



CGI

Canadian General Investments,
Limited



75 years of canadian success

annual report | 2005

CGI *75*
years

Cover: Pointe Au Baril. Oil on canvas.

Paul Mantrop is a working artist and founding member of the art collective "drawnward". Over ten years ago the artists of drawnward began to travel throughout Canada in order to document its unique and varied regions. Today after over 100,000 kilometres have been travelled by bus, boat, canoe, train, skis and feet, drawnward has painted from coast to coast. From the Queen Charlotte Islands to the Yukon, from the Gaspé to Newfoundland and throughout the Canadian Arctic. Today Paul keeps a working studio in downtown Collingwood, Ontario to be close to his favourite subject, Georgian Bay. You can learn more about drawnward at www.drawnward.com.

CORPORATE PROFILE

Canadian General Investments, Limited (CGI) is a closed-end equity fund focussed on medium to long-term investments in Canadian corporations. It strives, through prudent security selection, timely recognition of capital gains and appropriate income generating instruments, to provide better than average returns to investors. CGI was established in 1930 and has been managed since 1956 by investment manager Morgan Meighen & Associates Limited (website: www.mmainvestments.com).

75 YEARS OF CANADIAN SUCCESS

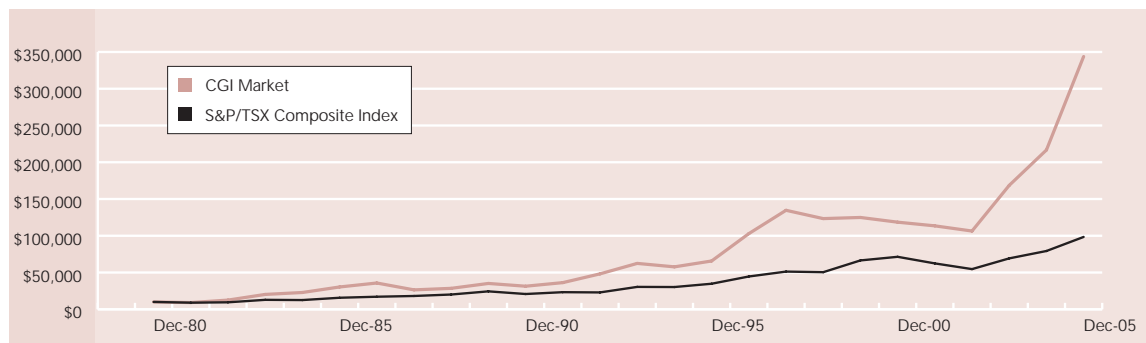
With the completion of its 75th year, CGI is pleased to report this has been another successful year for its shareholders. From its inception in 1930, when British and Canadian investors came together to invest in the young Canadian market, CGI has helped to build the strong and prosperous Canada of today. Through the years, through wars and crises and bull and bear markets, CGI has striven to provide superior long-term returns to its shareholders.

The graph below is presented to illustrate the benefit of a long-term investment in CGI's common shares. A \$10,000 investment in CGI common shares would have grown to nearly \$344,000 over the 25-year period ended December 31, 2005. This equates to a compound annual average growth rate of 15.2%, compared to \$98,000 or 9.6% for the benchmark S&P/TSX Composite Index.

For the 50 years ended December 31, 2005, a \$10,000 investment would have grown to \$3.7 million, representing a compound average annual rate of return of 12.5%. The values for the benchmark for the same period were \$957,000 and 9.6%, respectively.

For more historical information, please see page 23.

Growth of a \$10,000 Investment – 25 Years to December 31, 2005



Certain financial information contained in this report, including investment growth rates, rates of return and other such statistical information are historical values and past performance is no assurance or indicator of future returns. Historical returns assume the reinvestment of all distributions. Share prices, net asset values and investment returns will fluctuate. Such financial information does not reflect any broker commissions, transaction costs or such other fees and expenses which may have been applicable nor income taxes payable by any shareholder, which would have the effect of reducing such historical returns. Stated returns for periods greater than one year are compound average annual rates of return. For information concerning the foregoing, please refer to the "Risk" section of the Management Report of Fund Performance on page 3 of this Annual Report to Shareholders.

LETTER TO SHAREHOLDERS



D. Greg Eckel, Michael A. Smedley, Vanessa L. Morgan, and Jonathan A. Morgan

- NAV RETURN **28.8%**
- MARKET RETURN **58.9%**
- COMMON SHARE YIELD **5.3%**

Completing three consecutive years of being among the top performing general equities funds in Canada, Canadian General Investments, Limited (CGI) fittingly celebrated its 75th anniversary year in 2005 with a 28.8% total return on net assets, with dividends reinvested. CGI's net asset value returns for 2004 and 2003 were 26.4% and 44.1%, respectively. By comparison, the S&P/TSX Composite Index total returns for the most recent three years were 24.1%, 14.5% and 26.7%, respectively. For a longer term perspective, a \$10,000 investment in CGI's common shares 25 years ago would be worth approximately \$344,000 at December 31, 2005, assuming reinvestment of dividends, representing a 15.2% compound average annual return.

Some of the factors behind this record might well be constancy of purpose and even luck - to use a *Globe and Mail* headline to an article on succeeding in markets. Constancy certainly applies to CGI's strategy of striving at all times for portfolio outperformance.

Concerning luck, it is fortunate that the Canadian stock market contains the largest range of energy stocks available anywhere. The Canadian stock market also has one of the best mining sectors, which has been benefiting from sustained high demand for metals, coinciding with a scarcity of major new mines, planned or in development.

Beyond that, the Manager is opportunistic rather than rigidly systematic. Where possible, the Company is an early rather than late investor, but always well diversified to mitigate risk. CGI likes very long-term, attractive contributors to growth and is often a patient, large external shareholder in companies that do not have highly liquid stock.

In general, the Canadian economy is flourishing, and so is the economy of the main trading partner, the United States.

Canada's dollar, as a kind of petro-dollar, appears to be good for the stock markets and, so far, not as damaging for the export economy as feared. A taxation threat concerning the flourishing income trust sector has passed by for now and may lead to a benefit for Canadians by way of the proposed reduction in the tax on corporate dividends.

To conclude with more performance numbers:

- Total dividends of \$1.24 in 2005 amounted to a 5.3% yield on the closing price of \$23.20 on the final day of trading. This would rank CGI amongst the top yielding common stocks of the S&P/TSX.
- The market return of CGI's common shares, with dividends reinvested, was 58.9% in 2005 and the warrant price increased by 97.8%.

Effective as of January 1, 2006, the original management agreement between the Company and the Manager was terminated, being superseded by a new management agreement. The new agreement was developed by the Independent Directors Committee of the Board of Directors of the Company following extensive review and deliberation. The complete agreement is available for viewing on SEDAR at www.sedar.com.

We trust that shareholders will join with the Board of Directors in appreciation of the portfolio team and support staff of Morgan Meighen & Associates for another spectacular year.

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President & CEO

INVESTMENT COMMENTARY

CGI's net asset return of 28.8%, fully diluted, outclassed the average 17.0% return as reported in the Globe and Mail for general Canadian equity mutual funds and the usual benchmark, the S&P/TSX Composite Index, which was up 24.1% on a total return basis.

The Company has maintained high weightings in Energy, 25.9% at year end, probably a higher exposure than with many diversified funds. However, CGI frequently locked in gains, took on new names and stayed well diversified – in major producers, oil sands stocks, junior developers in western Canada and overseas – low risk and higher risk. CGI backed management teams with strong success records. Very high returns were present among uranium stocks, which moved from Materials to Energy during the year. The top portfolio holding, Cameco Corporation, was up 376.4% above its cost.

CGI's portfolio was 14.1% weighted in Materials. The Manager invested in junior nickel producers and prospects on the Sudbury Rim in Ontario with FNX Mining Company Inc. and First Nickel Inc. In new copper developers, Equinox Minerals Limited, operating in Zambia, and Chariot Resources Ltd., on the Pacific coast of Peru, were bought. In several coal stocks, gains were locked in on mine start-up difficulties and rising caution about future coal price contracts. Late in December, CGI extended its interest in the tight metals situation, buying Hudbay Minerals Inc., a 200,000 tonnes per annum producer in zinc, copper and lead based in northern Manitoba and Saskatchewan, a revitalized successor to the old Hudson Bay Mining and Smelting Co. This company should shortly restart the Balmat zinc mine in New York State.

More positions were bought in gold, which could be into its best breakout in decades. The investment in Goldcorp Inc.

was increased after negotiations with Barrick Gold Corp. for the adjacent Campbell mine of Placer Dome Inc. Newly initiated were the Brazil based Yamana Gold Inc., a 110,000 oz. producer possibly moving toward 700,000 oz. within three years and the lesser known Gammon Lake Resources Inc. going through start-up to a 250,000 oz. gold and silver production level next year in north-western Mexico.

The portfolio's top new success in mining in 2005 was unquestionably Shore Gold Inc., which is not a gold company. Located a few miles west of Prince Albert in Saskatchewan, the company is making serious diamond discoveries in what appears to be the largest cluster of kimberlite pipes in the world. It finished the year as a major portfolio holding, and was up 188.9% from its cost.

