	Oil and Gas Industry; Petrochemical Plants; Pipelines; General Industry
METALS, MINING & HEAVY INDUSTRIAL GROUP	Mining; Heavy Industry; Iron and Steel; Non-Ferrous Metals
SPECIAL SERVICES GROUP	Special Engineering Studies; Project Services; Economics and Planning

The services offered by Acres Consulting Services Limited encompass a broad spectrum of technologies. These services range from studies, planning and engineering of many types to project management and, now, to large design/construct projects. Within the broad-based primary activity of the company are included such examples as the engineering and construction management for the Alto Anchicaya Power Project in Colombia, the economic evaluation for Jakarta's new international airport and numerous other projects within Canada, in the U.S.A. and around the world. In terms of size, Acres has the capability, experience and resources to handle the engineering task for the largest Canadian or international development and construction programs.

Acres, in keeping with its major engineering role in Canada, now undertakes large-scale projects wherein the company not only does all of the planning and consulting but also accepts responsibility for the actual construction part of the program.

During 1974, Acres took on three such design/construct projects for which it designed water treatment facilities for petrochemical plants and also served as the general contractor, subcontracting out the actual construction work. At the present time, the company does not have its own construction force. However, the creation of such a capability within the company could develop in the foreseeable future.

Acres Consulting Services Limited is heavily involved in many different fields of activity. Particular areas of recent growth include the steel and transportation industries. In the first of these, the company's considerable investment over the past few years with respect to a wider participation in the steel industry continues to expand and the outlook for continued growth is excellent. In transportation planning and engineering, the company has continued to build upon the base which was established in 1973. In addition, continued concern over environmental problems continues to add widening tasks to the company's project work.

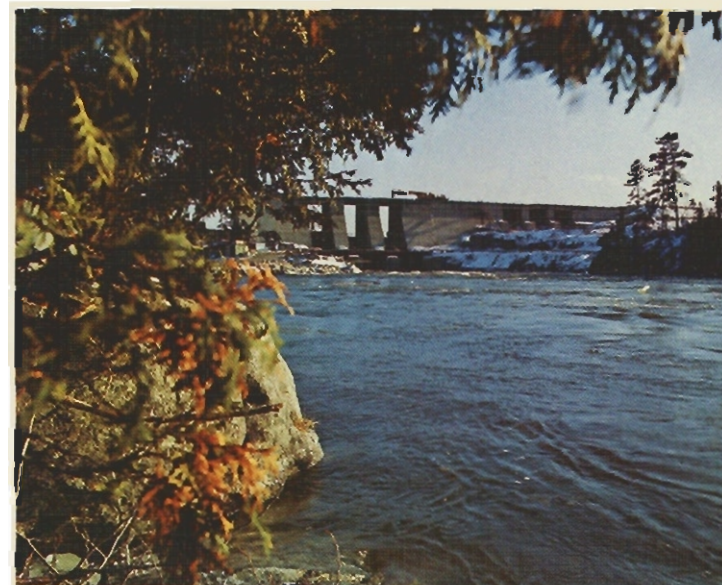
Today, energy related sectors of the economy continue to be one of the areas of greatest concern in the world. It is in this area that Acres has its deepest commitment. Included in this sphere of consulting activity are projects for electrical power utilities, substantial assignments for the oil and gas industry, pipelines for oil and gas, offshore drilling structures in the Arctic, marine oil terminals, shipyards and facilities for supertankers and various other projects. In 1974, energy and related fields provided approximately one half of the business of Acres Consulting Services Limited.



The oil and gas industry now provides a substantial portion of the activity of the Fuels and Industrial Group of Acres. During 1974, the company undertook design/construct responsibilities for elements of refineries.



Continued expansion in the steel industry provides ever-widening opportunities for the Metals, Mining and Heavy Industrial Group of Acres.



Environmental and economic considerations have become major aspects of nearly all projects undertaken by Acres in the 1970's. These involve the wide range of varied disciplines provided by Acres Special Services Group.



Traders offers a broad range of consumer purchase plans including financing for automobiles, mobile homes, major consumer durables like television sets and other items.



The Leasing Division of Traders serves the transportation industry with leasing of aircraft, ships and rail and highway rolling stock.



In Land Development, Traders Group Limited acquires raw land in the suburbs of metropolitan communities, develops and services the land and sells building units for homes, apartment buildings and shopping centres.

Investments

Acres Limited has investments which consist of holdings in Canadian General Securities Limited, Traders Group Limited, Inter-City Gas Limited and MerBan Capital Corporation Limited. The earnings of Acres Limited are influenced to a large extent by the performance of these companies.

Canadian General Securities Limited is an investment holding company. Its principal asset is an investment in Traders Group Limited.

Traders Group Limited is a diversified finance company based in Toronto. Its operations comprise personal and business financial services, land development operations and insurance. Acres Limited owns directly and indirectly 42.1% of the total common share of equity of Traders Group Limited.

