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THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

ANNUAL REPORT, DECEMBER 31

1987

BOARD OF DIRECTORS

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

INVESTMENT COMMITTEE

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

AUDITORS

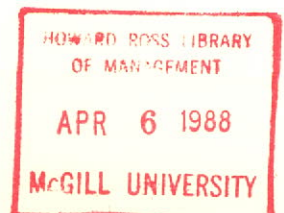
HILBORN ELLIS GRANT
Toronto

**REGISTRAR AND
TRANSFER AGENT**

THE CANADA TRUST COMPANY
Toronto and Winnipeg

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, 1987, 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 as at December 31, 1987 amounted to \$75,004,103 at market value. From this amount is deducted the total liabilities of the Company, namely \$11,579,943 which leaves a net value of \$63,424,160. After deducting the First Preferred Shares at the call price of \$52.50, namely \$803,303, each of the common shares outstanding as at December 31, 1987 had an apparent liquidating value of \$44.46. It should be noted that while \$11.5 million in deferred taxes was deducted from the total assets in calculating the equity value per share, the \$11.5 million continues to work for the benefit of the shareholders.

The Statement of Changes in Net Assets reflects the abrupt contraction in financial markets during 1987. The apparent liquidating value was \$44.46 per common share at December 31, 1987 compared to \$57.38 at the end of the previous year.

The Statement of Income discloses that your Company, after paying all expenses, had a net income for the year of \$2,882,658. After providing \$38,253 for dividends on the First Preferred Shares, the balance of net income, namely \$2,844,405 is equivalent to \$2.02 for each of the outstanding common shares, which compares favourably with the earnings of the previous year.

The dividends paid in the 1987 fiscal year on the common shares of your Company amounted to \$1.70 compared to \$1.55 in 1986.

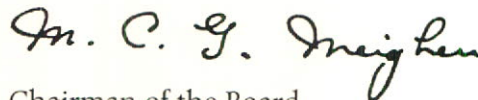
The Members of the Board of Directors of your Company wish to record their deep and abiding sorrow on the untimely passing, on September 18, 1987 of their great friend and fellow director, Alex E. Barron.

Mr. Barron joined the Board of Directors on December 14, 1955 and served with distinction in the offices of Vice-President, President and Vice-Chairman. During his tenure in these offices he gave great strength and loyalty to the Corporation and was one of the few individuals who had the ability and courage to rise above a crisis and provide leadership in a most gracious and humane manner.

His genuine concern and understanding in dealing with people was unsurpassed. He was unassuming and a gentleman in the highest meaning of the word. We will not only miss his knowledge and leadership, but also his genuinely warm personality and friendship.

In conclusion, we express our appreciation to the staff of the Management Company for their hard work during a year in which difficult market conditions put new demands on their services.

Submitted on behalf of the Board



Chairman of the Board



President

TORONTO, February 16, 1988.

FIVE YEAR PERFORMANCE SUMMARY

	1987	1986	1985	1984	1983
Net Assets	\$63,424,000	\$81,628,000	\$72,094,000	\$64,961,000	\$61,421,000
Per common share	44.46	57.38	50.19	38.82	36.62
Net earnings	2,883,000	2,908,000	3,009,000	2,769,000	2,584,000
Per common share	2.02	2.03	1.80	1.64	1.40
Dividends paid per common share	1.70	1.55	1.40	1.40	1.35
Market value of common shares					
High	56.00	55.00	45.00	38.75	28.88
Low	35.00	41.00	37.75	27.50	21.00

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, 1987 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, 1987 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.



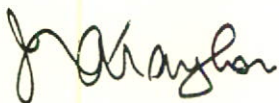
HILBORN ELLIS GRANT
Chartered Accountants