In technology, Miranda Technologies Inc. is one example of CGI being early with an investment. Taken public in December, Miranda is a leading and profitable supplier of high-performance hardware and software for digital age television broadcast, also aiding major telephone companies in their IPTV counter attack on the cable companies.

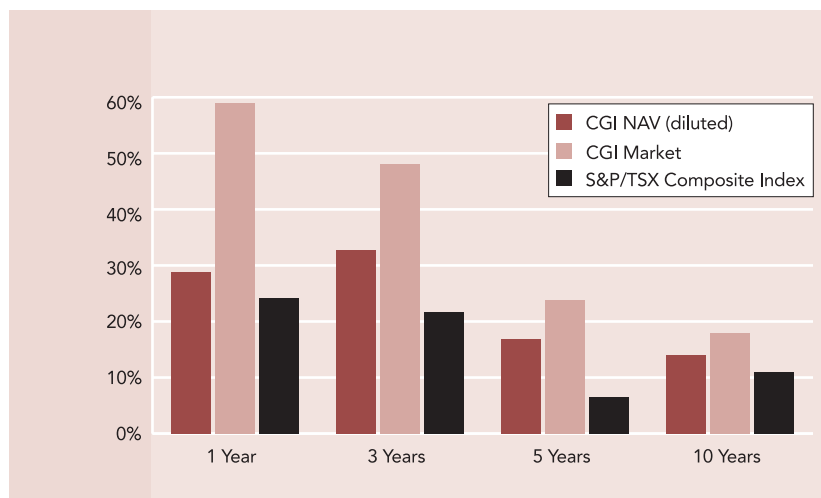
Subsequent to year-end, CGI awaits the conversion of the New York Stock Exchange into a public, for-profit corporation. The Company's \$11 million investment in seats via Caldwell limited partnership units was valued at \$15.5 million at December 31, 2005. In addition, shares were held of Archipelago Holdings, Inc. which should be converted on a one-for-one basis into NYSE shares.

An exciting new year is expected.

Michael A. Smedley, *Chief Portfolio Officer of the Manager*

D. Greg Eckel, *Senior Vice-President of the Manager*

Compound Annual Returns for the Periods to December 31, 2005



MANAGEMENT REPORT OF FUND PERFORMANCE

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

INVESTMENT OBJECTIVE AND STRATEGIES

Canadian General Investments, Limited (CGI or the Company) is a closed-end equity fund, focused on medium- to long-term investments in primarily Canadian corporations. Its objective is to provide better than average returns to investors through prudent security selection, timely recognition of capital gains and appropriate income generating instruments.

The Manager, Morgan Meighen & Associates Limited (MMA), utilizes a bottom-up investment strategy in an effort to achieve CGI's objective. With a bottom-up investment strategy, the Manager first seeks individual companies with attractive investment potential, then proceeds to consider the larger industry, economic and global trends affecting those companies. This investment style allows for sector weightings that can differ from those of the benchmark S&P/TSX Composite Index (S&P/TSX).

RISK

As an equity fund, the Company's primary risk is market risk – the exposure to market price changes for the securities held within the portfolio. Economic conditions, investor sentiment, global events and many other factors contribute to the day-to-day changes in security prices and the overall trend of the market. Some of the more significant specific changes in economic conditions during 2005 and their effects are as follows:

- The 50% increase in the crude oil price. While of a tremendous benefit to Canadian energy companies, higher energy costs could provide a dampening effect to economic growth in other sectors, resulting in inflation and/or a decline in consumer demand, all potentially leading to decreased corporate profits.
- In order to keep inflation in check, the Bank of Canada has begun a series of measured increases in interest rates. The prime bank rate, which was 4.25% at the beginning of the year, stood at 5.25% at February 7, 2006. Higher interest rates can have a negative effect on equity markets as it is more costly for companies to borrow to fund expansion and similarly for consumers to finance spending.
- The strengthening of the Canadian dollar vis-à-vis the U.S. dollar by 3.1%. Canada is a net exporter of goods and services. A strengthening dollar, while making materials less costly to import, will generally have negative repercussions on export based companies, as their products become more expensive to purchasers in other countries.

CGI attempts to mitigate the foregoing risk by maintaining a diversified portfolio.

Being a closed-end investment fund, CGI's share price generally trades at a lower value than its net asset value per share (NAV). This is known as the "discount". As a result, the return experienced by a shareholder will likely differ from the underlying performance of the Company. The share price is established by competitive markets which reflect the buying demand and the selling supply of shares. Factors which are thought to influence share price, and therefore discounts and their converse, premiums, include a fund's relative performance, the liquidity of the fund's shares, dividend yield, the use of a managed distribution policy, confidence in the fund/portfolio manager, investors' perceptions and expectations regarding the outlook of the country/sector/market where the fund invests. Throughout 2005, CGI's shares traded at a discount from NAV ranging from a high of 29.6% to a low of 6.7%, ending the year at 8.6%.

Since 1998, with the issuance of its cumulative redeemable Series 1 preference shares, CGI has engaged a leveraging strategy in an effort to enhance returns to common shareholders. The purchase of securities using leverage (in CGI's case, preference shares) magnifies the gain or loss on the cash invested. At December 31, 2005, CGI's Series 1 and Series 2 preference shares totalled \$135 million, representing 18.6% of total portfolio assets (December 31, 2004 – 22.0%). As a result of this leverage, a 10% decline in the value of the portfolio will result in approximately a 12.3% decrease in the Company's net assets, and also in CGI's common share price, providing there is no change in the discount. The reverse is true for a 10% increase in the value of the portfolio.

RESULTS OF OPERATIONS

Performance

CGI's diluted NAV at December 31, 2005 was \$25.37, up from \$20.71 at year-end 2004. The NAV return, with dividends reinvested, for 2005 was 28.8%, compared with a 24.1% total return for the benchmark S&P/TSX. CGI's net assets at December 31, 2005 were \$588,146,000, representing a 23.6% increase from the \$475,976,000 at the end of 2004.

Although strong performance was achieved across a broad range of stocks in CGI's investment portfolio, an overweighting in Energy relative to the Index for most of the year, as well as the leverage provided by the preference shares, were the primary contributors to CGI's overall return and outperformance of the S&P/TSX. Energy was the top performing sector of the S&P/TSX in 2005, with the Energy sub-index posting a twelve-month total return of 63.4%. CGI reduced its exposure to the Energy sector to be underweight vis-à-vis the Index during the fourth quarter of 2005.

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

The table below illustrates the five largest sectors in CGI's portfolio as at December 31, 2005, compared with their weightings at year-end 2004, and with the corresponding weightings in the S&P/TSX. The weightings provided for CGI represent the market value of each industrial sector as a percentage of the total investment portfolio.

Sector	CGI		S&P/TSX	
	Year-end 2005	Year-end 2004	Year-end 2005	Year-end 2004
Financials	26.5%	23.3%	31.6%	32.8%
Energy	25.9%	22.3%	27.4%	18.5%
Materials	14.1%	19.6%	15.1%	16.9%
Industrials	8.8%	6.3%	5.5%	6.0%
Telecommunication Services	7.6%	5.3%	5.2%	5.2%

Dividends

CGI's dividend policy is determined by the Board of Directors. Over the past several years, the Company has paid regular quarterly income (taxable) dividends of \$0.06 per common share on March 15, June 15, September 15 and December 15. In addition, as an investment corporation, CGI is able to pay capital gains dividends. On a periodic basis, the Board considers the payment of a capital gains dividend taking into account the current year's performance of the fund, the amount of refundable capital gains tax on hand, and the desire to provide some degree of yield consistency over time to common shareholders. On December 30, 2005, CGI paid a year-end special capital gains dividend of \$1.00 per common share, compared with \$0.60 at the end of 2004. Based on year-end prices for the common shares, the dividend yield was 5.3% for 2005 and 5.4% for 2004.

Taxation

As a corporate entity, CGI is subject to tax on its taxable income – primarily on realized gains on the sale of investments – at an effective rate of approximately 21%. As a result of its investment corporation status, CGI can recover taxes paid or payable on its realized taxable capital gains through the payment of capital gains dividends to shareholders. To the extent that taxes paid or payable on taxable income in a year are greater than taxes recovered on the payment of capital gains dividends, there will be a negative impact on net assets of the fund. For 2005, there was a net cost related to tax of \$8,748,000 (1.5% of net assets), compared to a net cost of \$4,707,000 (1.0% of net assets) in the prior year.

Taxes paid or payable on realized taxable capital gains may be recovered through the payment of capital gains dividends in future years. At December 31, 2005, the Company had refundable capital gains tax of approximately \$16 million, which is refundable upon payment of capital gains dividends of approximately \$75 million.

RECENT DEVELOPMENTS

Aside from normal market fluctuations to which the Company's portfolio is subject, CGI has had no material recent developments since year end.

As a result of cash dividends paid in excess of net income during 2005, the exercise price of CGI's warrants was reduced from \$5.22 to \$4.12 per share effective February 7, 2006 pursuant to the warrant indenture.

RELATED PARTY TRANSACTIONS

The Company is managed by Morgan Meighen & Associates Limited (MMA), a company under common control with CGI.

