

THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED  
ANNUAL REPORT, DECEMBER 31

1983





## **BOARD OF DIRECTORS**

ALEX E. BARRON  
D. L. CAMPBELL  
A. BRUCE MATTHEWS, C.B.E., D.S.O.  
M. C. G. MEIGHEN, O.B.E.  
MICHAEL A. MEIGHEN, Q.C.  
E. LOUISE MORGAN  
WARD C. PITFIELD  
J. ALLYN TAYLOR  
PATRICK O. G. WRIGHT

## **INVESTMENT COMMITTEE**

ALEX E. BARRON  
M. C. G. MEIGHEN, O.B.E.  
MICHAEL A. MEIGHEN, Q.C.  
WARD C. PITFIELD, Chairman  
DONALD C. WEBSTER

## **AUDIT COMMITTEE**

D. L. CAMPBELL  
A. BRUCE MATTHEWS, C.B.E., D.S.O.  
MICHAEL A. MEIGHEN, Q.C.  
PATRICK O. G. WRIGHT

## **OFFICERS**

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Chairman of the Board  
ALEX E. BARRON  
President  
E. LOUISE MORGAN  
Secretary  
FREDERICK L. MILNE, C.A.  
Treasurer

## **AUDITORS**

PRICE WATERHOUSE  
Toronto

## **REGISTRAR AND TRANSFER AGENT**

THE CANADA 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, 1983, consisting of the audited statements, the Portfolio of Investments, Changes in the Portfolio 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, 1983 amounted to \$73,691,583. From this amount is deducted the total liabilities of the Company, namely \$12,270,462 which leaves a net value of \$61,421,121. After deducting the First Preferred Shares at the call price of \$52.50, namely \$1,059,503, each of the 1,648,190 Common Shares outstanding as at December 31, 1983 had an apparent liquidating value of \$36.62. It should be noted that while \$12.2 million in deferred income taxes was deducted from the total assets in calculating the equity value per share, the \$12.2 million continues to work for the benefit of the shareholders. Such will be the case until future realization of capital gains necessitates payment to the Government of part or all of these deferred taxes.

The Statement of Income discloses that your Company, after paying all expenses, had a net income for the year of \$2,584,354. After providing \$51,578 for dividends on the First Preferred Shares, the balance of net income, namely, \$2,532,776 is equivalent to \$1.40 for each of the outstanding Common Shares.

For many years Canadian General Investments Limited has owned 652,000, or 35 percent, of the common shares of your Company, and your Company has owned 1,248,464 common shares of Canadian General Investments Limited. Due to the inter-holdings of the two Trusts, the Directors of Canadian General Investments Limited decided that in the best interests of both companies, it was desirable to divest itself

of this holding. Consequently on November 15, 1983 Canadian General Investments Limited paid to its shareholders a dividend in the form of common shares of Third Canadian General Investment Trust Limited on the basis of one common share of Third Canadian General Investment Trust Limited for each 5.9 common shares of Canadian General Investments Limited held.

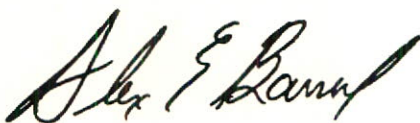
As a result of the above transaction, 211,603 common shares were received by your Company, and were subsequently cancelled. The Balance Sheet detailed on page 4 of this report shows 1,648,190 common shares outstanding as at December 31, 1983, reflecting the afore-mentioned reduction.

The Portfolio of Investments as at December 31, 1983 can be found on page 11 of this report.

Submitted on behalf of the Board



Chairman of the Board



President

TORONTO, February 22, 1984

**FIVE YEAR PERFORMANCE SUMMARY**

	1983	1982	1981	1980	1979
Net Assets .....	<b>\$61,421,000</b>	\$47,501,000	\$40,483,000	\$42,906,000	\$39,316,000
Per common share .....	<b>36.62</b>	24.97	20.69	21.78	19.92
Net earnings .....	<b>2,584,000</b>	2,810,000	2,766,000	2,524,000	2,289,000
Per common share .....	<b>1.40</b>	1.48	1.44	1.30	3,634,000*
					1.17
					1.91*
Dividends paid per common share ....	<b>1.35</b>	1.30	1.25	1.25	1.10
Market value of common shares					
High .....	<b>28.88</b>	22.50	25.25	20.50	18.50
Low .....	<b>21.00</b>	17.75	17.50	15.50	15.25

\*Including Special Dividends received and Extraordinary Item

**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, 1983 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, 1983 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.