In the area of Personal Financial Services, Traders offers a broad range of consumer purchase plans. These include financing for automobiles, mobile homes, farm equipment and other major consumer durables. They also provide financing for dealer inventories, residential and vacation home mortgages and home improvement loans. The personal loan division of Traders, operating under the name of Trans Canada Credit Corporation Limited, offers secured and unsecured direct cash loans.

Business Financial Services offered by Traders Group Limited include corporate loans, equipment financing, leasing, commercial mortgages, land development, factoring and accounts receivable financing. The Leasing Division offers leasing services to business and industry for the acquisition of capital assets. It also serves the transportation industry with leasing of aircraft, ships and rail and highway rolling stock.

Aetna Factors Corporation Ltd., a subsidiary of Traders Group Limited, provides factoring and accounts receivable and export-import financing.

Through Traders Finance S.A. of Luxembourg, Traders offers leasing and corporate financing on an international basis.

In Land Development, Traders Group Limited acquires raw land in the suburbs of metropolitan communities, develops and services the land and sells building units for homes, apartment buildings and shopping centres.

The insurance operations of Traders Group Limited are conducted in the four companies which make up the Canadian General Insurance Group. These companies provide automobile, life, fire and other general insurance, commercial insurance and bonding and disability insurance.

Guaranty Trust Company of Canada provides a comprehensive range of personal and corporate financial services. Personal services include chequing and savings accounts, mortgages, real estate sales, investment and estate management, retirement savings plans, investment funds and income tax services. Business services include corporate trust, registrar and stock transfer services, pension fund management, corporate lending and commercial mortgage services.

Inter-City Gas Limited is a Winnipeg-based gas transmission and distribution utility. The company's trunk pipelines service communities and industry in Manitoba, Minnesota and also in Fort Frances, Ontario. Inter-City is involved in a substantial program of gas exploration and development, largely in Alberta and West Virginia. The company is also a significant manufacturer and distributor of equipment which utilizes natural gas and to a lesser degree oil and electricity. These products include furnaces, unit heaters, construction heaters, make-up air heating units and water softeners. Furnaces are manufactured and distributed under the names "Furnasman", "Bulloch's", "Anthes" and the private brand names of a number of mass merchandisers. Factories are located in Winnipeg and St. Catharines with sales offices and warehouses in Victoria, Vancouver, Calgary, Edmonton, Winnipeg and Toronto.

MerBan Capital Corporation Limited is a merchant financing company. It is owned to the extent of 65.7% by Canadian General Securities Limited and 24.3% by Acres Limited, as a result of Canadian General Securities Limited purchases during 1974 of the common shares of MerBan Capital Corporation Limited held by Traders Group Limited and Guaranty Trust. At the end of 1974, MerBan Capital Corporation held investment positions in Alpa Industries Limited, Kaps Transport Ltd., Biltmore Hats Limited, M M Builders Funds Limited and MerBan Investment Fund.

The MerBan Investment Fund, which is managed through MerBan's subsidiary MerBan Securities Limited, currently has investments in Gozlan Brothers Limited, United Tire and Rubber Co. Ltd., Cablecasting Limited, Kingston Spinners Limited and Baxter Estates Limited.



The companies which make up the Canadian General Insurance Group of Traders Group Limited provide automobile, life, fire and other general insurance, commercial insurance and bonding and disability insurance.



Guaranty Trust Company of Canada provides a comprehensive range of personal and corporate financial services. This new uniquely-designed Guaranty Trust office was recently opened in Collingwood, Ontario.



Inter-City Gas Limited, in which Acres Limited holds a 24.3% interest, is a Winnipeg-based gas transmission and distribution utility. The company's trunk pipelines service communities and industry in Manitoba, Minnesota and also in Fort Frances, Ontario.



April 15, 1975

TO THE SHAREHOLDERS OF ACRES LIMITED:

We are pleased to present herewith the Annual Report on Acres Limited for the fiscal year ended December 31, 1974. Earnings per share (before extraordinary items) amounted to \$1.46 compared to \$1.88 for 1973 - a decrease of 22.3%.

The financial performance of our consulting subsidiary, Acres Limited, this subsidiary contributed \$1,903,000 in income to Acres Limited in 1974 compared to \$1,127,000 in 1973. For 1974, this represents 35.8% of Acres Limited total income as compared to 19.0% in 1973. Revenues from consulting operations in 1974 were \$24,770,000



Report to the Shareholders

FINANCIAL HIGHLIGHTS

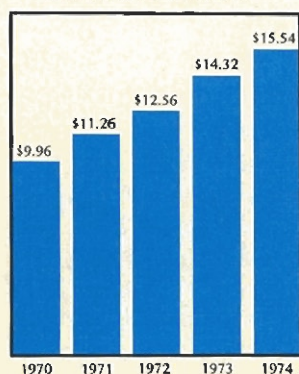
(\$000's omitted) year ended December 31

