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Consolidated Diversified Standard Securities Limited

275 St. James Street West • Montreal

DIRECTORS and OFFICERS

WESLEY H. BRADLEY, Q.C. — Montreal
Chairman and President

JAMES R. SOUTH — Toronto
Vice-President

R. W. T. BURLEIGH — Vancouver

A. W. T. FREAKES — North Hatley

DOUGLAS S. HOWARD, Q.C. — Toronto

LEO SAINT PIERRE — Montreal

A. MORRISON BAIRD, F.C.I.S.

JEANNETTE VERGE

Secretary-Treasurer

Assistant Secretary

35th ANNUAL REPORT

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March 10th., 1967

TO THE SHAREHOLDERS:

Your directors present the Company's financial statements for the year ending December 31, 1966.

In spite of the difficulties of which tight money and a bear stock market were symptoms for most of the year, the directors consider the results most satisfactory under the circumstances. Growth of our mortgage loan subsidiary will be inhibited until such time as a more favorable financial climate develops for this particular industry. However the mortgage portfolio, which has an average maturity of less than 5 years and of which about 70% are first mortgages, is in sound condition. Thanks to prudent administration and good relations with our bankers we have avoided the difficulties which have plagued some other companies in this field. Lower yields and rising costs will doubtless continue to squeeze profits in the coming year, particularly if we are unable to secure additional working capital. The directors have determined to write off the excess of cost over book value of the acquisition of this subsidiary over a 3-year period. The value of this asset as shown on our balance sheet is calculated on the most conservative basis. During the year part of the minority interest was acquired on advantageous terms and the remaining minority interest which is under option is less than 6%.

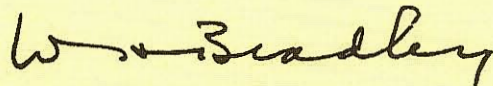
The portfolio of marketable securities is comprised chiefly of common stock of which 72% are U.S. securities and 28% Canadian. Income producing securities comprise 94% of the total. Since the end of the year stock markets generally have been buoyant so that the discrepancy between cost and market values of our portfolio has been substantially reduced.

The full dividend of \$2.50 on the 1st Preference shares was paid in 1966 as well as an initial dividend of 5 cents a share on the Class "A" common shares. It is the intention of the directors to do the same during the present year.

Your attention is invited to the consolidated financial statements overleaf which include the operations of Central Loan & Mortgage Co. and in particular to the auditors' statement and the notes which accompany the financial statements.

Submitted on behalf of the Board.

W. H. BRADLEY



Chairman and President

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**CONSOLIDATED DIVERSIFIED S
and SUBSIDIAR**

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1966

ASSETS

Cash		\$ 8,721
Investments in marketable securities — at cost		
(Approximate market value \$500,724)		678,117
Mortgages and other loans receivable	\$1,883,201	
Less: Future interest included therein	466,591	\$1,416,610
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Allowance for doubtful loans	32,102	1,384,508
		<hr/>
Investments in associated companies — at cost		
Alco Securities Corporation Limited		
(including advances of \$9,718)	48,247	
Hallbart Holdings Ltd.	30,000	78,247
		<hr/>
Real estate for resale and other assets — at cost		4,213
Office furniture and automobile — at cost less accumulated depreciation of \$11,634		3,841
Excess of purchase price of subsidiary company over book value less amounts written-off		82,517
		<hr/>
		<u>\$2,240,164</u>
		<u>=====</u>

LIABILITIES

Bank loan — secured		\$1,038,840
Unclaimed dividends		35,638
Accounts payable		4,487
Income taxes payable		21,939
Deferred income		47,946
Minority interest in Central Loan & Mortgage Co.		14,909

SHAREHOLDERS' EQUITY

Capital Stock —		
Authorized —		
19,083 10/25 Non-cumulative first preference shares of no par value (preferred as to \$2.50 per share dividend, redeemable and repayable on winding up at \$50 per share)		
1,000,000 Class "A" common shares of no par value		
112,500 Class "B" common shares of no par value		
Issued —		
12,000 First preference shares		
152,340 39/40 Class "A" common shares	\$ 58,395	
112,500 Class "B" common shares		
Retained earnings (Note 1)	1,018,010	1,076,405
		<hr/>
		<u>\$2,240,164</u>
		<u>=====</u>

