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 **THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED**

ANNUAL REPORT, DECEMBER 31

1988

BOARD OF DIRECTORS

D. L. CAMPBELL
M. C. G. MEIGHEN, O.B.E.
MICHAEL A. MEIGHEN, Q.C.
E. LOUISE MORGAN
WARD C. PITFIELD
MICHAEL A. SMEDLEY
J. ALLYN TAYLOR

INVESTMENT COMMITTEE

M. C. G. MEIGHEN, O.B.E.
MICHAEL A. MEIGHEN, Q.C.
WARD C. PITFIELD, Chairman
MICHAEL A. SMEDLEY
J. ALLYN TAYLOR

AUDIT COMMITTEE

D. L. CAMPBELL
MICHAEL A. MEIGHEN, Q.C.
J. ALLYN TAYLOR

OFFICERS

M. C. G. MEIGHEN, O.B.E.
Chairman
E. LOUISE MORGAN
Vice Chairman and Secretary
WARD C. PITFIELD
President
MICHAEL A. MEIGHEN, Q.C.
Vice President
MICHAEL A. SMEDLEY
Vice President
FREDERICK L. MILNE, C.A.
Treasurer

AUDITORS

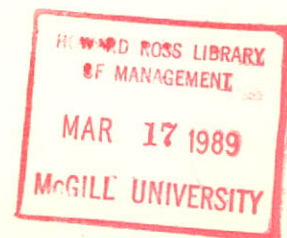
HILBORN ELLIS GRANT
Toronto

**REGISTRAR AND
TRANSFER AGENT**

MONTREAL TRUST COMPANY
Toronto and Montreal

OFFICE OF COMPANY

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



TO THE SHAREHOLDERS

Your Directors are pleased to present the Annual Report of your Company for the year ended December 31, 1988, consisting of the audited statements, the Portfolio of Investments, and a five year statistical record of assets, earnings and dividends.

The Balance Sheet discloses that the total assets of the Company at December 31, 1988 amounted to \$78,683,620 at market value. This amount, reduced by total liabilities, results in net value of \$64,934,220. After deducting \$803,303 which represents the outstanding first preferred shares at the call price, each of the 1,408,479 outstanding common shares at December 31, 1988 had an apparent liquidating value of \$45.53 vs \$44.46 in 1987. It should also be noted that while \$13,385,504 in deferred taxes was deducted in calculating equity value per share those funds continue to work for the benefit of the shareholders.

The Statement of Income shows that after paying all expenses your Company had net income for the year of \$3,212,389. Net return of \$3,174,136 after providing \$38,253 for dividends on the first preferred shares is equivalent to \$2.25 per outstanding common share, compared with \$2.02 in 1987.

We are pleased to report that despite a year of relatively slow growth in the investment sector, your Company was able to pass on to the shareholders \$2.00 in dividends on the common shares compared to \$1.70 in the previous year.

During the year a policy for investment evolved that should result in gradual concentration of funds in fewer holdings in the portfolio of your Company. This may place greater emphasis on individual growth situations in Canadian and foreign markets whilst the core holding in Canadian General Investments Limited continues to provide broad market representation.

E. Louise Morgan, the Secretary and Director of the Corporation, was elected Vice Chairman.

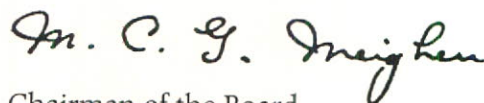
Michael A. Smedley was elected to the Board of Directors and was elected a Vice President and Member of the Investment Committee. He brings wide expertise in Canadian and International markets to the Management Company in his capacity as General Manager.

In March, 1988, Mr. Smedley assumed responsibility for day to day management of your Company's portfolio of investments.

A long and satisfactory relationship with The Canada Trust Company as transfer agent, registrar and dividend disbursing agent for your Company was terminated on November 10, 1988, when Canada Trust decided to discontinue that phase of corporate trust business. Your Directors were pleased to appoint Montreal Trust who had acquired the operations from The Canada Trust Company.

We should not conclude without expressing our appreciation to the staff of the Management Company. The expanded efforts and loyal support of all of the staff contributed greatly in a year of change and development.

Submitted on behalf of the Board



Chairman of the Board



President

TORONTO, February 13, 1989.