MMA provides continuing advice and investment management services, as well as administration, financial reporting and other ancillary services required by a publicly listed company. As a result of providing these services, MMA receives management fees that are computed quarterly in arrears at 1% per annum of the market value of CGI's investments adjusted for cash, portfolio accounts receivable and portfolio accounts payable.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Company and are intended to help you understand the Company's financial performance for the past five years. This information is derived from the Company's audited annual financial statements.

The Company's Net Asset Value (NAV) per Share ⁽¹⁾

	2005	2004	2003	2002	2001
Net asset value - basic, beginning of year	\$ 23.22	\$ 19.00	\$ 13.41	\$ 14.58	\$ 15.31
Increase (decrease) from operations:					
Total revenue	0.75	0.79	0.48	0.37	0.34
Total expenses	(0.75)	(0.67)	(0.42)	(0.39)	(0.39)
Realized gains for the year	3.65	2.20	1.01	0.25	0.69
Unrealized gains (losses) for the year	3.53	3.06	5.23	(1.14)	(0.86)
Total increase (decrease) from operations	7.18	5.38	6.30	(0.91)	(0.22)
Dividends paid to common shareholders:					
Taxable dividends	(0.24)	(0.24)	(0.24)	(0.24)	(0.24)
Capital gains dividends	(1.00)	(0.60)	(0.36)	-	(0.25)
Total annual dividends ⁽²⁾	(1.24)	(0.84)	(0.60)	(0.24)	(0.49)
Income taxes recoverable on dividends from net realized gain on investments	0.21	0.12	0.07	-	0.05
Net increase in refundable dividend tax on hand	(0.01)	(0.03)	-	-	-
Decrease (increase) in refundable income taxes on net realized gain on investments	(0.64)	(0.36)	(0.14)	0.02	(0.05)
Warrants repurchased	(0.06)	(0.05)	(0.04)	(0.04)	(0.02)
Net asset value - basic, end of year ⁽³⁾	\$ 28.59	\$ 23.22	\$ 19.00	\$ 13.41	\$ 14.58
Net asset value - diluted, end of year ⁽⁴⁾	\$ 25.37	\$ 20.71	\$ 17.10	\$ 12.33	\$ 13.34

(1) Net asset value and dividends are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted-average number of shares outstanding over the year.

(2) Dividends were paid in cash.

(3) This is not a reconciliation of the beginning and ending net asset value per share.

(4) Reflects the exercise of the Company's outstanding warrants.

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

Ratios and Supplemental Data

	2005	2004	2003	2002	2001
Net assets (000's) ⁽¹⁾	\$ 588,146	\$ 475,976	\$ 389,324	\$ 274,519	\$ 298,546
Number of shares outstanding	20,573,940	20,499,638	20,488,160	20,477,598	20,475,692
Management expense ratio ⁽²⁾	2.88%	3.31%	2.75%	2.75%	2.67%
Management expense ratio excluding leverage costs ⁽³⁾	1.53%	1.59%	1.44%	1.51%	1.46%
Portfolio turnover rate ⁽⁴⁾	47.07%	41.68%	56.33%	51.85%	78.77%
Trading expense ratio ⁽⁵⁾	0.26%	0.26%	0.39%	0.27%	0.37%
Closing market price	\$ 23.20	\$ 15.44	\$ 12.70	\$ 8.45	\$ 9.25

(1) This information is provided as at December 31 of the year shown.

(2) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during the year.

(3) Leverage costs include dividends on preference shares and amortization of deferred financing charge.

(4) The Company's portfolio turnover rate indicates how actively the Company's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(5) The trading expense ratio represents total commissions and other transaction costs as an annualized percentage of daily average net assets during the year.

MANAGEMENT FEES

The Company pays a management fee that is calculated quarterly in arrears at 1% per annum of the market value of CGI's investments adjusted for cash, portfolio accounts receivable and portfolio accounts payable. The Company's management fees were used by MMA to pay costs for managing the portfolio and making investment decisions, as well as the provision of administrative services including making brokerage arrangements for the purchase and sale of securities, calculating the net asset value of the Company, preparing financial statements and all required regulatory filings and assisting in promotion activities. The officers of the Company are remunerated by MMA in their capacity as directors and/or officers of MMA and receive no compensation from CGI.

PAST PERFORMANCE

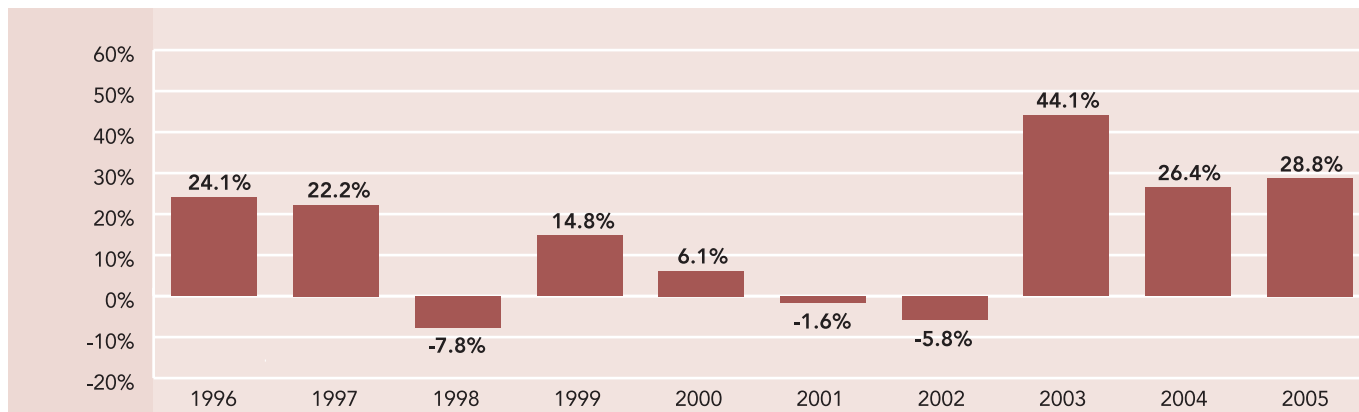
The performance information shown assumes that all distributions made by CGI were reinvested in additional common shares of the Company. The performance information does not take into account broker commissions or other fees that would have reduced returns or performance. How the Company has performed in the past does not necessarily indicate how it will perform in the future.

YEAR-BY-YEAR RETURNS

The following bar charts show the Company's performance for each of the years shown, and illustrate how the Company's performance has changed from year to year. The bar charts show, in percentage terms, how much an investment made on the first day of each year would have grown or decreased by the last day of each year.

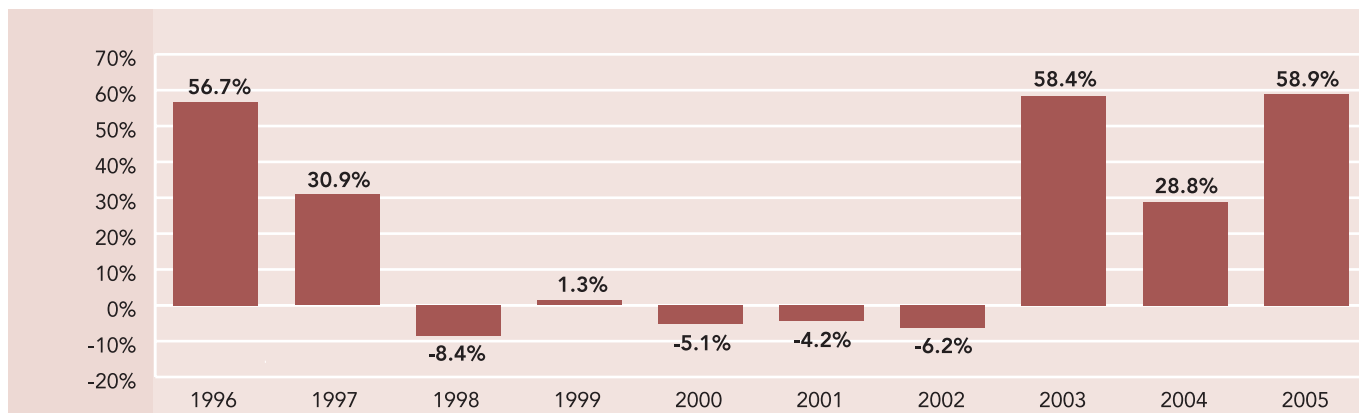
The bar chart below illustrates the diluted net asset value per share return, with all distributions reinvested at net asset value per share - this is the best representation of the performance of the Company.

Net Asset Value Return



The bar chart below illustrates the market return, with all distributions reinvested at the market price - this is the best representation of the return to a shareholder of the Company.

Market Value Return



ANNUAL COMPOUND RETURNS

The following table shows the Company's historical annual compound total returns for the periods indicated, compared to the S&P/TSX Composite Index. The Index return is also calculated on a total return basis, assuming that all distributions are reinvested.