Toronto, Ontario
January 22, 1988

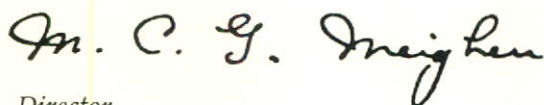
BALANCE SHEET

	Year ended December 31	
	1987	1986
ASSETS		
Investments		
Securities having a quoted market value	\$70,619,366	\$95,533,863
Securities not having a quoted market value	437,760	1,133,859
	71,057,126	96,667,722
(Cost as at December 31, 1987 – \$24,735,078 December 31, 1986 – \$19,905,111)		
Short-term investments, at cost plus accrued interest	3,865,233	4,732,727
Dividends receivable	4,522	9,444
Income taxes recoverable	56,900	–
Cash	20,322	17,493
	\$75,004,103	\$101,427,386
LIABILITIES		
Accounts payable and accrued liabilities	\$ 24,241	\$ 15,883
Amounts payable on securities purchased	–	460,960
Income taxes payable	–	13,555
Dividends payable	9,563	9,563
	33,804	499,961
Deferred income taxes (note 2(b))	11,546,139	19,299,324
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	34,775,909	57,463,287
Retained earnings	13,751,510	9,268,073
	63,424,160	81,628,101
	\$75,004,103	\$101,427,386

APPROVED ON BEHALF OF THE BOARD



Director



Director

STATEMENT OF INCOME

	Year ended December 31	
	1987	1986
Income		
Dividends	\$2,930,775	\$2,973,384
Interest	245,287	295,370
Miscellaneous	4,320	21,699
	3,180,382	3,290,453
Expenses		
Management fees (note 3)	166,710	152,845
Directors' fees	1,900	2,450
Miscellaneous	61,655	69,311
	230,265	224,606
Income before income taxes	2,950,117	3,065,847
Income taxes (note 2(a))	67,459	158,258
Net income for year	\$2,882,658	\$2,907,589
Net income for year per common share (after deducting preferred dividends)	\$2.02	\$2.03

STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	1987	1986
Balance, beginning of year	\$9,268,073	\$6,336,741
Add (deduct)		
Net income for year	2,882,658	2,907,589
Dividends paid or declared		
On first preferred shares Series A	(38,253)	(38,328)
On common shares	(2,394,409)	(2,185,508)
	9,718,069	7,020,494
Excess of cash consideration paid over book value of common shares purchased under issuer bid	-	(337,574)
Gain (loss) on disposition of investments	4,033,441	2,585,153
Balance, end of year	\$13,751,510	\$9,268,073
Dividends paid or declared per share		
Preferred	\$2.50	\$2.50
Common	\$1.70	\$1.55

STATEMENT OF UNREALIZED GAIN ON INVESTMENTS

	Year ended December 31	
	1987	1986
Balance, beginning of year	\$57,463,287	\$50,667,989
Increase (decrease) during year	(30,440,563)	9,253,992
Reduction (increase) in provision for deferred income taxes	7,753,185	(2,458,694)
	(22,687,378)	6,795,298
Balance, end of year	\$34,775,909	\$57,463,287

STATEMENT OF CHANGES IN NET ASSETS

	Year ended December 31	
	1987	1986
Net assets, beginning of year	\$81,628,101	\$72,094,184
Add		
Net income for year	2,882,658	2,907,589
Gain on purchase for cancellation of first preferred shares Series A	—	67,642
Increase (decrease) in unrealized gain on investments	(22,687,378)	6,795,298
Gain on disposition of investments	4,033,441	2,585,153
	65,856,822	84,449,866
Deduct		
Cash dividends paid or declared		
On first preferred shares Series A	38,253	38,328
On common shares	2,394,409	2,185,508
First preferred shares Series A purchased for cancellation	—	196,000
Common shares purchased under issuer bid	—	401,929
	2,432,662	2,821,765
Net assets, end of year	\$63,424,160	\$81,628,101
Apparent liquidating value per common share (after deducting outstanding preferred shares at call price)		
Beginning of year	\$57.38	\$50.19
End of year	\$44.46	\$57.38

SCHEDULE OF GAIN (LOSS) ON DISPOSITION OF INVESTMENTS

	Year ended December 31	
	1987	1986
Cost of investments, beginning of year	\$19,905,111	\$20,216,044
Add: Purchase of investments	9,845,578	4,484,944
	29,750,689	24,700,988
Deduct: Cost of investments, end of year	24,735,078	19,905,111
Cost of investments disposed of during year	5,015,611	4,795,877
Proceeds from disposition of investments	10,392,723	8,296,774
Gain on disposition of investments before income taxes	5,377,112	3,500,897
Income taxes	1,343,671	915,744
Gain on disposition of investments	\$ 4,033,441	\$ 2,585,153

NOTES TO FINANCIAL STATEMENTS

December 31, 1987

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

Amounts stated in foreign currencies are translated into Canadian dollars as follows:

- (i) Assets and liabilities at the prevailing year-end rates
- (ii) Income, expenses and gain or loss on disposition of investments at the rate in effect on the date of the transaction.