FOR THE YEAR	1974	1973
Income from consulting operations	1,903	1,127
Income from Traders Group Limited, Canadian General Securities Limited and other sources	3,416	4,792
Income before extraordinary items	4,095	4,931
Net income for the year	3,092	7,047
Earnings per common share:		
—Before extraordinary items	1.46	1.88
—After extraordinary items	0.95	2.94

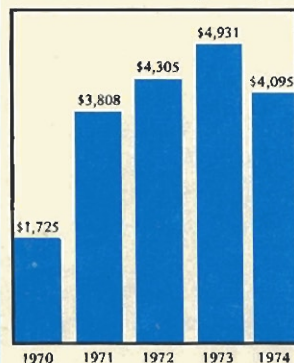
AT YEAR END

Working capital (deficiency)	(1,457)	3,932
Long-term debt	495	10,159
Total shareholders' equity	47,535	45,255

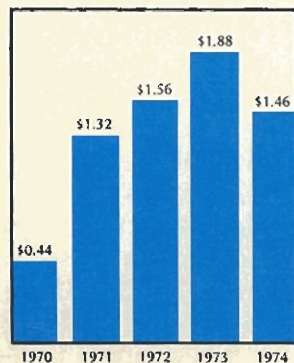
BOOK VALUE PER COMMON SHARE



NET INCOME (\$000)*



EARNINGS PER COMMON SHARE*



*Before extraordinary items

Earnings per share for 1974 (before extraordinary items) amounted to \$1.46 compared to \$1.88 for 1973 — a decrease of 22.3%.

The financial performance of the consulting subsidiary, Acres Consulting Services Limited, was extremely good in 1974. Specifically, this subsidiary contributed \$1,903,000 in income to Acres Limited in 1974 compared to \$1,127,000 in 1973. For 1974, this represents 35.8% of Acres Limited total income as compared to 19.0% in 1973. Revenues from consulting operations in 1974 were \$24,770,000 as compared to \$17,073,000 in 1973.

Earnings in the consulting subsidiary were higher as a result of Acres' ability to participate during 1974 in the high level of energy-related activities in Canada and internationally and also as a result of strengthening of the company's position in diversified fields. The results also reflect the beneficial effects derived from the realignment of the company's operations which was implemented at the start of the year.

Both the rate of growth and the performance of this part of Acres Limited continues to improve, particularly in the energy and industrial fields. Further, the outlook for the future is good. At the start of 1975, the backlog of firm orders was at a record high.

In 1974, Acres Consulting Services Limited opened new offices in Burlington. This was part of the company's program to expand its services to the industrial regions of Southern Ontario. Subsequent to 1974, a new office was also opened in Raleigh, North Carolina to service projects in the south-eastern part of the United States.

Looking ahead into 1975 and beyond, there is room for optimism with respect to continued growth in revenues and earnings of Acres Consulting Services Limited. In Canada, capital expenditures in the fields of power and energy will likely continue at reasonably high levels. This will undoubtedly be of benefit to Acres because of its broad base in these fields. In the United States, certain sectors of the economy are weak. However, because of that country's attempt to become less dependent on outside sources for its energy requirements, capital expenditures in this area should not fall off significantly. Further, the U.S. steel industry's vast modernization program should also benefit the consulting subsidiary because of its strength in this area.



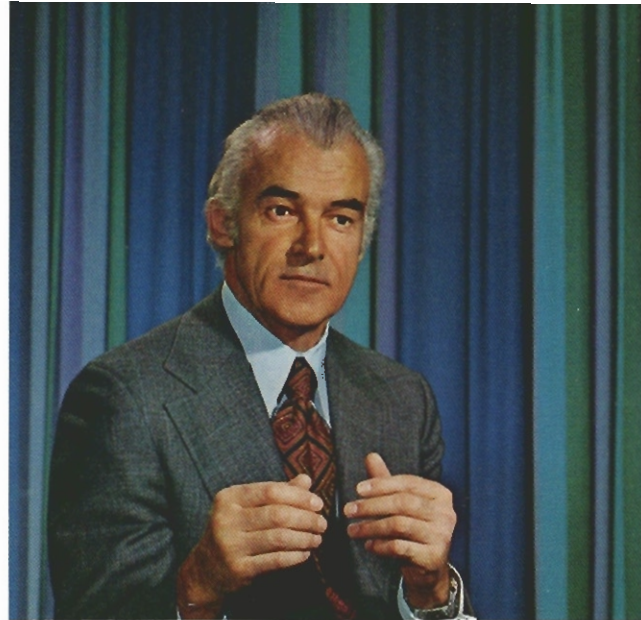
GORDON R. SHARWOOD
Chairman of the Board

Overseas, there is also room for optimism. Revenues in this area were \$2,200,000 in 1974 and are expected to continue rising. Factors which could have an adverse effect on our outlook for 1975 include unexpected deepening of the current recession, a return to rising interest rates, increased instability in world economy and regional political problems.