FIVE YEAR PERFORMANCE SUMMARY

	1988	1987	1986	1985	1984
Net Assets	\$64,934,000	\$63,424,000	\$81,628,000	\$72,094,000	\$64,961,000
Per common share	45.53	44.46	57.38	50.19	38.82
Net earnings	3,212,000	2,883,000	2,908,000	3,009,000	2,769,000
Per common share	2.25	2.02	2.03	1.80	1.64
Dividends paid per common share	2.00	1.70	1.55	1.40	1.40
Market value of common shares					
High	42.50	56.00	55.00	45.00	38.75
Low	36.75	35.00	41.00	37.75	27.50

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
THIRD CANADIAN GENERAL INVESTMENT
TRUST LIMITED

We have examined the balance sheet of Third Canadian General Investment Trust Limited as at December 31, 1988 and the statements of income, retained earnings, unrealized gain on investments and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1988 and the results of its operations and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



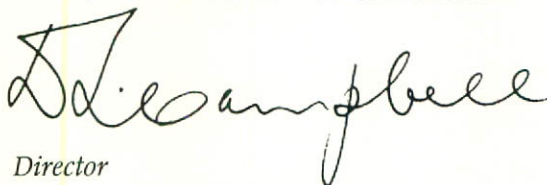
HILBORN ELLIS GRANT
Chartered Accountants

Toronto, Ontario
January 16, 1989

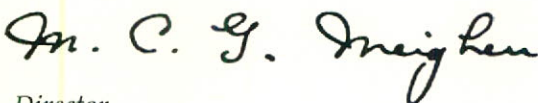
BALANCE SHEET

	December 31	
	1988	1987
ASSETS		
Investments		
Securities having a quoted market value	\$75,765,864	\$70,619,366
Securities not having a quoted market value	530,260	437,760
	76,296,124	71,057,126
(Cost as at December 31, 1988 – \$27,128,820 December 31, 1987 – \$24,735,078)		
Short-term investments, at cost plus accrued interest	2,100,038	3,865,233
Accounts receivable on securities sold	236,506	–
Dividends receivable	19,667	4,522
Income taxes recoverable	3,650	56,900
Cash	27,635	20,322
	\$78,683,620	\$ 75,004,103
LIABILITIES		
Accounts payable and accrued liabilities	\$ 24,954	\$ 24,241
Amounts payable on securities purchased	329,379	–
Dividends payable	9,563	9,563
	363,896	33,804
Deferred income taxes (note 2)	13,385,504	11,546,139
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized –		
75,301 first preferred shares Series A		
2,000,000 common shares		
Issued and outstanding –		
15,301 \$2.50 cumulative first		
preferred shares Series A redeemable at \$52.50		
per share	765,050	765,050
1,408,479 common shares	11,437,519	11,437,519
	12,202,569	12,202,569
Contributed surplus	2,694,172	2,694,172
Unrealized gain on investments	35,781,801	34,775,909
Retained earnings	14,255,678	13,751,510
	64,934,220	63,424,160
	\$78,683,620	\$ 75,004,103

APPROVED ON BEHALF OF THE BOARD



Director



Director

STATEMENT OF INCOME

	Year ended December 31	
	1988	1987
Income		
Dividends	\$3,255,892	\$2,930,775
Interest	214,781	245,287
Miscellaneous	(49,607)	4,320
	3,421,066	<u>3,180,382</u>
Expenses		
Management fees (note 3)	127,380	166,710
Directors' and Officers' fees	5,800	1,900
Miscellaneous	66,498	61,655
	199,678	<u>230,265</u>
Income before income taxes	3,221,388	2,950,117
Income taxes (note 2)	8,999	67,459
Net income for year	\$3,212,389	<u>\$2,882,658</u>
Net income for year per common share (after deducting preferred dividends)	\$2.25	<u>\$2.02</u>

STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	1988	1987
Balance, beginning of year	\$13,751,510	\$9,268,073
Add (deduct)		
Net income for year	3,212,389	2,882,658
Dividends paid or declared		
On first preferred shares Series A	(38,253)	(38,253)
On common shares	(2,816,952)	(2,394,409)
	14,108,694	<u>9,718,069</u>
Gain on disposition of investments	146,984	4,033,441
Balance, end of year	\$14,255,678	<u>\$13,751,510</u>
Dividends paid or declared per share		
Preferred	\$2.50	\$2.50
Common	\$2.00	<u>\$1.70</u>

STATEMENT OF UNREALIZED GAIN ON INVESTMENTS

	Year ended December 31	
	1988	1987
Balance, beginning of year	\$34,775,909	\$57,463,287
Increase (decrease) during year	2,845,257	(30,440,563)
(Increase) reduction in provision for deferred income taxes (note 2)	(1,839,365)	7,753,185
	1,005,892	<u>(22,687,378)</u>
Balance, end of year	\$35,781,801	<u>\$34,775,909</u>