	1 Year	3 Years	5 Years	10 Years
Canadian General Investments, Limited - NAV	28.8%	32.8%	16.8%	14.0%
Canadian General Investments, Limited - Market	58.9%	48.0%	23.8%	18.0%
S&P/TSX Composite Index	24.1%	21.7%	6.6%	11.0%

The S&P/TSX Composite Index is a market capitalization-weighted index that provides a broad measure of performance of the Canadian equity market.

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

SUMMARY OF INVESTMENT PORTFOLIO

as at December 31, 2005

Sector Allocation				Asset Allocation			
	(\$000's)	% of Net Assets*	% of Investment Portfolio		(\$000's)	% of Net Assets*	% of Investment Portfolio
Financials	191,408	32.5	26.5	Canadian Equities	645,072	109.7	89.4
Energy	187,063	31.8	25.9	Canadian Income Trusts	40,725	6.9	5.7
Materials	102,086	17.4	14.1	Preferred Shares	16,002	2.7	2.2
Industrials	63,401	10.8	8.8	Limited Partnerships	15,451	2.6	2.1
Telecommunication Services	54,542	9.3	7.6	Foreign Equities	2,915	0.5	0.4
Consumer Discretionary	48,516	8.2	6.8	Cash & Cash Equivalents	1,629	0.3	0.2
Consumer Staples	30,358	5.2	4.2				
Information Technology	24,889	4.2	3.4				
Utilities	11,194	1.9	1.6				
Health Care	6,709	1.1	0.9				
Cash & Cash Equivalents	1,629	0.3	0.2				

Top 25 Holdings

Issuer (all Canada-based)	Sector	% of Net Assets*	% of Investment Portfolio
Cameco Corporation	Energy	4.1	3.4
Rogers Communications Inc.	Telecommunication Services	3.6	2.9
TSX Group Inc.	Financials	3.5	2.9
Falconbridge Limited	Materials	2.7	2.2
TELUS Corporation	Telecommunication Services	2.5	2.1
Enbridge Inc.	Energy	2.2	1.8
Shore Gold Inc.	Materials	2.1	1.7
First Capital Realty Inc.	Financials	2.1	1.7
Home Capital Group Inc.	Financials	2.0	1.6
BMTC Group Inc.	Consumer Discretionary	2.0	1.6
National Bank of Canada	Financials	2.0	1.6
Shell Canada Limited	Energy	1.9	1.5
Russel Metals Inc.	Industrials	1.9	1.5
TransCanada Corporation	Energy	1.9	1.5
Corby Distilleries Limited	Consumer Staples	1.9	1.5
Canadian Western Bank	Financials	1.8	1.4
Bank of Montreal	Financials	1.8	1.4
Brookfield Asset Management Inc.	Financials	1.7	1.4
Husky Energy Inc.	Energy	1.7	1.4
Western Oil Sands Inc.	Energy	1.7	1.3
Research In Motion Limited	Information Technology	1.6	1.3
Labrador Iron Ore Royalty Income Fund	Materials	1.6	1.3
Algoma Central Corporation	Industrials	1.6	1.3
AltaGas Income Trust	Energy	1.5	1.2
BPO Properties Ltd.	Financials	1.5	1.2
		52.9*	42.7
Total Net Assets* (\$000's)			\$588,146
Total Investment Portfolio* (\$000's)			\$721,794

* Total Net Assets represents Total Investment Portfolio adjusted for leverage in the form of preference shares (\$135 million), other assets and other liabilities.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Company. The most recent quarterly portfolio disclosure may be obtained by visiting the Manager's web site at www.mminvestments.com, by calling 416-366-2931 (Toll-free: 1-866-443-6097), or by writing to the Company at 110 Yonge Street, Suite 1601, Toronto, Ontario, Canada, M5C 1T4.

FINANCIAL REPORTS

MANAGEMENT'S REPORT

The accompanying financial statements have been prepared by Management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and other sections of the Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies which Management believes are appropriate for the Company are described in note 1 to the financial statements. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing Management's performance of its financial reporting responsibilities. An Audit Committee comprised of non-Management Directors is appointed by the Board. The Audit Committee reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with Management and the external Auditors. The Audit Committee reports to the Directors prior to the approval of the audited financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external Auditors, who are appointed by the shareholders, audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on this page.



Vanessa L. Morgan
Chairman



Jonathan A. Morgan
President & CEO

February 7, 2006

AUDITORS' REPORT

*To the Shareholders of
Canadian General Investments, Limited*

We have audited the accompanying statements of net assets of Canadian General Investments, Limited as at December 31, 2005 and 2004, the statement of investment portfolio as at December 31, 2005 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



*Chartered Accountants
Toronto, Canada*

January 27, 2006

STATEMENTS OF NET ASSETS

<i>As at December 31, 2005 and 2004</i>	2005	2004
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$
Assets		
Investments at market value (cost - \$459,943; 2004 - \$421,541)	720,165	609,325
Cash	1,629	2,180
Receivable for securities sold	4,598	-
Interest and dividends receivable	2,021	1,329
Deferred financing charge	1,323	1,790
	729,736	614,624
Liabilities		
Payable for securities purchased	4,387	296
Accounts payable and accrued liabilities	328	190
Accrued dividends on preference shares	295	295
Income taxes payable	1,580	2,867
Preference shares (note 2)	135,000	135,000
	141,590	138,648
Net Assets	588,146	475,976
Shareholders' Equity		
Common shares (note 2)	127,790	127,402
Unrealized gain on investments	260,222	187,784
Retained earnings (note 3)	200,134	160,790
	588,146	475,976
Number of common shares outstanding (note 2)	20,573,940	20,499,638
Number of warrants outstanding (note 2)	3,288,484	3,459,286
Net asset value per common share - basic	28.59	23.22
Net asset value per common share - diluted	25.37	20.71

Approved by the Board of Directors



Director



Director

STATEMENTS OF OPERATIONS

<i>For the years ended December 31, 2005 and 2004</i>	2005	2004
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$
Investment income		
Dividends	12,714	14,698
Interest and other	2,344	1,529
Securities lending revenue	247	62
	15,305	16,289
Expenses		
Management fees (note 4)	7,043	5,854
Dividends on preference shares	6,728	6,728
Amortization of deferred financing charge	467	467
Capital taxes	189	38
Investor relations	189	101
Listing and regulatory	179	172
Directors' fees and expenses	147	135
Securityholder reporting costs	96	105
Legal fees	81	29
Custodial fees	81	67
Audit fees	41	39
Other	64	68
	15,305	13,803
Net investment income	-	2,486
Realized and unrealized gains on investments		
Net realized gain on investments	74,924	45,095
Change in unrealized gain on investments	72,438	62,642
Net gain on investments	147,362	107,737
Increase in net assets resulting from operations for the year	147,362	110,223
Increase in net assets resulting from operations per common share (based on weighted-average number of common shares outstanding during the year (note 2))		
Basic	7.18	5.38
Diluted	6.43	4.90

STATEMENTS OF CHANGES IN NET ASSETS

<i>For the years ended December 31, 2005 and 2004</i>	2005	2004
<i>(in thousands of dollars)</i>	\$	\$
Increase in net assets resulting from operations for the year	147,362	110,223
Dividends to common shareholders		
From net investment income	(4,929)	(4,918)
From net realized gain on investments	(20,574)	(12,300)
	(25,503)	(17,218)
Income taxes recoverable on dividends from net realized gain on investments		
	4,320	2,583
	(21,183)	(14,635)
Increase in refundable income taxes on net realized gain on investments (note 5)	(13,068)	(7,290)
Increase in refundable dividend tax on hand	(159)	(634)
Warrants repurchased	(1,170)	(1,079)
Common shares issued on exercise of warrants	388	67
	(14,009)	(8,936)
Increase in net assets during the year	112,170	86,652
Net assets, Beginning of year	475,976	389,324
Net assets, End of year	588,146	475,976

STATEMENTS OF CASH FLOWS

<i>For the years ended December 31, 2005 and 2004</i>	2005	2004
<i>(in thousands of dollars)</i>	\$	\$
Cash provided by (used in):		
Operating activities		
Net investment income	-	2,486
Amortization of deferred financing charge	467	467
Proceeds of disposition of investments	350,937	250,036
Purchases of investments	(314,415)	(231,312)
Net change in non-cash balances related to operations	(2,348)	2,377
	34,641	24,054
Financing activities		
Dividends paid to common shareholders, net of income taxes recoverable	(21,183)	(14,635)
Increase in refundable income taxes on net realized gain on investments	(13,068)	(7,290)
Increase in refundable dividend tax on hand	(159)	(634)
Warrants repurchased	(1,170)	(1,079)
Common shares issued on exercise of warrants	388	67
Preference shares issued, net of expenses	-	(23)
	(35,192)	(23,594)
Net (decrease) increase in cash during the year (note 6)	(551)	460
Cash, Beginning of year	2,180	1,720
Cash, End of year	1,629	2,180