As part of our tests referred to in the first paragraph above, we examined share certificates and other evidence supporting the investments held by the Company as at December 31, 1983.

PRICE WATERHOUSE  
Chartered Accountants

TORONTO, February 3, 1984

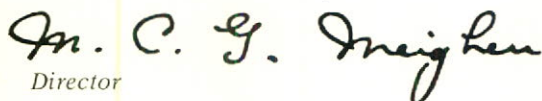
**BALANCE SHEET**

	December 31	
	1983	1982
<b>ASSETS</b>		
Investments at indicated market value (Note 1(a))		
Securities having a quoted market value .....	<b>\$70,688,958</b>	\$51,850,950
Securities not having a quoted market value .....	<b>1,108,957</b>	488,822
	<u>71,797,915</u>	<u>52,339,772</u>
(Cost as at-		
December 31, 1983-\$20,658,309		
December 31, 1982-\$19,255,789)		
Short-term investments, at cost plus accrued interest .....	<b>1,760,341</b>	2,764,407
Income taxes recoverable .....	<b>126,736</b>	54,370
Cash .....	<b>6,591</b>	8,793
	<u>\$73,691,583</u>	<u>\$55,167,342</u>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities .....	<b>\$ 5,941</b>	\$ 36,439
Dividends payable .....	<b>15,521</b>	15,896
Deferred income taxes (Note 4(b)) .....	<b>12,249,000</b>	7,613,855
Shareholders' equity		
Capital stock (Note 2)-		
Authorized-		
80,181 first preferred shares of the par		
value of \$50 each, issuable in series		
2,000,000 common shares of no par value		
Issued and outstanding-		
20,181 (1982-20,781) \$2.50 cumulative		
first preferred shares Series A		
redeemable at \$52.50 per share .....	<b>1,009,050</b>	1,039,050
1,648,190 (1982-1,858,307) common shares .....	<b>12,524,687</b>	13,670,647
	<u>13,533,737</u>	<u>14,709,697</u>
Contributed surplus, (Note 3) .....	<b>2,606,700</b>	1,036,856
Unrealized gain on investments .....	<b>38,890,605</b>	25,470,128
Retained earnings .....	<b>6,390,079</b>	6,284,471
	<u>61,421,121</u>	<u>47,501,152</u>
	<u>\$73,691,583</u>	<u>\$55,167,342</u>

APPROVED BY THE BOARD



Director



Director

**STATEMENT OF INCOME**

	Year ended December 31	
	1983	1982
Income		
Dividends (Note 1(b)).....	<b>\$2,653,212</b>	\$2,597,133
Interest .....	<b>153,590</b>	697,958
	<b>2,806,802</b>	3,295,091
Expenses		
Management fees (Note 5) .....	<b>119,515</b>	107,705
Directors' fees .....	<b>5,800</b>	5,950
Miscellaneous.....	<b>72,165</b>	62,113
Provision for income taxes .....	<b>24,968</b>	309,157
	<b>222,448</b>	484,925
Net income for the year .....	<b>\$2,584,354</b>	\$2,810,166
Net income for the year per common share (after deducting preferred dividends) .....	<b>*\$1.40</b>	\$1.48

\*Calculated using the average number of common shares outstanding during the year. The above earnings calculated on the actual number of common shares outstanding at December 31, 1983 are equivalent to \$1.54 per common share.

**STATEMENT OF RETAINED EARNINGS**

	Year ended December 31	
	1983	1982
Balance at beginning of year . . . . .	\$ 6,284,471	\$ 4,817,982
Add (deduct)		
Net income for the year . . . . .	2,584,354	2,810,166
Dividends paid or declared—		
On first preferred shares Series A . . . . .	(51,578)	(52,140)
On common shares (Note 2(b)) . . . . .	(2,430,959)	(2,402,558)
	<u>(2,482,537)</u>	<u>(2,454,698)</u>
	101,817	355,468
	<u>6,386,288</u>	<u>5,173,450</u>
Excess of cash consideration paid over book value of common shares purchased under issuer bid (Note 2(c)) . . . . .	(370,480)	(101,878)
Gain on investments disposed of during the year . . . . .	374,271	1,212,899
Balance at end of year . . . . .	<u>\$ 6,390,079</u>	<u>\$ 6,284,471</u>
Dividends paid or declared per share		
Preferred . . . . .	<u>\$2.50</u>	<u>\$2.50</u>
Common . . . . .	<u>\$1.35</u>	<u>\$1.30</u>