In total, Traders Group Limited earnings available for common shareholders of that company in the year ended December 31, 1974 amounted to \$9,066,000 or \$1.81 per share, before an extraordinary item. Corresponding earnings in 1973 were \$10,372,000 or \$2.07 per share. Additional 1974 earnings available to common shareholders amounted to \$926,000 or 18¢ per share compared with \$953,000 or 19¢ per share a year earlier. Including this extraordinary gain, 1974 earnings amounted to \$9,992,000 or \$1.99 per common share, compared with \$11,325,000 or \$2.26 per share in 1973.

The Finance Group, which is the largest segment of Traders Group Limited's operations, achieved record high profits of \$8,121,000 as compared with \$6,470,000 in 1973. This is the eighth consecutive year of increased profits from finance operations. The Land Development Division contributed \$1,687,000 for 1974, up from \$1,537,000 a year earlier.

The Canadian General Insurance Group profit contribution was down considerably to \$281,000 as compared to \$1,760,000 a year earlier. The major cause was the impact of inflation upon claims and premiums. The dramatic increase in replacement values has caused adverse underwriting experience in fire and casualty lines, while automobile repair costs have continued to rise without commensurate rate increases.



HUGH C. RYNARD
President

Traders share of earnings from Guaranty Trust Company of Canada declined to \$71,000 from \$1,448,000 a year earlier. This profit decline for the Trust Company was a direct result of sharply increased money costs.

Continued good performance is expected from the Finance Group in 1975. Land Development, although more challenging, should also continue to show satisfactory results. The Canadian General Insurance Group has revised many premium rates and shortened policy terms in its general insurance lines, to more adequately meet rising values and replacement costs. The life and disability lines should continue their profitable performance. Lessening of the record high interest rates that had such a depressing effect on the results of Guaranty Trust in 1974 should allow for an improvement in 1975.

During 1974, Inter-City Gas Limited of Winnipeg, in which Acres Limited holds 24.3% of the common share equity had earnings which increased from a restated 37¢ per share to 45¢ per share after full provision for taxes. Prospects for 1975 for the company are quite favorable.

MerBan Capital Corporation Limited, in which Acres Limited has a combined direct and indirect interest of 67.9%, reported losses during 1974. Acres Limited net income for 1974 was reduced by \$919,000 as a result thereof. These losses include the write-off of MerBan's investment in Electronic Associates of Canada Limited which went into receivership in 1974.

Subsequent to the end of the 1974 fiscal year, MerBan Capital Corporation Limited sold its holdings in Alpa Industries Limited and M M Builders Funds Limited. This will have the effect of increas-

ing the Acres Limited first quarter earnings by \$650,000.

In total, the investment portfolio of Acres Limited contributed \$3,416,000 in income for 1974 compared to \$4,792,000 in 1973. For 1974, this represents 64.2% of Acres Limited total income as compared to 81.0% in 1973.

In our report to the Shareholders for 1973 we described the proposal which Acres Limited had made to the Ontario Government to arrange to finance and construct a major nuclear power plant on the Canadian/U.S. Border to produce electrical energy for export to the U.S. This was known as "Project Alpha". In addition, we reported that Acres Limited had joined with three other Canadian companies in a consortium offering financing by private industry, combined with participation in engineering and construction, for Ontario's major heavy water expansion program at the Bruce Nuclear Complex. Unfortunately, the circumstances which have prevailed with respect to international energy exchange and with respect to federal government policies have run counter to the successful conclusion of these arrangements.

During the year, Mr. Andrew Sarlos resigned in order to devote himself to other activities. Mr. Sarlos had been Vice-President, Finance and a Director of Acres Limited and President of MerBan Capital Corporation Limited. David F. Pols, Treasurer of Acres Limited and Vice-President and Controller of Traders Group Limited was subsequently appointed to the Board of Directors of Acres Limited.

All shareholders will by now have received the Information Circular dealing with the Traders Group Limited announcement of its intention to make a share exchange offer to all shareholders of Acres Limited, other than those who are residents of the United States of America, its territories and possessions.

We once again express our appreciation to the staff of Acres Limited and its subsidiaries for their dedicated efforts on behalf of the company.