STATEMENT OF INVESTMENT PORTFOLIO

December 31, 2005

Number or Par Value	Investment	Cost \$	Market Value \$	Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>				<i>(in thousands of dollars)</i>			
CONSUMER DISCRETIONARY (6.8%)				ENERGY (25.9%)			
Hotels, Restaurants, & Leisure				Energy Equipment & Services			
175,000	Fairmont Hotels & Resorts Inc.	6,747	8,608	50,000	Calfrac Well Services Ltd.	550	2,000
Media				65,000	Trican Well Service Ltd.	2,151	3,600
100,000	Astral Media Inc., A NV	1,786	3,045	Oil, Gas & Consumable Fuels			
220,000	Shaw Communications Inc., B NV	5,642	5,533	320,000	AltaGas Income Trust, units	4,223	8,944
Multiline Retail				1,852,500	Arawak Energy Corporation	3,861	3,075
125,000	Canadian Tire Corporation, Limited, A NV	7,417	8,663	856,600	Calvalley Petroleum Inc., A	3,334	3,872
Specialty Retail				329,000	Cameco Corporation	5,083	24,218
740,200	BMTC Group Inc., A SV	4,451	11,843	100,000	Canadian Natural Resources Limited	1,259	5,761
260,000	easyhome Ltd.	4,873	4,108	306,300	Centurion Energy International Inc.	1,823	3,458
42,500	Le Chateau Inc., A SV	2,108	2,039	353,450	Cyries Energy Inc.	2,236	5,305
287,000	Rentcash Inc.	3,871	1,751	294,000	Denison Mines Inc.	2,314	4,325
1,625,500	West 49 Inc.	2,815	2,926	100,000	Duvernay Oil Corp.	1,126	4,423
TOTAL CONSUMER DISCRETIONARY		39,710	48,516	360,000	Enbridge Inc.	7,012	13,079
CONSUMER STAPLES (4.2%)				40,000	EnCana Corporation	2,385	2,108
Beverages				550,000	Find Energy Ltd.	3,654	5,098
75,000	Corby Distilleries Limited, A	3,753	5,831	135,000	Highpine Oil & Gas Limited, A	2,828	2,794
70,000	Corby Distilleries Limited, B NV	4,416	5,093	170,000	Husky Energy Inc.	3,178	10,030
Food & Staples Retailing				733,200	International Uranium Corporation	1,052	4,978
200,000	Alimentation Couche-Tard Inc., B SV	3,643	4,672	150,000	InterOil Corporation	4,849	4,695
300,000	The Jean Coutu Group (PJC) Inc., A SV	5,623	4,200	75,000	Nexen Inc.	3,117	4,151
124,200	Shoppers Drug Mart Corporation	2,891	5,455	75,000	Niko Resources Ltd.	2,546	4,157
Tobacco				156,900	Pan-Ocean Energy Corporation Limited, B SV	3,720	4,236
210,600	Rothmans Inc.	3,116	5,107	534,000	Petrobank Energy and Resources Ltd.	4,171	4,753
TOTAL CONSUMER STAPLES		23,442	30,358	468,550	ProEx Energy Ltd.	3,492	7,684
				613,900	Serica Energy PLC	1,387	1,320
				262,500	Shell Canada Ltd.	4,423	11,038
				100,000	Talisman Energy Inc.	2,406	6,141
				300,000	TransCanada Corporation	7,665	10,974
				660,100	UEX Corporation	2,715	2,984
				1,200,000	UTS Energy Corporation	3,362	5,112
				376,900	West Energy Ltd.	1,965	3,023
				350,000	Western Oil Sands Inc., A	4,338	9,727
				TOTAL ENERGY		98,225	187,063

December 31, 2005

Number or Par Value	Investment	Cost \$	Market Value \$	Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>				<i>(in thousands of dollars)</i>			
FINANCIALS (26.5%)				HEALTH CARE (0.9%)			
Commercial Banks				Biotechnology			
160,000	Bank of Montreal	5,613	10,392	991,900	Cipher Pharmaceuticals Inc.	2,908	1,270
65,000	Canadian Imperial Bank of Commerce	4,955	4,981	2,029,994	Millenium Biologix Corporation	1,516	751
290,200	Canadian Western Bank	6,271	10,392	Pharmaceuticals			
195,000	National Bank of Canada	8,026	11,776	400,000	Cardiome Pharma Corp.	3,711	4,688
40,000	Royal Bank of Canada	3,483	3,622	TOTAL HEALTH CARE			
90,000	The Toronto-Dominion Bank	3,040	5,503	8,135 6,709			
Diversified Financial Services				INDUSTRIALS (8.0%)			
216,900	Addenda Capital Inc.	5,909	6,822	Aerospace & Defense			
50,000	Archipelago Holdings Inc., common	2,775	2,915	122,200	Ceramic Protection Corporation	1,832	1,784
174,300	Brookfield Asset Management Inc., A LV	4,257	10,190	Air Freight & Logistics			
500,000	Caldwell New York Limited Partnership I, units*	5,000	8,711	206,100	CHC Helicopter Corporation, A SV	5,387	5,629
600,000	Caldwell New York Limited Partnership IV, units*	6,000	6,740	Building Products			
105,400	Economic Investment Trust Limited	4,617	8,327	125,000	WFI Industries Ltd.	1,536	1,675
401,800	GMP Capital Trust, units	7,232	7,200	Commercial Services & Supplies			
229,000	Guardian Capital Group Limited, A NV	1,637	5,519	200,000	Davis + Henderson Income Fund, units	1,995	4,560
120,870	Loring Ward International Ltd.*	1,305	544	147,000	FirstService Corporation, SV	3,065	4,379
200,000	Power Financial Corporation	4,595	6,686	225,000	Garda World Security Corporation, A	1,777	3,402
440,000	TSX Group Inc.	7,095	20,605	Construction & Engineering			
384,900	VFC Inc.	3,754	5,392	200,000	Stantec Inc.	5,995	7,950
Insurance				Marine			
10,200	E-L Financial Corporation Limited	3,739	5,172	106,100	Algoma Central Corporation	8,166	9,284
Real Estate				Trading Companies and Distributors			
222,300	BPO Properties Ltd.	5,240	8,825	164,000	Ritchie Bros. Auctioneers Incorporated	5,257	8,078
5,000,000	First Capital Realty Inc., 5.50% 9/30/2017 convertible debenture	4,850	4,887	505,000	Russel Metals Inc.	4,367	10,994
325,000	First Capital Realty Inc.	5,072	7,475	TOTAL INDUSTRIALS			
731,100	Parkbridge Lifestyle Communities Inc.	2,917	3,656	39,377 57,735			
300,000	RioCan Real Estate Investment Trust, units	5,518	6,825	INFORMATION TECHNOLOGY (3.4%)			
253,800	Trizec Canada Inc., SV	4,308	6,401	Communications Equipment			
Thriffs & Mortgage Finance				125,000	Research In Motion Limited	5,492	9,609
341,000	Home Capital Group Inc.	1,757	11,850	Internet Software & Services			
TOTAL FINANCIALS				145,000	CryptoLogic Inc.	3,472	3,307
118,965 191,408				145,800	March Networks Corporation	2,739	4,714
				Software			
				569,300	Comnetix Inc.	1,683	1,195
				180,000	Logibec Groupe Informatique Ltd.	1,890	2,268
				279,100	Miranda Technologies Inc.	3,816	3,796
				TOTAL INFORMATION			
				TECHNOLOGY			
				19,092 24,889			

STATEMENT OF INVESTMENT PORTFOLIO (CONTINUED)

December 31, 2005

Number or Par Value	Investment	Cost \$	Market Value \$	Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>				<i>(in thousands of dollars)</i>			
MATERIALS (13.6%)				UTILITIES (1.6%)			
Metals & Mining				Electric Utilities			
150,000	Algoma Steel Inc.	3,896	3,525	280,000	Fortis Inc.	4,061	6,796
249,200	Centerra Gold Inc.	4,027	7,015	Independent Power Producers & Energy Traders			
4,970,000	Chariot Resources Limited	1,652	1,839	100,000	Canadian Utilities Limited, A NV	1,171	4,398
20,000	Dofasco Inc.	1,183	1,297	TOTAL UTILITIES			
2,760,000	Equinox Minerals Limited	2,975	2,346	5,232 11,194			
455,590	Falconbridge Limited, LV	7,659	15,718	PREFERRED SHARES (2.2%)			
980,200	First Nickel Inc.	1,351	1,451	375,000	Bombardier Inc., Series 3	7,328	5,666
232,700	First Quantum Minerals Ltd.	2,872	8,645	150,000	Falconbridge Limited, Series 3	3,743	3,861
293,500	FNX Mining Company Inc.	3,373	3,992	300,000	Nortel Networks Corporation, Series 5	5,018	5,457
96,600	Fording Canadian Coal Trust, units	4,259	3,885	59,200	Nortel Networks Corporation, Series 7	1,059	1,018
22,900	Gammon Lake Resources Inc.	316	316	TOTAL PREFERRED SHARES			
512,000	Gerdau Ameristeel Corporation	2,685	3,379	17,148 16,002			
200,000	Goldcorp Inc.	4,582	5,182	TOTAL INVESTMENTS (99.8%)			
357,800	HudBay Minerals Inc.	2,007	2,108	459,943 720,165			
40,000	Inco Limited	1,096	2,021	CASH & CASH EQUIVALENTS (0.2%)			
200,000	Inco Limited, warrants 8/21/2006	1,584	4,174	1,629 1,629			
350,000	Labrador Iron Ore Royalty Income Fund, units	4,090	9,310	INVESTMENT PORTFOLIO (100.0%)			
1,640,000	Shore Gold Inc.	4,359	12,595	461,572 721,794			
379,000	Southwestern Resources Corp.	3,459	5,120	<p>* Unquoted security. LV: limited voting NV: non-voting SV: subordinate voting</p> <p>Percentage amounts in brackets represent market value as a percentage of the Investment Portfolio.</p>			
360,000	Yamana Gold Inc.	2,797	2,768				
Paper & Forest Products							
125,700	Norbord Inc.	1,441	1,539	RECONCILIATION OF INVESTMENT PORTFOLIO TO NET ASSETS			
TOTAL MATERIALS				INVESTMENT PORTFOLIO (122.7%)			
61,663 98,225				721,794			
TELECOMMUNICATION SERVICES (6.7%)				PREFERENCE SHARES (-22.9%)			
Diversified Telecommunication Services				OTHER ASSETS AND LIABILITIES, NET (0.2%)			
157,300	BCE Inc.	4,978	4,382	1,352			
184,600	Manitoba Telecom Services Inc.	6,721	7,456	NET ASSETS (100.0%)			
250,000	TELUS Corporation	3,881	11,962	588,146			
64,600	TELUS Corporation, NV	1,921	3,015	<p>Percentage amounts in brackets represent market value as a percentage of Net Assets.</p>			
Wireless Telecommunication Services							
432,801	Rogers Communications Inc., B NV	11,453	21,251				
TOTAL TELECOMMUNICATION SERVICES				28,954 48,066			