**STATEMENT OF UNREALIZED GAIN ON INVESTMENTS**

	Year ended December 31	
	1983	1982
Increase during the year . . . . .	\$18,055,622	\$ 7,699,537
Deferred income taxes . . . . .	(4,635,145)	(2,054,221)
	<u>13,420,477</u>	<u>5,645,316</u>
Balance at beginning of year . . . . .	<u>25,470,128</u>	<u>19,824,812</u>
Balance at end of year . . . . .	<u>\$38,890,605</u>	<u>\$25,470,128</u>



**STATEMENT OF CHANGES IN NET ASSETS**

	Year ended December 31	
	1983	1982
Net assets at beginning of year . . . . .	\$47,501,152	\$40,483,181
Add		
Net income for the year . . . . .	2,584,354	2,810,166
Gain on purchase for cancellation of first preferred shares . . . .	13,186	712,757
Increase in unrealized gain on investments . . . . .	13,420,478	5,645,316
Gain on investments disposed of during the year . . . . .	374,271	1,212,899
	<u>63,893,441</u>	<u>50,864,319</u>
Deduct		
Cash dividends paid or declared—		
On first preferred shares Series A . . . . .	51,578	52,140
On common shares . . . . .	1,868,210	1,955,182
First preferred shares Series A purchased for cancellation . . . .	30,000	1,192,500
Common shares purchased under issuer bid (Note 2(c)) . . . . .	522,532	163,345
	<u>2,472,320</u>	<u>3,363,167</u>
Net assets at end of year . . . . .	<u>\$61,421,121</u>	<u>\$47,501,152</u>
Gain on investments disposed of during the year		
Cost of investments at beginning of year . . . . .	\$19,255,789	\$22,141,190
Add: Purchase of investments during year . . . . .	2,795,766	4,540,249
	<u>22,051,555</u>	<u>26,681,439</u>
Deduct: Cost of investments at end of year . . . . .	20,658,309	19,255,789
Cost of investments disposed of during year . . . . .	1,393,246	7,425,650
Proceeds from disposition of investments during year . . . . .	1,897,464	9,021,017
	<u>504,218</u>	<u>1,595,367</u>
Provision for income taxes . . . . .	129,947	382,468
Gain on investments disposed of during the year . . . . .	<u>\$ 374,271</u>	<u>\$ 1,212,899</u>
Apparent liquidating value per common share (after deducting outstanding preferred shares at call price)		
At beginning of year . . . . .	<u>\$24.97</u>	<u>\$20.69</u>
At end of year . . . . .	<u>\$36.62</u>	<u>\$24.97</u>

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1983

**1. ACCOUNTING POLICIES****(a) Valuation of investments—**

The indicated market values of quoted securities are the result of pricing the Company's holdings at the closing quoted market prices as at December 31. Such amounts do not necessarily represent the value of the total holdings in any company which may be more or less than that indicated by market quotations. 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) Dividend income—**

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

**(c) 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 gains or losses on disposal of investments at the average rate prevailing during the year.**

**2. CAPITAL STOCK**

(a) During the year, the Company purchased and cancelled 600 of the first preferred shares Series A for an aggregate cash consideration of \$16,813. The resulting gain of \$13,187 was allocated to contributed surplus.

(b) Effective July 1, 1980, the Company allotted and reserved 162,810 of the authorized common shares of the corporation for distribution under an Optional Stock Dividend Policy. Accordingly dividends declared payable on the outstanding common shares may be paid in cash or, at the option of the shareholder, by way of a stock dividend of common shares having a value equivalent to the cash dividend.

During the year, certain shareholders exercised their right under the Optional Stock Dividend Policy and were issued 22,155 (1982–23,707) common shares, in lieu of cash dividends, with an aggregate value of \$562,749 (1982–\$447,376).

(c) In 1981, the Company gave notice of its intention to make an issuer bid, effective June 1, 1981 to May 29, 1982, to purchase through the Toronto Stock Exchange up to that number of its issued and outstanding common shares without par value (common shares) equal to the number of its common shares as may be issued from time to time as stock dividends, to a maximum of 92,942 (1982–92,382) common shares. Common shares so purchased will not be cancelled but will be restored to the status of authorized but unissued shares. The provisions of the issuer bid were extended to May 29, 1984.

During the year, the Company purchased 20,669 (1982–8,528) common shares under this issuer bid for cash consideration of \$522,532 (1982–\$163,345). The excess of the cash consideration over the book value of these shares of \$370,480 (1982–\$101,878) was charged to retained earnings.