2. TAXATION

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

b) Provision for deferred income taxes has been made in the accounts for unrealized gains which, for income tax purposes, is the difference between market value and the adjusted cost base of the 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, 1987

No. of Shares	Total Market Value \$	% of Portfolio	No. of Shares	Total Market Value \$	% of Portfolio
	7,000,000	9.3		REAL ESTATE (cont'd)	
100,000	The Seagram Company Ltd.	7,000,000	3,600	Trizec Corporation Ltd. 'B' preferred	34,200
	386,250	0.5	50,000	Viceroy Homes Limited 'A' ..	215,000
15,000	Moore Corporation Limited	386,250	7,500	TRANSPORTATION	270,000
	925,000	1.2		* British Airways PLC	270,000
25,000	Bell Canada Enterprises Inc.	925,000	\$615,900	VENTURE CAPITAL	307,500
	2,025,779	2.7		Investech, L.P.	307,500
	(A) OILS	609,188	5,000	U.S. SECURITIES	3,266,700
4,436	Mark Resources Inc. warrants	2,218	5,000	* Apple Computer Inc.	272,853
36,633	Mark Resources Inc.	279,327	5,000	* Abbott Laboratories	309,396
4,436	Precambrian Shield Resources Limited	12,643	4,000	* AMP Incorporated	242,969
9,000	Shell Canada Ltd. 'A'	315,000	10,000	* Anadarko Petroleum Corp. ...	310,208
	(B) OTHER	1,416,591	5,000	* Computer Sciences Corporation	326,449
85,875	* Nova Corporation of Alberta	848,016	15,000	* Lotus Development Corporation	599,302
19,950	Transalta Utilities Corporation 'A'	568,575	12,000	* Marion Laboratories Inc.	385,892
	3,473,450	4.6	7,500	Roadway Services, Inc.	311,832
	(A) BANKS	1,181,700		Seligman Management Fund	507,799
24,000	The Bank of Nova Scotia	309,000			
12,000	The Royal Bank of Canada ...	337,500		*New holdings in 1987	
19,200	The Toronto-Dominion Bank .	535,200		SUMMARY OF PORTFOLIO BY INDUSTRY	
	(B) OTHER	2,291,750			
20,000	Crownx Inc.	197,500			
40,000	Crownx Inc. 'A'	190,000			
1,600	E-L Financial Corporation Limited 'A' preference	78,600			
18,400	E-L Financial Corporation Limited	903,900			
58,992	* Standard Trustco Limited ...	921,750			
	38,700	0.1			
2,400	Domtar Inc. \$1.00 preference	38,700			
	49,494,037	66.1			
1,319,841	Canadian General Investments Limited	49,494,037			
	401,510	0.5			
50,000	* Polymer International (N.S.) Incorporated	256,250			
25,000	* Polymer International (N.S.) Incorporated warrants	15,000			
8,684	Sporran, Inc.	130,260			
	330,000	0.4			
30,000	Scott's Hospitality Inc. 'C' ...	330,000			
	3,138,200	4.2			
54,000	Trizec Corporation Ltd. 'A' ordinary	1,404,000			
54,000	Trizec Corporation Ltd. 'B' ordinary	1,485,000			

	Value as of Dec. 31, 1987	Percent of Portfolio
INVESTMENT TRUST	\$49,494,037	66.1
BEVERAGES	7,000,000	9.3
FINANCE	3,473,450	4.6
U.S. SECURITIES	3,266,700	4.4
REAL ESTATE	3,138,200	4.2
ENERGY	2,025,779	2.7
COMMUNICATIONS ..	925,000	1.2
MANUFACTURING ..	401,510	0.5
BUSINESS FORMS . . .	386,250	0.5
MERCHANDISING	330,000	0.4
VENTURE CAPITAL	307,500	0.4
TRANSPORTATION	270,000	0.4
FOREST PRODUCTS	38,700	0.1
	<u>\$71,057,126</u>	<u>94.8</u>
CASH AND SHORT-TERM INVESTMENTS	3,885,555	5.2
	<u>\$74,942,681</u>	<u>100.0</u>