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by Management that affect the amounts of assets, liabilities, income and expenses during the year. Actual results could differ from these estimates. The following is a summary of significant accounting policies followed by the Company.

Valuation of investments

Publicly listed securities are valued at the last reported sale price or, if no sale price was reported, at the most recent bid price. Unlisted securities that trade on an over-the-counter market are valued in the same manner. Notwithstanding the above, in special circumstances when, in the opinion of Management, a market quotation is not readily available or is inappropriate (such as a stale price), the security is valued at its fair value as determined by Management using available sources of information and commonly used valuation techniques.

Investment transactions

Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated on an average cost basis.

Investment income

Dividend income is recorded on the ex-dividend date. Interest income and securities lending revenue are recognized as earned.

Foreign exchange

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

Deferred financing charge

Preference share issuance costs are amortized on a straight-line basis over a five-year period commencing from date of issue. The gross issuance cost of \$2,334,000 (2004 - \$2,334,000) is presented net of accumulated amortization of \$1,011,000 (2004 - \$544,000).

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax liabilities are measured using rates expected to apply to the taxable income in the years in which the temporary differences are expected to be settled.

No provision is made for future income taxes on the unrealized gain on investments, since such income taxes would be recoverable upon payment of capital gains dividends by the Company (note 5).

2 CAPITAL STOCK AND PREFERENCE SHARES

Common shares

The Company is authorized to issue an unlimited number of common shares.

	2005		2004	
	Number of shares	Amount (in thousands of dollars) \$	Number of shares	Amount (in thousands of dollars) \$
Balance - Beginning of year	20,499,638	127,402	20,488,160	127,335
Exercise of warrants	74,302	388	11,478	67
Balance - End of year	20,573,940	127,790	20,499,638	127,402

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Preference shares

The Company is authorized to issue, in series, a class of preference shares of which 2,400,000, 5.40% cumulative, redeemable Class A preference shares, Series 1 (the Series 1 Shares) and 3,000,000, 4.65% cumulative, redeemable Class A preference shares, Series 2 (the Series 2 Shares) were outstanding during the years ended December 31, 2005 and 2004.

On and after October 5, 2003 to October 4, 2008, the Company may redeem for cash all, but not less than all, of the Series 1 Shares upon payment of a redemption price equal to the higher of the Yield Price (as defined) and \$25.00 per share together with accrued and unpaid dividends up to the date of redemption. The Company can redeem in whole or in part and the holder may require the Company to redeem the Series 1 Shares on or after October 5, 2008 at \$25.00 per share.

On and after March 15, 2009 to March 15, 2014, the Company may redeem for cash the Series 2 Shares in whole or in part at a price per share equal to: \$26.00 if redeemed on or after March 15, 2009, but before March 15, 2010; \$25.75 if redeemed on or after March 15, 2010, but before March 15, 2011; \$25.50 if redeemed on or after March 15, 2011, but before March 15, 2012; \$25.25 if redeemed on or after March 15, 2012, but before March 15, 2013; and \$25.00 thereafter, together in each case with all accrued and unpaid dividends up to but excluding the date fixed for redemption. A holder of Series 2 Shares may require the Company to redeem such shares on or after March 15, 2014 for a cash price of \$25.00, together with any accrued and unpaid dividends up to but excluding the date of redemption.

Warrants

The Company has 3,288,484 (2004 - 3,459,286) warrants outstanding that are exercisable on June 30 each year, commencing on June 30, 2000 and ending on June 30, 2007. On June 30, 2005, the sixth exercise date, 74,302 warrants were exercised for total proceeds of \$388,000 (2004 - 11,478 warrants, \$67,000). As at December 31, 2005, each warrant entitles the holder to subscribe for a common share at a price of \$5.22 (2004 - \$5.83) per share, subject to adjustment based on the warrant indenture. Upon approval of the audited financial statements for 2005 by the board of directors, in accordance with the warrant indenture, the future exercise price will be reduced to \$4.12 (2004 - \$5.22) per share as a result of cash dividends paid in excess of net income in each year.

During the year, the Company filed a Notice of Intention to Commence a Normal Course Issuer Bid (Notice of Intention) for issued and outstanding warrants of the Company. Pursuant to the Notice of Intention, the Company may purchase in the market from time to time, if it is considered desirable, up to 5.00%, being up to a maximum of 169,644 of its outstanding warrants during the period from April 25, 2005 to April 24, 2006. In 2005, the Company bought 96,500 (2004 - 140,100) of its warrants for cancellation for cash consideration of \$1,170,000 (2004 - \$1,079,000).

Weighted-average number of common shares outstanding

	2005	2004
Basic	20,537,298	20,493,962
Diluted		
Weighted-average number of common shares outstanding	20,537,298	20,493,962
Potential issuance of common shares from exercise of warrants	3,288,484	3,459,286
Assumed purchase of common shares	(918,218)	(1,478,018)
	22,907,564	22,475,230

3 RETAINED EARNINGS

The changes in retained earnings for the year were as follows:

<i>(in thousands of dollars)</i>	2005 \$	2004 \$
Retained earnings, Beginning of year	160,790	136,847
Additions		
Net realized gain on investments	74,924	45,095
Net investment income	-	2,486
	74,924	47,581
Deductions		
Dividends paid from net realized gain on investments, net of income taxes recoverable of \$4,320 (2004 - \$2,583)	16,254	9,717
Dividends paid from net investment income	4,929	4,918
Warrants repurchased	1,170	1,079
Increase in refundable dividend tax on hand	159	634
Increase in refundable income taxes on net realized gain on investments (note 5)	13,068	7,290
	35,580	23,638
Retained earnings, End of year	200,134	160,790

4 RELATED PARTY INFORMATION

Management fees are paid monthly to Morgan Meighen & Associates Limited, a corporation under common control with the Company, for services received in connection with the management of the Company's financial accounts and investment portfolio among other services. Management fees are computed quarterly at 1% per annum of the market value of the Company's investments adjusted for cash, portfolio accounts receivable and portfolio accounts payable. Values for fee calculation purposes are determined on the basis of the published financial statements of the Company as at the last day of the immediately preceding quarter.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5 TAXATION

The Company qualifies as an investment corporation under Section 130 of the Income Tax Act (Canada) (the Act) and is subject to a reduced rate of income tax on its investment income other than dividends received from taxable Canadian corporations and net taxable capital gains. The Company's provision for income taxes during the year is determined as follows:

<i>(in thousands of dollars)</i>	2005 \$	2004 \$
Provision for income taxes on net investment income		
Provision for income taxes based on combined Canadian federal and provincial income tax rates	-	898
Increase (decrease) in income taxes resulting from:		
Dividends from taxable Canadian companies	(4,582)	(4,956)
Dividends on preference shares	2,430	2,430
Income tax rate differential for investment corporations	(347)	(264)
Other	(284)	(326)
Recovery of income taxes	(2,783)	(2,218)
Applied to reduce capital gains taxes	2,783	2,218
Provision for income taxes	-	-
Refundable income taxes on net realized gain on investments		
Income taxes based on combined Canadian federal and provincial income tax rates	27,062	16,288
Increase (decrease) in income taxes resulting from:		
Non-taxable portion of realized net taxable capital gains	(13,531)	(8,144)
Differences arising from use of different cost bases for income tax and accounting purposes and other items	117	38
Income tax rate differential for investment corporations	2,203	1,326
Recovery applied from investment income	(2,783)	(2,218)
Net increase in refundable income taxes on net realized gain on investments	13,068	7,290

Income taxes are paid by the Company on net capital gains realized at the rate of approximately 21%. These income taxes are recoverable by the Company as long as it continues to qualify as an investment corporation. The Company has refundable capital gains taxes of approximately \$16,000,000 as at December 31, 2005 (2004 - \$6,900,000), which are refundable upon payment of capital gains dividends of approximately \$75,000,000 (2004 - \$33,000,000). This potential recovery has not been recorded by the Company.