STATEMENT OF CHANGES IN NET ASSETS

	Year ended December 31	
	1988	1987
Net assets, beginning of year	\$63,424,160	\$81,628,101
Add		
Net income for year	3,212,389	2,882,658
Increase (decrease) in unrealized gain on investments	1,005,892	(22,687,378)
Gain on disposition of investments	146,984	4,033,441
	<u>67,789,425</u>	<u>65,856,822</u>
Deduct		
Dividends paid or declared		
On first preferred shares Series A	38,253	38,253
On common shares	2,816,952	2,394,409
	<u>2,855,205</u>	<u>2,432,662</u>
Net assets, end of year	<u>\$64,934,220</u>	<u>\$63,424,160</u>
Apparent liquidating value per common share (after deducting outstanding preferred shares at call price)		
Beginning of year	\$44.46	\$57.38
End of year	\$45.53	\$44.46

SCHEDULE OF GAIN (LOSS) ON DISPOSITION OF INVESTMENTS

	Year ended December 31	
	1988	1987
Cost of investments, beginning of year	\$24,735,078	\$19,905,111
Add: Purchase of investments	6,726,550	9,845,578
	<u>31,461,628</u>	<u>29,750,689</u>
Deduct: Cost of investments, end of year	27,128,820	24,735,078
Cost of investments disposed of during year	4,332,808	5,015,611
Proceeds from disposition of investments	4,536,892	10,392,723
Gain on disposition of investments before income taxes	204,084	5,377,112
Income taxes (note 2)	57,100	1,343,671
Gain on disposition of investments	\$ 146,984	\$ 4,033,441

NOTES TO FINANCIAL STATEMENTS

December 31, 1988

1. SIGNIFICANT ACCOUNTING POLICIES**a) Valuation of Investments**

Market values of quoted securities are based on the latest bid price reported by the principal securities exchange on which the issue was traded on December 31. Securities not having a quoted market value have been included at values determined by the directors based principally on the underlying value of the assets represented by these securities.

b) Investment Transactions

Investment transactions are recorded on the trade date, i.e., the date the order to buy or sell is executed.

c) Dividend Income

Dividend income is recorded on the date the dividend is payable by the issuing company.

d) Foreign Exchange

Assets and liabilities denoted in foreign currencies are translated into Canadian dollars at year-end rates. Income, expenses and gain or loss on disposition of investments are calculated at the exchange rate in effect on the date of the transaction.

e) Deferred Income Taxes

Provision has been made in the accounts for deferred income taxes on taxable unrealized gains. Such gains are determined as the difference between market value of the investments and the adjusted cost base for income tax purposes.

2. TAXATION

The company is subject to income tax as a public corporation and accordingly taxable dividends received from "taxable Canadian corporations", as defined by the Income Tax Act, are excluded from taxable income.

The company's provision for income taxes is made up as follows:

Statement of Income	1988	1987
Provision for income taxes based on combined Canadian federal and provincial income tax rate	\$1,542,899	\$1,538,359
Increase (decrease) in taxes resulting from:		
Tax free dividends	(1,533,900)	(1,470,900)
Actual provision for income taxes	\$ 8,999	\$ 67,459

Schedule of Gain on Disposition of Investments

Provision for income taxes based on combined Canadian federal and provincial income tax rate	\$ 97,800	\$2,801,500
(Decrease) in taxes resulting from:		
Non-taxable portion of capital gains or losses	(40,700)	(1,387,900)
Non-taxable receipts on share redemptions	-	(69,929)
Actual provision for income taxes	\$ 57,100	\$1,343,671

Statement of Unrealized Gain on Investments

As a result of changes to the Income Tax Act, the taxable portion of capital gains has increased from one half to two thirds effective July 1, 1988. The provision for deferred income taxes takes into account the increase in the taxable portion of capital gains on the entire portfolio of investments.

3. RELATED PARTY TRANSACTIONS

Management fees are paid to a related corporation for services received in connection with the administration of the company's financial accounts and investment portfolio.