Submitted on behalf of the Board of Directors

GORDON R. SHARWOOD
Chairman of the Board



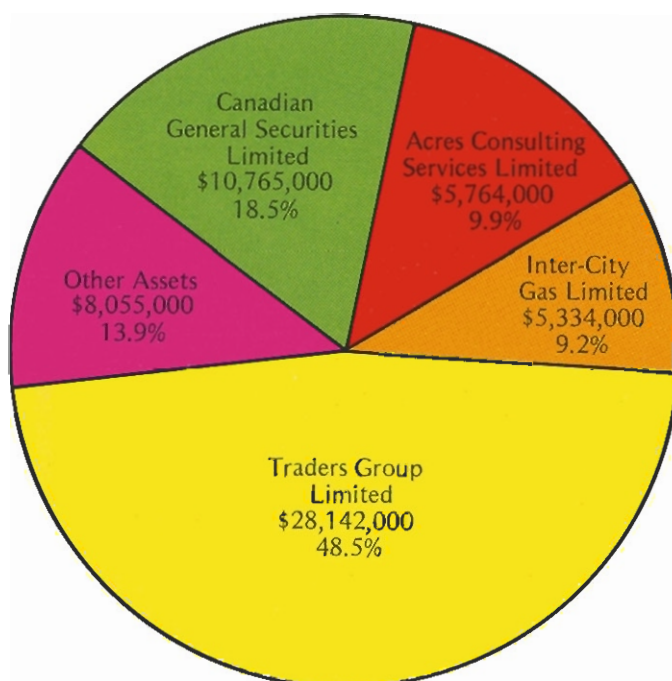
HUGH C. RYNARD
President



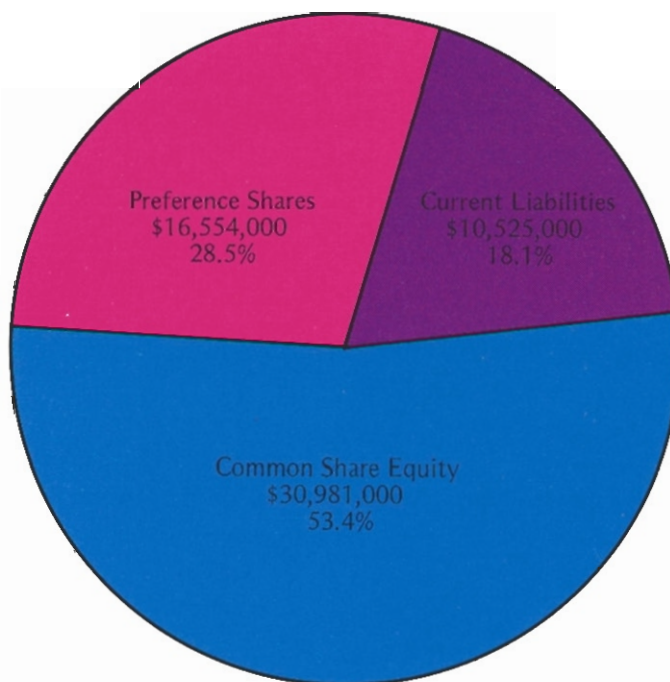
UNCONSOLIDATED FINANCIAL POSITION

December 31, 1974

ASSETS: \$58,060,000 (100%)



LIABILITIES AND SHAREHOLDERS' EQUITY
\$58,060,000 (100%)



DISTRIBUTION OF COMMON SHAREHOLDERS

Shareholdings	No. of Shareholders	No. of Shares
1 to 1,000 Shares	3,752	321,364.5
1,001 to 10,000 Shares	100	305,407
10,001 and over	39	1,366,259
TOTALS	<u>3,891</u>	<u>1,993,030.5</u>



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, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Toronto, Canada
March 11, 1975

ACRES LIMITED
and Subsidiary Companies

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	December 31	
	1974	1973
	(\$000's omitted)	
ASSETS		
Current assets:		
Cash including time deposits of \$530,000 (\$1,200,000 in 1973)	827	1,860
Dividends receivable	451	251
Accounts and notes receivable	5,561	4,017
Services rendered for clients—unbilled	3,165	1,937
Marketable securities at cost which approximates market	47	722
Guaranteed investment receipts (Note 7)	4,500	—
Other current assets	190	335
	<u>14,741</u>	<u>9,122</u>
Investments:		
Time deposits	—	1,000
Joint venture operations	131	560
Traders Group Limited and Canadian General Securities Limited (Note 2) —		
Shares	39,606	36,427
Income debenture	—	4,000
Inter-City Gas Limited (Note 3)	5,334	5,124
MerBan Capital Corporation Limited (Note 4)	1,402	1,017
Other at cost	172	137
	<u>46,645</u>	<u>48,265</u>
Fixed assets at cost less accumulated depreciation of \$1,742,000 (\$1,509,000 in 1973)	1,917	1,826
Excess of carrying value of subsidiary companies over the underlying equity at acquisition (Note 5)	1,074	1,776
	<u>64,377</u>	<u>60,989</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1974</u>	<u>1973</u>
Current liabilities:		
Bank indebtedness	605	273
Dividends payable	398	401
Accounts payable and accruals	2,976	1,648
Income taxes payable	273	1,346
Current portion of long-term debt	158	59
Promissory notes (Note 3)	4,800	—
Income debenture (Note 7)	5,000	—
	<u>14,210</u>	<u>3,727</u>
Deferred income taxes relating to current assets	1,988	1,463
	<u>16,198</u>	<u>5,190</u>
Deferred income taxes relating to non-current assets	149	385
Long-term debt:		
Promissory notes	—	4,800
Income debenture	—	5,000
7% Mortgage due in 1979	294	359
Other notes payable	201	—
	<u>495</u>	<u>10,159</u>
Shareholders' equity:		
Share capital (Note 9)	33,208	33,373
Contributed surplus (Note 9)	64	31
Retained earnings	14,263	11,851
	<u>47,535</u>	<u>45,255</u>
	<u>64,377</u>	<u>60,989</u>
Approved on behalf of the Board:	H. C. RYNARD Director	G. R. SHARWOOD Director