(d) The issued and outstanding common shares are summarized as follows:

	<u>Shares</u>	<u>Amount</u>
Balance issued as at December 31, 1982	1,890,843	\$13,901,864
Issued during year as stock dividends (Note 2(b))	<u>22,155</u>	<u>562,749</u>
	1,912,998	14,464,613
Less received during year from Canadian General Investments Limited as a dividend and subsequently cancelled	<u>211,603</u>	<u>1,556,657</u>
Balance issued as at December 31, 1983	1,701,395	12,907,956
Less held in treasury at cost, including 20,669 purchased under issuer bid (note 2(c)) in 1983	<u>53,205</u>	<u>383,269</u>
Balance issued and out- standing at December 31, 1983	<u>1,648,190</u>	<u>\$12,524,687</u>

**3. CONTRIBUTED SURPLUS**

	<u>December 31</u>	
	<u>1983</u>	<u>1982</u>
Realized on purchase for cancellation of first preferred shares	<b>\$1,050,043</b>	\$ 1,036,856
Stock dividend of Company's own shares received from Canadian General Investments Limited (Note 2(d))	<u>1,556,657</u>	<u>—</u>
	<u><b>\$2,606,700</b></u>	<u>\$ 1,036,856</u>

**4. TAXATION**

(a) The Company does not qualify as an "investment corporation" as defined in Section 130 of the Canadian Income Tax Act; accordingly, it is subject to income tax as a "public corporation". Taxable dividends received from "taxable Canadian corporations", as defined by the Act, are excluded from taxable income; one-half of gains on disposal of investments, to the extent that these have accrued since December 31, 1971, are subject to income tax at full corporate rates.

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 1983

(b) Unrealized gain on investments includes approximately \$37,175,000 which has accrued since December 31, 1971. In addition, the Company has received dividends of approximately \$11,114,000 since December 31, 1971 which were paid out of "tax-paid undistributed surplus on hand" and "1971 capital surplus on hand" of the payor corporations and, therefore, must be applied to reduce the adjusted cost base of the investments in the payor corporations resulting in a corresponding increase in the gain which may ultimately be realized on these investments. Provision for deferred income taxes on these unrealized gains has been made in the accounts.

### **5. 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.

**SUMMARY OF  
PORTFOLIO BY INDUSTRY**

	Value as of Dec. 31, 1983	Percent of Portfolio
Investment Trust . . . . .	\$42,603,834	59.3
U.S. Securities . . . . .	7,821,259	10.9
Beverages . . . . .	5,400,000	7.5
Finance . . . . .	4,599,468	6.4
Energy . . . . .	2,595,230	3.6
Merchandising . . . . .	2,194,032	3.1
Real Estate . . . . .	1,557,000	2.2
Steel . . . . .	1,062,960	1.5
Miscellaneous . . . . .	1,040,000	1.5
Communications . . . . .	1,028,500	1.4
Venture Capital . . . . .	935,277	1.3
Metals . . . . .	493,750	.7
Business Forms . . . . .	265,625	.4
Manufacturing . . . . .	173,680	.2
Forest Products . . . . .	27,300	—
	<u>\$71,797,915</u>	<u>100.0</u>

**SUMMARY OF  
CHANGES TO PORTFOLIO**

in 1983

<b>ADDITIONS TO PORTFOLIO</b>	Shares
The Algoma Steel Corporation Limited <sup>1</sup> . . . . .	240
Canadian Tire Corporation Limited 'A' <sup>2</sup> . . . . .	24,200
Canvil Ltd. . . . .	416
Convergent Technologies Inc. . . . .	10,000
Cray Research Inc. . . . .	5,000
Domtar Inc. \$1.00 Preference . . . . .	2,400
Floating Point Systems Inc. . . . .	6,000
Healthdyne Inc. <sup>3</sup> . . . . .	1,500
Healthdyne Inc. . . . .	3,000
Intel Corporation <sup>4</sup> . . . . .	7,500
Investech, L.P. . . . .	\$615,900
Jackson National Life Insurance Co. . . . .	1,000
Jackson National Life Insurance Co. <sup>5</sup> . . . . .	1,750
Liz Claiborne Inc. . . . .	12,000
The Seagram Company Ltd. <sup>6</sup> . . . . .	80,000
Shared Medical Systems Corporation <sup>7</sup> . . . . .	60,000
Tandon Corporation . . . . .	3,000
Tandon Corporation <sup>8</sup> . . . . .	8,000
TIE Communications Inc. . . . .	11,000
TIE Communications Inc. <sup>9</sup> . . . . .	3,000
The Toronto-Dominion Bank <sup>10</sup> . . . . .	11,200
The Toronto-Dominion Bank Rights . . . . .	16,800
Transalta Resources Corporation 'A' Warrants . . . . .	950
Transalta Resources Corporation 'B' Warrants . . . . .	2,375
Transalta Utilities Corporation 'A' . . . . .	950
<b>DELETIONS FROM PORTFOLIO</b>	Shares
Adac Laboratories . . . . .	5,000
Convergent Technologies Inc. . . . .	10,000
Dome Resources Limited \$5.75 Prefd. . . . .	8,000
Healthdyne Inc. . . . .	1,000
Jackson National Life Insurance Co. . . . .	5,250
Tandon Corporation . . . . .	16,000
Waste Management Inc. . . . .	3,000