PORTFOLIO OF INVESTMENTS

as at December 31, 1988

No. of Shares	Total Market Value \$	% of Portfolio	No. of Shares	Total Market Value \$	% of Portfolio
BEVERAGES			MANUFACTURING (cont'd)		
100,000	7,325,000	9.4	20,000*	Kaufel Group Ltd. 'A'	217,500
	The Seagram Company Ltd.	7,325,000	50,000	Polymer International (N.S.) Incorporated	487,500
BUSINESS FORMS			8,684	Sporran, Inc.	130,260
15,000	457,500	0.6	METALS & MINERALS		
	Moore Corporation Limited	457,500	60,000*	Cominco Resources International Limited	135,000
COMMUNICATIONS			MERCHANDISING		
25,000	1,276,250	1.6	30,000	Scott's Hospitality Inc. 'C'	412,500
	BCE Inc.	931,250	REAL ESTATE		
6,000*	BCE Mobile Communications Inc.	124,500	36,000	Trizec Corporation Ltd. 'A' ordinary	1,134,000
3,000*	Rogers Communications Inc.	220,500	54,000	Trizec Corporation Ltd. 'B' ordinary	1,768,500
ENERGY			50,000	Viceroy Homes Limited 'A'	192,500
	(A) OIL & GAS	3,150,851	STEEL		
36,633	Mark Resources Inc.	320,539	40,000*	Dofasco Inc.	1,045,000
30,000*	Nowasco Well Service Ltd.	401,250	TRANSPORTATION		
4,436	Precambrian Shield Resources Limited	8,872	7,500	British Airways PLC	260,625
20,200*	Saskatchewan Oil and Gas Corporation Ltd. 'A' prefd.	181,800	VENTURE CAPITAL		
9,000	Shell Canada Ltd. 'A'	382,500	\$615,900	Investech, L.P.	400,000
(B) PIPELINES			U.S. SECURITIES		
20,000*	Alberta Natural Gas Company Ltd.	287,500	5,000	Apple Computer, Inc.	239,991
85,875	Nova Corporation of Alberta	1,019,765	10,000	Anadarko Petroleum Corp.	305,578
(C) OTHER			12,000*	Flightsafety International, Inc.	352,384
39,900	TransAlta Utilities Corporation	548,625	7,000*	Halliburton Company	233,730
FINANCE			10,000*	Geo. A. Hormel & Company	262,350
	(A) BANKS	3,302,595	7,000	Marion Laboratories Inc.	167,993
24,000	The Bank of Nova Scotia	348,000	10,000*	Tiffany & Co.	500,850
12,000	The Royal Bank of Canada	451,500	OTHER FOREIGN SECURITIES		
19,200	The Toronto-Dominion Bank	684,000	3,000*	Corporacion Mapfre ADR'S	208,624
(B) OTHER			10,000*	Eurotunnel P.L.C.	106,013
28,000*	C.T. Financial Services Inc.	497,000	10,000*	Hong Kong Telecommunications Limited	217,631
25,000*	Canadian Express Limited Wts.	137,500	8,000*	Telefonica de Espana, S.A. ADR'S	224,190
18,400	E-L Financial Corporation Limited	993,600	NOTES & DEBENTURES		
10,914	Standard Trustco Limited	190,995	\$100,000*	Kaufel Group Ltd. 7.75% Conv. Deb.	107,000
GOLD & SILVER			*New holdings in 1988		
6,000*	Hemlo Gold Mines Inc.	64,500			
12,000*	Corona Corporation 'A'	88,500			
1,000*	Corona Corporation Wts.	1,150			
6,000*	Lac Minerals Ltd.	72,750			
INVESTMENT TRUST					
1,319,841	Canadian General Investments Limited	50,978,859			
MANUFACTURING					
12,000*	AMCA International Limited 9.5% prefd.	258,000			
24,400*	Corporate Foods Limited	210,450			

**SUMMARY OF
PORTFOLIO BY INDUSTRY**

	Value as of Dec. 31, 1988	Percent of Portfolio
INVESTMENT		
TRUST	\$50,978,859	65.0
BEVERAGES	7,325,000	9.4
FINANCE	3,302,595	4.2
ENERGY	3,150,851	4.0
REAL ESTATE	3,095,000	4.0
U.S. SECURITIES	2,062,876	2.6
MANUFACTURING ...	1,303,710	1.7
COMMUNICATIONS ..	1,276,250	1.6
STEEL	1,045,000	1.3
OTHER FOREIGN		
SECURITIES	756,458	1.0
BUSINESS FORMS	457,500	0.6
MERCHANDISING	412,500	0.5
VENTURE CAPITAL ...	400,000	0.5
TRANSPORTATION ...	260,625	0.3
GOLD & SILVER	226,900	0.3
METALS & MINERALS .	135,000	0.2
NOTES &		
DEBENTURES	107,000	0.1
	<u>\$76,296,124</u>	<u>97.3</u>
CASH AND		
SHORT-TERM		
INVESTMENTS	2,127,673	2.7
	<u>\$78,423,797</u>	<u>100.0</u>