ACRES LIMITED
and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

	year ended December 31	
	1974	1973
	(\$000's omitted)	
Consulting operations:		
Revenue	24,770	17,073
Costs	22,867	15,946
	1,903	1,127
Investment income:		
Income from Traders Group Limited and Canadian General Securities Limited (Note 2 (b))	3,355	4,237
Income from Inter-City Gas Limited (Note 3)	376	235
Loss from MerBan Capital Corporation Limited (Note 4)	(312)	(4)
Other investment income (loss)	(3)	324
	3,416	4,792
Corporate costs:		
Debt servicing	882	533
Interest earned including \$318,000 charged to consulting operations (\$251,000 in 1973)	(735)	(325)
Corporate expenses	250	290
	397	498
Income taxes (Note 6)	827	490
Income before extraordinary items	4,095	4,931
Extraordinary items:		
Share of extraordinary items realized in Traders Group Limited and Canadian General Securities Limited (Note 2 (b))	429	383
Income tax reduction on the carry forward of past losses	47	166
Excess of carrying value of subsidiary companies over underlying equity at acquisition written off (Note 5)	(872)	—
Share of extraordinary loss of MerBan Capital Corporation Limited (Note 4)	(607)	—
Capital gain on sale of shares of Great Lakes Power Corporation Limited less income taxes of \$533,000	—	1,567
Net income for the year	3,092	7,047
Earnings per common share:		
Before extraordinary items	\$ 1.46	\$ 1.88
After extraordinary items	\$.95	\$ 2.94

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	year ended December 31	
	1974	1973
	(\$000's omitted)	
Balance at beginning of year	11,851	8,318
Share of adjustments to surplus made by Traders Group Limited (Note 2 (b))	913	(1,908)
	12,764	6,410
Net income for the year	3,092	7,047
	15,856	13,457
Dividends on preference shares (\$3.60 per share)	1,195	1,209
Dividends on common shares (\$.20 per share)	398	397
	1,593	1,606
Balance at end of year	14,263	11,851

ACRES LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	year ended December 31	
	1974	1973*
	(\$000's omitted)	
Financial resources were provided by:		
Operations—		
Income before extraordinary items	4,095	4,931
Add (deduct) non-fund items:		
Depreciation and amortization	233	109
Deferred income taxes relating to non-current assets	(236)	5
Distributions from joint venture operations in excess of current income	429	237
Income from associated companies in excess of dividends received	(1,451)	(2,714)
Total from operations	3,070	2,568
Extraordinary items affecting working capital	47	1,733
Sale of investments—		
Shares of Great Lakes Power Corporation Limited after deduction of extraordinary gain of \$1,567,000	—	6,443
Income debenture	4,000	—
Other	1,060	109
Issue of—		
Long-term debt	294	9,800
Common shares	1	148
	<u>8,472</u>	<u>20,801</u>
Financial resources were used for:		
Investments—		
MerBan Capital Corporation Limited	950	340
Inter-City Gas Limited	—	4,988
Income debenture of an associated company	—	4,000
Traders Group Limited	638	974
Great Lakes Power Corporation Limited	—	676
Time deposits	—	1,000
Other	95	—
Purchase of fixed assets	324	118
Excess of carrying value of subsidiary company shares acquired over the underlying equity at acquisition	170	—
Reduction of long-term debt	9,958	5,755
Purchase of preference shares for cancellation	133	154
Payment of dividends—		
Preference shares	1,195	1,209
Common shares	398	397
	<u>13,861</u>	<u>19,611</u>
Increase (decrease) in working capital	<u>(5,389)</u>	<u>1,190</u>
Analysis of changes in working capital:		
Increase (decrease) in current assets—		
Cash including time deposits	(1,033)	1,397
Accounts and notes receivable	1,544	216
Services rendered for clients—unbilled	1,228	(211)
Marketable securities	(675)	722
Guaranteed investment receipts	4,500	—
Other current assets	55	(38)
	<u>5,619</u>	<u>2,086</u>
Increase (decrease) in current liabilities—		
Bank indebtedness	332	(263)
Accounts payable, accruals and other	1,325	346
Income taxes payable	(1,073)	1,250
Current portion of long-term debt	99	10
Promissory notes	4,800	—
Income debenture	5,000	—
Deferred income taxes relating to current assets	525	(447)
	<u>11,008</u>	<u>896</u>
Increase (decrease) in working capital	<u>(5,389)</u>	<u>1,190</u>

*The 1973 comparative figures have been reclassified to conform with 1974 financial statement presentation.