APPROVED ON BEHALF OF THE BOARD
W. H. BRADLEY, Director
A. MORRISON BAIRD, Director

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CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1966

INCOME

Dividends (including proceeds from sale of stock dividends) and interest on bonds	\$ 27,056	
Interest earned on mortgage loans	235,448	
Profits (net) on sale of investments	55,304	
Sundry	3,589	\$ 321,397

EXPENSES

Executive remuneration —		
Management fee and salary	\$ 34,583	
Other salaries	31,399	65,982
Office and administrative salaries		8,045
Directors fees		700
Travelling		7,065
Interest and bank charges		66,901
Bad and doubtful loans		10,334
Depreciation		1,152
Legal and audit		6,980
General expenses, including depreciation of \$1,152		18,236

EARNINGS BEFORE INCOME TAXES 136,002

INCOME TAXES

United States taxes withheld at source	3,322	
Provision for Canadian income taxes	39,546	42,868

93,134

MINORITY INTEREST IN EARNINGS OF SUBSIDIARY

COMPANY 8,271

NET EARNINGS FOR THE YEAR \$ 84,863

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1966

BALANCE — December 31, 1965		712,011
INVESTMENT RESERVE — December 31, 1965 (Note 1).....		300,000
NET EARNINGS FOR THE YEAR		84,863
		<u>1,096,874</u>
DIVIDENDS — First preference shares	30,000	
— Class "A" common shares	7,605	
	<u>37,605</u>	
WRITE-OFF OF GOODWILL	41,259	78,864
BALANCE — December 31, 1966		<u>\$1,018,010</u>

AUDITOR'S REPORT TO THE SHAREHOLDERS

To the Shareholders of

Consolidated Diversified Standard Securities Limited:

We have examined the consolidated balance sheet of Consolidated Diversified Standard Securities Limited and its subsidiary company as at December 31, 1966 and the consolidated statements of earnings and retained earnings for the year ended on that date. 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, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings present fairly the financial position of the company and its subsidiary company, as at December 31, 1966, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, with the exception of the change referred to in note 1 with which we concur.

LLOYD, COUREY, WHALEN & BRUNEAU,
Chartered Accountants.

February 24, 1967.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1966

1. As at December 31, 1966 the balance of the investment reserve was transferred to retained earnings.
2. The Company has guaranteed a bank loan to an associated company for an amount of \$100,000 of which \$80,000 was outstanding as at December 31, 1966.
3. The financial statements have been consolidated on a cost basis, and include the subsidiary's position as at November 30, 1966 and its earnings since acquisition to November 30, 1966.
4. During 1966 a shareholder of the Company brought a lawsuit in which Alco Securities Corporation Limited is a defendant and the Company, a *mise-en-cause*, attacking the legality of the issue by Alco of convertible preferred shares, as well as the issue of common shares on the redemption of the preferred shares. As at December 31, 1966 the lawsuit was still pending.
5. The persons other than the Company who own Alco Securities Corporation Limited common shares, the issue of which was attacked in the lawsuit mentioned above, in November 1966 granted an irrevocable option to the Company to purchase at \$5.00 per share (or an aggregate sum of \$20,000) the said common shares, conditional on the prior redemption at par (an aggregate sum of \$77,000) of the issued and outstanding preferred shares of Alco, the issue of which is also under attack. The effect of the exercise of this option would be to give the Company ownership of all the issued and outstanding shares of Alco.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual Meeting of Shareholders of Consolidated Diversified Standard Securities Limited, will be held at Room 29, 275 St. James Street West, in the City of Montreal, on the 4th day of April 1967 at the hour of eleven o'clock in the forenoon for the purpose of:

- (a) Receiving and considering the report of the Directors of the Company, the Balance Sheet, Statement of Earnings and Retained Earnings, and the Auditors' Report for the past fiscal year;
- (b) Appointing Auditors;
- (c) Electing Directors for the ensuing year;
- (d) Transacting such other business as may properly be brought before the meeting.

If you are not able to be present kindly sign and return the enclosed Proxy by early mail.

DATED at Montreal this 10th. day of March, 1967.

By Order of the Board.

A. MORRISON BAIRD,

Secretary.