<sup>1</sup> Stock Dividend<sup>2</sup> Class 'A'—Stock Split five for one

Common—becomes one common and four Class 'A'

<sup>3</sup> Stock Split—three for two<sup>4</sup> Stock Split—two for one<sup>5</sup> Stock Split—three for two<sup>6</sup> Stock Split—three for one<sup>7</sup> Stock Split—two for one<sup>8</sup> Stock Split—two for one<sup>9</sup> Stock Split—two for one<sup>10</sup> Stock Split—three for one

**PORTFOLIO OF INVESTMENTS**

as at December 31, 1983

No. of Shares	Total Market Value \$	% of Portfolio	No. of Shares	Total Market Value \$	% of Portfolio
	<b>5,400,000</b>	<b>7.5</b>		<b>2,194,032</b>	<b>3.1</b>
120,000	<b>BEVERAGES</b> The Seagram Company Ltd .....		25,250	<b>MERCHANDISING</b> Canadian Tire Corporation Limited 'A'	
	5,400,000			344,032	
5,000	<b>BUSINESS FORMS</b> Moore Corporation Ltd...	<b>.4</b>	5,000	Canadian Tire Corporation Limited...	87,500
	265,625		50,000	Imasco Limited .....	1,762,500
25,000	<b>COMMUNICATIONS</b> Bell Canada \$2.05 Prefd. .	<b>1.4</b>		<b>METALS</b> Alcan Aluminium Ltd. ...	<b>493,750</b>
4,000	837,500		10,000	493,750	<b>.7</b>
	191,000			<b>REAL ESTATE</b> Trizec Corporation Ltd...	<b>1,557,000</b>
10,666	<b>ENERGY</b> (A) OILS .....	<b>3.6</b>	36,000	1,557,000	<b>2.2</b>
	Dome Petroleum Limited warrants .....			<b>STEEL</b> The Algoma Steel Corp. Limited .....	<b>1,062,960</b>
9,000	480		24,240	702,960	<b>1.5</b>
	212,625		12,000	360,000	
40,000	(B) OTHER .....			<b>VENTURE CAPITAL</b> CGI and Third Venture Capital Limited Preference .....	<b>935,277</b>
	Hiram Walker Resources Ltd. ....		650	65,000	<b>1.3</b>
25,000	1,115,000		10,000	254,377	
950	Nova, An Alberta Corp. 12% Prefd. ....		650	615,900	
	834,375			<b>MISCELLANEOUS</b> Crownx Inc. ....	<b>1,040,000</b>
2,375	Transalta Resources Corporation 'A' warrants .....		20,000	380,000	<b>1.5</b>
	2,518		20,000	385,000	
19,950	Transalta Resources Corporation 'B' warrants .....		10,000	137,500	
	6,294		10,000	137,500	
	Transalta Utilities Corporation 'A' .....			<b>U.S. SECURITIES</b> Halliburton Company...	<b>7,821,259</b>
	423,938		6,000	301,440	<b>10.9</b>
	<b>FINANCE</b> (A) BANKS .....	<b>6.4</b>	15,000	783,900	
3,500	1,137,843		120,000	4,965,600	
8,000	95,375			<b>OTHER U.S. SECURITIES</b> Cray Research Inc. ....	346,100
12,000	352,000		5,000	346,100	
16,800	411,000		6,000	268,800	
16,800	The Toronto-Dominion Bank .....		7,500	177,300	
	275,100		12,000	507,720	
	The Toronto-Dominion Bank-Rights .....		14,000	470,399	
76,500	(B) TRUST COMPANY ... Canada Trustco Mortgage Company 'A' .....				
	3,461,625				
	3,461,625				
	<b>FOREST PRODUCTS</b> Domtar Inc. \$1.00 Preference .....				
2,400	27,300				
	<b>INVESTMENT TRUST</b> Canadian General Investments Limited...	<b>59.3</b>			
1,248,464	42,603,834				
	<b>MANUFACTURING</b> Canvil Ltd .....	<b>.2</b>			
8,684	173,680				