1. ACCOUNTING POLICIES:

- (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 its share of undistributed income.
The investments in Traders Group Limited (Traders), Canadian General Securities Limited (CGS), Inter-City Gas Limited (Inter-City) and MerBan Capital Corporation Limited (MerBan) are recorded under the equity accounting method, excluding unrealized gains or losses on investments.
- (c) Excess of carrying value over the underlying equity of subsidiaries and investments recorded under the equity accounting method—
For subsidiaries and the Company's own investments recorded under the equity accounting method, the excess of cost over the underlying equity at dates of acquisition is carried as an asset unless a reduction in value becomes evident.
- (d) Consulting contracts in process—
Profit on contracts in process is recorded on the percentage of completion method.
- (e) Foreign exchange—
Assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for working capital items and at historic rates for all other assets and liabilities. Income and expense items other than depreciation are translated at average exchange rates prevailing during the year; depreciation is translated at historic exchange rates.
- (f) The Companies Act of British Columbia—
These financial statements comply with all disclosure requirements of The Ontario Business Corporations Act, but do not purport to conform with all disclosure requirements of The Companies Act of British Columbia.

2. INVESTMENT IN TRADERS GROUP LIMITED AND CANADIAN GENERAL SECURITIES LIMITED:

- (a) Investment at December 31, 1974—
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, 1974.

Acres Limited had the following investment in the common shares of Traders and CGS at December 31, 1974:

	Number of shares	% of class
Traders		
Class A common shares	1,485,959	34.5
Class B (voting) common shares	88,090	12.2
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, 1974 was 42.1%. Excess of cost of investments over Acres' share of the underlying equity at acquisition of Traders and CGS was \$3.3 million.

	(\$'000's omitted)		
	Traders	CGS	Total
Investment at December 31, 1973	25,965	10,462	36,427
Additions at cost	638	—	638
Equity share of net income for 1974	2,842	513	3,355
Equity share of extraordinary items	290	139	429
Equity share of write-off of subsidiary in MerBan Capital Corporation Limited	—	(354)	(354)
Dividends received in 1974	(1,574)	(228)	(1,802)
Share of adjustments to surplus made by Traders	680	233	913
Investment at December 31, 1974	<u>28,841</u>	<u>10,765</u>	<u>39,606</u>

The equity share of extraordinary items consists of a capital gain arising from the sale of shares by Traders of a subsidiary and income tax reductions realized by CGS on the carry forward of past losses.

The Company's share of adjustments to surplus made by Traders in the amount of \$913,000 represents a change in holdings in subsidiaries.

3. INVESTMENT IN INTER-CITY GAS LIMITED:

The Company holds 829,800 common shares of Inter-City which represents 24.3% of the outstanding common shares at December 31, 1974. Financing for 800,000 shares was provided through the issue of promissory notes totalling \$4,800,000, bearing interest at prime bank rate plus 1% per annum, maturing April 15, 1975. These notes are secured by the shares of Inter-City and certain shares of Traders. The remaining shares were acquired for cash. The excess of cost of the Company's investment in Inter-City over the equity at date of acquisition amounts to \$3.1 million.

Transactions during the year—	(\$000's omitted)
Investment at December 31, 1973	5,124
Equity share of net income for 1974	376
Dividends received in 1974	(166)
Investment at December 31, 1974	<u>5,334</u>

4. INVESTMENT IN MERBAN CAPITAL CORPORATION LIMITED:

The Company's interest in the equity of MerBan at December 31, 1974 was 67.9% of which 24.3% was held directly.

Transactions during the year—	(\$000's omitted)
Investment at December 31, 1973	1,017
Share of loss of MerBan for 1974	(312)
Extraordinary loss of \$607,000 in MerBan during the year less \$354,000 relating to indirect holdings	(253)
	452
Advances during the year	<u>950</u>
Investment at December 31, 1974	<u>1,402</u>

5. WRITE-OFF OF EXCESS OF CARRYING VALUE OF SUBSIDIARY COMPANIES OVER THE UNDERLYING EQUITY AT ACQUISITION:

In the opinion of management the excess of carrying value of subsidiary companies over the underlying equity at acquisition relating to two subsidiary companies of Acres Consulting Services Limited in the amount of \$872,000 has become impaired and has been charged against income as an extraordinary item in 1974.

6. INCOME TAXES:

The Company and its subsidiaries are involved in diverse and international activities and the related interpretations of income tax legislation and regulations are subject to change. The companies have made what they believe are adequate provisions for income taxes. Losses in the amount of approximately \$357,000 are available up to 1979 to reduce income taxes otherwise payable by subsidiary companies; this potential recovery has not been recorded in the consolidated accounts.

7. INCOME DEBENTURE PAYABLE:

The \$5,000,000 6% income debenture, repayable on November 1, 1975, is secured by guaranteed investment receipts of \$4,500,000 maturing on the same date and a \$500,000 bank letter of credit secured by shares of Traders.

8. CONTINGENT LIABILITIES AND LEASES:

In the ordinary course of business the Company and its 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, 1974.