The Company is also subject to a special tax of 33-1/3% on taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at the rate of \$1 for each \$3 of such dividends paid. The Company has refundable dividend tax on hand of approximately \$793,000 as at December 31, 2005 (2004 - \$634,000).

In accordance with the Act, a corporation can qualify as an investment corporation if certain tests are satisfied. One of the tests is that the corporation cannot have specified shareholders. A specified shareholder is generally a shareholder, who, along with certain persons with whom the shareholder is related, has a greater than 25% shareholding. The Company has had specified shareholders since June 20, 1996. The specified shareholder section of the Act generally allows the Company to maintain its investment corporation status as long as it does not have any specified shareholders other than those specified shareholders existing on June 20, 1996. In addition, the specified shareholders as at June 20, 1996 cannot, after that date, contribute capital or acquire additional shares of the Company other than through certain specified transactions.

6 SUPPLEMENTAL CASH FLOW INFORMATION

Included in the net (decrease) increase in cash during the year are the following:

<i>(in thousands of dollars)</i>	2005 \$	2004 \$
Preference share dividends and interest paid	6,735	6,741
Income taxes paid - net	10,312	3,708

7 SECURITIES LENDING

The Company has entered into a securities lending program with its custodian, CIBC Mellon Global Securities Services Company. Collateral is held by the custodian as agent for the Company and generally comprises Canadian or provincial government-guaranteed securities or obligations of other governments with appropriate credit ratings, and other short-term securities, of at least 105% of the market value of securities on loan. In the event that any of the loaned securities are not returned to the Company and the value of the collateral held is less than the market value of the securities not returned, the custodian shall indemnify the Company for any such shortfall.

The Company has loaned securities with a market value of \$111,126,000 as at December 31, 2005 (2004 - \$61,148,000) and the custodian held collateral of \$117,048,000 (2004 - \$65,229,000).

8 BROKERAGE COMMISSIONS PAID ON INVESTMENT TRANSACTIONS

Total brokerage commissions paid on investment transactions for the year ended December 31, 2005 were \$1,405,000 (2004 - \$1,085,000). The portion of total brokerage commissions that was used to pay for goods and services through soft dollar arrangements for the year ended December 31, 2005 was \$55,000 (2004 - \$52,000).

9 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the financial statement presentation adopted in the current year.

COMMONLY ASKED QUESTIONS

What is Canadian General Investments?

CGI is a publicly listed closed-end equity fund, founded in 1930, focussed on medium- to long-term investments in Canadian corporations.

What is CGI's investment objective?

CGI's objective is to provide better than average returns to investors through prudent security selection, timely recognition of capital gains and appropriate income generating instruments.

Does CGI employ leverage?

At December 31, 2005, CGI had two series of TSX-listed preferred shares outstanding, consisting of the \$60 million 5.40% Series 1 issue and the \$75 million 4.65% Series 2 issue. Subsequent to year end, CGI announced the issuance of \$75 million 3.90% Series 3 preferred shares.

CGI has investment corporation status. What is this and how does it benefit me?

Qualification as an investment corporation under the Income Tax Act (Canada) essentially provides CGI with the same tax advantages as Canadian mutual funds and closed-end funds in the U.S. and U.K. (i.e. capital gains tax is paid only once, by the investor, upon payment of the distribution by the company). This significantly reduces double taxation at the corporate and shareholder levels, translating into higher returns for shareholders. The capital gains refund mechanism enables CGI to recover taxes on realized net capital gains through the payment of capital gains dividends. This has enabled CGI to provide a dividend yield superior to that of most common shares on the TSX. In addition, this status allows CGI to benefit from a reduced tax rate on certain investment income, as well as to borrow at favourable rates by making a tax election that is beneficial to preferred shareholders without negatively impacting common shareholders.

What is CGI's dividend policy?

CGI's dividend policy is determined by the Board of Directors. Over the past several years, the Company has paid regular quarterly income dividends of \$0.06 per common share on March 15, June 15, September 15 and December 15. In addition, as an investment corporation, CGI is able to pay capital gains dividends. On a periodic basis, the Board considers the payment of a capital gains dividend taking into account the current year's performance, the amount of refundable capital gains tax on hand, and the desire to provide some degree of yield consistency over time. CGI paid a capital gains dividend of \$1.00 per share on December 30, 2005.

What are CGI warrants?

CGI's warrants provide holders with the right to purchase common shares at a set exercise price. The warrants were issued in February 1995 at no cost to shareholders*. They have been exercisable every June 30, since June 30, 2000, and will expire on June 30, 2007. The current exercise price for the warrants is \$4.12. Upon approval of the annual financial statements, the warrant exercise price is reduced as a result of cash dividends paid in excess of net income for each year.

What is CGI's Management Expense Ratio (MER) and why has it increased from 2004?

As a public company, CGI is responsible for numerous corporate costs, including management fees, dividends on preference shares, investor relations, listing and regulatory costs. CGI's MER is based on all of these expenses as a percentage of daily average net assets during the year. In prior years, the MER calculation excluded leverage costs (i.e. dividends on preference shares and amortization of deferred financing charge). Due to new regulations which impact investment funds such as CGI, these costs are now included in the calculation. However, CGI's Management Report of Fund Performance discloses the MER calculated using both methods. For instance, CGI's MER for 2005 was 2.88% including leverage costs and 1.53% excluding these costs.

Is CGI appropriate for me?

The Board and Management envisage that the typical investor in CGI is interested in long-term capital growth and income from a portfolio of almost exclusively Canadian equities. Investors in CGI should be willing to tolerate a moderate level of volatility. CGI offers the opportunity to purchase a widely diversified, performance-oriented portfolio of Canadian equities in one stock, which is actively managed by a team of experienced managers and overseen by a Board of Directors. It is the only closed-end Canadian equity fund company listed internationally.

Is CGI eligible for registered plans?

CGI is a fully qualified investment for Canadian registered plans.

How can I buy CGI?

CGI's shares and warrants are traded through stock brokers and are listed on the Toronto Stock Exchange (symbols: common shares – CGI; preferred shares – CGI.PR.A, CGI.PR.B and CGI.PR.C; warrants – CGI.WT) and the London Stock Exchange (symbols: common shares – CGI; warrants – CGIW). For the common shares, Bloomberg symbols are CGI CN and CGI LN; the Reuters symbol is CGIq.L.

*Note: U.S. shareholders received cash in lieu of warrants.

A TRADITION OF SUCCESSFUL INVESTING

As CGI reflects back on 75 years of investing in Canada, the Company thought it would interest its shareholders to learn some of its early history.

Canadian General Investments, Limited was incorporated in Ontario in 1930 under a name change from Second Canadian General Investments Limited, which itself had roots in 1928. The earliest fund in the group, Canadian General Investment Trust, Limited, which dated back as far as 1926, was acquired by the present day CGI in a cash-share swap in 1931. Third Canadian General Investment Trust Limited established in 1928 and unchanged in terms of name and structure today, is one of the oldest closed-end funds in North America. It is also a holding company for Canadian General Investments, Limited.

The original members of the Board of Directors and Advisory Board and their respective occupations, as given in the 1931 report to shareholders, are presented below:

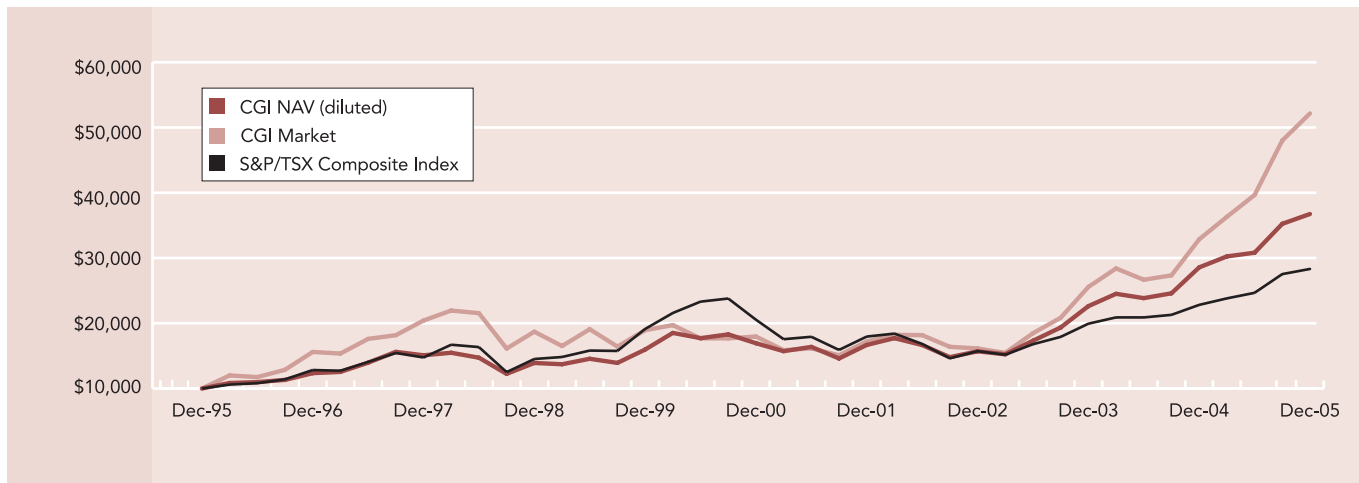
Dr. F. R. Bennetto, <i>Hamilton, Ont.</i>	W.W. Evans, <i>Esq., Toronto</i> <i>President</i>	Victor Ross, <i>Esq., Toronto</i> <i>President, Imperial Oil Limited</i>
C.L.H. Branson, <i>Esq., Victoria, B.C.</i>	J.H. Fortier, <i>Esq., Quebec, Que.</i> <i>President, P.T. Legare Co. Ltd.</i>	T.A. Russel, <i>Esq., Toronto</i> <i>President, Massey-Harris Co., Ltd.</i>
E.R. Bremner, <i>Esq., Ottawa, Ont.</i> <i>Managing Director, W.C. Edwards & Co. Ltd.</i>	Frank P. Jones, <i>Esq., Montreal, Que.</i> <i>Director, Canada Cement Co. Ltd.</i>	Fullerton Somerville, <i>Esq., Regina, Sask.</i> <i>Contractor</i>
C.H. Carlisle, <i>Esq., Toronto</i> <i>President, Goodyear Tire and</i> <i>Rubber Company of Canada Limited</i>	E.W. Kneeland, <i>Esq., Winnipeg, Man.</i> <i>President, Kneeland Grain Company</i>	G. Harrison Smith, <i>Esq., Toronto</i> <i>President, International Petroleum Co. Ltd.</i>
C.V. Cummings, <i>Esq., Montreal, Que.</i> <i>Vice-President, Northern Construction Co.</i>	Professor M.A. Mackenzie, <i>Toronto</i>	H.B. Thomson, <i>Esq., Victoria, B.C.</i>
E. R. Decary, <i>Esq., Montreal, Que.</i> <i>President, Title Guarantee and</i> <i>Trust Corporation of Canada</i>	A.R. Mann, <i>Esq., Vancouver, B.C.</i> <i>President, Northern Construction Co.</i>	Lt.-Col. Sir Ronald Waterhouse, <i>K.C.B., London,</i> <i>England</i>
Sir Henry L. Drayton, <i>K.C., Toronto</i>	J. Stanley McLean, <i>Esq., Toronto</i> <i>President, Canada Packers Limited</i>	Senator Lorne C. Webster, <i>Montreal, Que.</i> <i>Director, Sun Life Assurance Co. of Canada</i>
Gordon C. Edwards, <i>Esq., Ottawa, Ont.</i> <i>President, W. C. Edwards & Co., Ltd.</i>	The Rt. Hon. Arthur Meighen, <i>K.C., P.C., Toronto</i> <i>Chairman</i>	
R. T. Evans, <i>Esq., Winnipeg, Man.</i> <i>Vice-President & General Manager,</i> <i>British America Elevator Company</i>	Robert Rankin, <i>Esq., St. Catherines, Ont.</i> <i>Capitalist</i>	
	Senator Donat Raymond, <i>Montreal, Que.</i>	

What follows is a selection of Canadian companies whose securities were held in the portfolio at year-end 1931. Many of the names will be familiar to shareholders, even if some of them no longer exist or no longer exist in that form. Indeed, several of these companies or their successors were part of CGI's portfolio at year-end 2005.

Abitibi Power and Paper Company	Canadian Bank of Commerce	Imperial Tobacco Company of Canada Limited
Bank of Montreal	The Dominion Bank	International Nickel Company of Canada Limited
Bank of Nova Scotia	Dominion Tar and Chemical Company	King Edward Hotel Company Limited
Bank of Toronto	Famous Players Canadian Corporation	Loblaws Groceries Limited
Bell Telephone Company of Canada	Ford Motor Company of Canada Limited	National Trust Company
Canada Bread Company Limited	Goodyear Tire and Rubber Company of Canada Ltd.	Noranda Mines Limited
Canada Cement Company Limited	Grand Trunk Railway Company of Canada	Power Corporation of Canada
Canada Life Assurance Company	Great West Life Assurance Company of Canada	Royal Bank of Canada
Canada Packers Limited	Imperial Bank of Canada	Simpson's Limited
Canada Steamship Lines Limited	Holt Renfrew Company Limited	Sun Life Assurance Company of Canada

TEN YEAR PERFORMANCE

Growth of a \$10,000 Investment - 10 years to December 31, 2005



CLOSED-END FUNDS SIMPLY UNDERSTOOD

- Fixed number of shares
- Usually listed and traded on a stock exchange
- Bought and sold through investment dealers and brokers
- Commission charges only when stock is purchased or sold
- Trade usually below real value
- May pay cash and/or stock dividends
- Often have dividends and dividend reinvestment plans (company may absorb all administrative charges, including commissions)
- May employ leverage

CORPORATE INFORMATION

CANADIAN GENERAL INVESTMENTS, LIMITED

BOARD OF DIRECTORS

James F. Billett
President, J.F. Billett Holdings Ltd.

James G. Cook
Barrister and Solicitor

Jonathan A. Morgan
President & CEO of the Corporation

Vanessa L. Morgan
Chairman of the Corporation

R. Neil Raymond
Chairman & CEO, Innovium Capital Corp.

Michael A. Smedley
*Executive Vice-President & CEO,
Morgan Meighen & Associates Limited*

Richard O'C. Whittall
President, Watershed Capital Partners Inc.

AUDIT COMMITTEE

James F. Billett
James G. Cook
Richard O'C. Whittall

CORPORATE GOVERNANCE COMMITTEE

James G. Cook
Jonathan A. Morgan
R. Neil Raymond

INDEPENDENT DIRECTORS COMMITTEE

James F. Billett
James G. Cook
R. Neil Raymond
Richard O'C. Whittall

OFFICERS

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President & CEO

Colin D. Smith
Secretary-Treasurer

Frank C. Fuernkranz, MBA, CA, CFA
Assistant-Treasurer

OFFICE OF THE COMPANY

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website: www.mmainvestments.com

MANAGER

Morgan Meighen & Associates Limited
Toronto

AUDITORS

PricewaterhouseCoopers LLP
Toronto

BANKERS

Bank of Montreal
Toronto

SOLICITORS

Blake, Cassels & Graydon LLP
Toronto

CANADIAN REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario, Canada M5J 2Y1
Telephone:

Canada & U.S.: 1-800-564-6253
Overseas: 1-514-982-7555

Fax:
Canada & U.S.: 1-888-453-0330
Overseas: 1-416-263-9394
e-mail: mmamail@computershare.com

To change your address, eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare at the above address.

U.K. TRANSFER AGENT

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Telephone: 0870 702 0000
Fax: 0870 703 6119
e-mail: web.queries@computershare.co.uk

U.K. STOCKBROKER

Teather & Greenwood Limited
15 St. Botolph Street
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Telephone: 020 7426 9000
Fax: 020 7426 9595

PUBLICATION

Diluted net asset value per share (NAV) and/or market price and market return are published daily/weekly in various media in Canada, the U.K. and the U.S.. These include: The Globe and Mail, National Post, New York Times, The Wall Street Journal, Barron's, Financial Times and Daily Telegraph.

The Company posts ongoing top 10 portfolio investments (priced at market), together with current NAV and market return information on its website. CGI also posts its top 25 holdings on its website on a quarterly basis. Similar information is available directly from the Company upon request.

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange

Trading Symbols:

Common Shares	CGI
Warrants	CGI.WT
Preference Shares,	
Series 1	CGI.PR.A
Series 2	CGI.PR.B
Series 3	CGI.PR.C

The London Stock Exchange

Trading Symbols:

Common Shares	CGI
Warrants	CGIW

DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

The Plan, administered by the Company's Canadian Transfer Agent, offers an efficient method of acquiring additional shares. As well as with reinvested dividends, shareholders may purchase additional shares for cash (minimum \$100 – maximum \$5,000) every quarter. Shares are purchased on the open market, with participants paying the average cost while the Company pays all administrative charges, including commissions. The Plan may be used for self-directed RRSPs. Also, a number of Canadian brokers offer dividend reinvestment plans to CGI shareholders. Note: U.S. shareholders are eligible for the dividend reinvestment segment of the plan only.

ANNUAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of the shareholders of Canadian General Investments, Limited will be held at 3:00 p.m. (Toronto time) Wednesday, April 5, 2006 in Room A, 4th Floor, The Toronto Board of Trade, 77 Adelaide Street West, First Canadian Place, Street Level, Toronto, Ontario, M5X 1C1 (Telephone (416) 366-6811).

The Company is a founding member of the Closed-End Fund Association (CEFA) in North America.

Managed by:



Morgan Meighen

& ASSOCIATES

Investment Managers

CANADIAN GENERAL INVESTMENTS, LIMITED

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