The Company and its subsidiaries have leases on real property and equipment for varying terms up to a maximum of ten years. Rental expenses for the year ended December 31, 1974 aggregated \$1,086,000. The minimum rental for the succeeding five years will aggregate \$2,785,000.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS:

	Number of Shares	Amount (\$000's omitted)
Preference shares—		
Authorized—989,867 preference shares, par value \$50 each, issuable in series, of which 339,867 have been designated 7.20% cumulative redeemable Series A		
Issued and outstanding at December 31, 1973—Series A	334,414	16,720
Purchased for cancellation during 1974	<u>3,344</u>	<u>166</u>
Issued and outstanding at December 31, 1974	<u>331,070</u>	<u>16,554</u>
Common shares of no par value—		
Authorized—3,500,000		
Issued and outstanding at December 31, 1973	1,992,930.5	16,653
Issued during the year for cash on exercise of stock options	<u>100.0</u>	<u>1</u>
Issued and outstanding at December 31, 1974	<u>1,993,030.5</u>	<u>16,654</u>
Total share capital issued and outstanding at December 31, 1974		<u>33,208</u>

341,201 common shares are reserved for exercise of share purchase warrants which are exercisable at a price of \$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. No options were granted during the year. At December 31, 1974 the following options were outstanding:

6,500 shares at \$13.28 expiring March 18, 1975
14,400 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 3,344 of the Series A preference shares issued and outstanding at the beginning of the year. The difference between the cost of the preference shares so purchased and the par value thereof, amounting to \$33,000 has been credited to contributed surplus.

10. PENSION PLAN:

The unfunded liability of the pension plan for past service obligations has been estimated by independent actuaries at approximately \$935,000 as at December 31, 1974. This obligation is being amortized by charges to earnings over a period of up to 15 years.

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

11. SUBSEQUENT EVENT:

The Company's share of an investment gain before income taxes reported by CGS subsequent to December 31, 1974 amounted to approximately \$185,000.

12. STATUTORY INFORMATION:

The total remuneration of the directors and senior officers of the Company for the year ended December 31, 1974 was \$291,000 (\$300,000 in 1973) from the Company and its subsidiaries.

Interest on long-term debt for the year ended December 31, 1974 amounted to \$888,000 (\$555,000 in 1973).

History of the Company

The company was established as a consulting engineering partnership in Niagara Falls in 1924 by Harry G. Acres, who was chief hydraulic engineer of Ontario Hydro during the construction of the Queenston Hydro-Electric Generating Station there. In 1926, the business was incorporated under the name H.G. Acres & Company Limited.

During the subsequent 25 years, H.G. Acres & Company Limited earned a reputation for its services to the power industry and expanded the company's fields of activity to cover water supply, mining, pulp and paper and industrial facilities.

In the post-war years, Acres was engaged by several Power Commissions in Canada to provide engineering services for the rapid expansion that took place in hydro-electric generating facilities. During this period, Ontario's first major thermal power station, J. Clark Keith Generating Station at Windsor, was built to Acres engineering design.

The years 1952 to 1960 represented a dramatic period for the company. During this eight-year span, Acres engineered some 11 hydro-electric generating stations, including Bersimis 1 and 2 for Hydro Quebec, the Kelsey Power Development in Manitoba and the Warsak Power Development constructed in Pakistan under the Colombo Plan.

During this same period, control of the company passed into American hands through purchase of a substantial interest by the Fluor Corporation. However, the company was repatriated to Canada in 1960 by a group of senior Acres staff headed by C. Norman Simpson, who subsequently became President of the company. H.G. Acres & Company Ltd. again became wholly Canadian and employee owned.

This repatriation to Canadian ownership marked a turning point for Acres. The company's scope and

diversification began to expand rapidly to include services in the fields of industrial development, transportation, telecommunications, economics and planning, project management and ocean and marine services.

Various offices and regional companies were established across Canada and project teams located overseas in more than 25 countries. During this period of rapid expansion, Acres established several joint ventures and collaborated with other companies on projects in several overseas countries.

In the late 1960's, Acres consolidated its consulting activities and established Acres Limited as the company in which shares were held. In 1969, Acres Limited offered its shares to the public for the first time. During this same period, Acres Limited was developing its interests in various financial fields, culminating in 1970 in a major investment in Canadian General Securities Limited, Traders Group Limited and Guaranty Trust Company of Canada. The consulting services of the company were provided by Acres Consulting Services Limited with Hugh C. Rynard as President. In 1972, Hugh Rynard also became President of Acres Limited.

In 1974, Acres Consulting Services Limited implemented a realignment of its organization establishing divisional groups with market-oriented functions. This was done to ensure that the company would remain in a strong position to meet future Canadian and international consulting demands.

Throughout its history, Acres has been successful in strengthening and developing its consulting business. With the combining of its in-depth technological capabilities and resources with sound and strong financial investments, the company today represents a unique combination of exciting growth potential and solid stability.



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