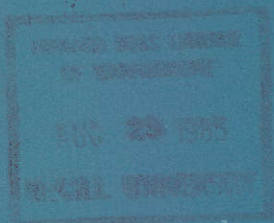


THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED  
ANNUAL REPORT, DECEMBER 31

*1980*





## **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  
E. LOUISE MORGAN  
JOHN C. RYKERT  
J. ALLYN TAYLOR  
PATRICK O. G. WRIGHT

## **INVESTMENT COMMITTEE**

ALEX E. BARRON  
M. C. G. MEIGHEN, O.B.E.  
WARD C. PITFIELD  
JOHN C. RYKERT  
DONALD C. WEBSTER

## **AUDIT COMMITTEE**

D. L. CAMPBELL  
A. BRUCE MATHEWS, C.B.E. D.S.O.  
MICHAEL A. MEIGHEN  
JOHN C. RYKERT

## **OFFICERS**

M. C. G. MEIGHEN, O.B.E.  
Chairman of the Board  
  
ALEX E. BARRON  
President  
  
JOHN C. RYKERT  
Vice President and Treasurer  
  
WARD C. PITFIELD  
Chairman of the Investment Committee  
  
E. LOUISE MORGAN  
Secretary  
  
FREDERICK L. MILNE, C.A.  
Assistant Treasurer

## **AUDITORS**

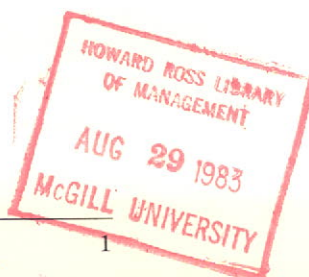
PRICE WATERHOUSE & CO.  
Toronto

## **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, 1980 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, 1980 amounted to \$49,660,430 up 10.6% from the comparable figure for December 31, 1979. From this amount is deducted the total liabilities of the Company, namely, \$6,754,454 which leaves a net value of \$42,905,976 up 9.1%. After deducting the First Preferred Shares at the call price of \$52.50, namely, \$2,655,503 each of the 1,848,077 Common Shares outstanding as at December 31, 1980 had an apparent liquidating value of approximately \$21.78 an increase of 9.3%. It should be noted that while \$6.6 million in deferred income taxes was deducted from total assets in calculating the equity value per share, the \$6.6 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 \$2,524,067. After providing \$127,984 for dividends on the First Preferred Shares, the balance of net income, namely, \$2,396,083 is equivalent to \$1.30 for each of the outstanding Common Shares. Income from normal investment sources generated net income, after preferred dividends, of \$2,361,968 or \$1.28 per share. There was also a recovery of prior years' losses for income tax purposes of \$34,115.

In June 1980 the Company implemented an Optional Stock Dividend Policy which allows common shareholders the choice of receiving their dividends in cash or in common shares of the Company. At December 31, 1980 55 common shareholders holding 325,479 shares had elected stock dividends. Since the policy came into effect 10,887 common shares with a value of \$206,303 have been issued, resulting in a .6% dilution of earnings. Payments to common shareholders during 1980 amounted to \$1.25 per share an increase of 13.6% compared to the \$1.10 disbursed during 1979.

A new group of U.S. companies is listed in the portfolio this year. These twenty-two companies typify the emerging and developing industrial technology of North America and had to pass the following tests before being purchased:

1. Profitability
2. Marketability
3. Above average management
4. Potential for substantial capital gain.

They were selected with the help of advisors in New York. During July and August, 1980 \$1,163,000 was invested in the group. The portfolio shows that the group had a value of \$1,380,000 at December 31,

1980, an 18.7% improvement for the period. In addition substantial capital gains were realized on holdings that were disposed of prior to year-end.

The list of companies is too long and the number of dollars involved too small to review each company in detail. The common denominator of the group is that they are providing goods and/or services in new, more efficient ways due to their ability to exploit scientific and technological progress.

Your Management would be pleased to supply shareholders with information on these or any other of our portfolio companies upon request to the secretary.

The portfolio of investments as at December 31, 1980 is to be found on page 10 of this report.

Submitted on behalf of the Board.

*Mr. C. G. Meighan*

Chairman of the Board

*Alex E. Barral*

President

TORONTO, February 17, 1981

**FIVE YEAR PERFORMANCE SUMMARY**

	1980	1979	1978	1977	1976
Net Assets .....	<b>42,906,000</b>	39,316,000	36,502,000	32,037,000	32,989,000
Per common share .....	<b>21.78</b>	19.92	18.37	15.92	16.41
Net Earnings .....	<b>2,524,000</b>	2,289,000	1,831,000	1,836,000	1,739,000
Per common share .....	<b>1.30</b>	3,634,000*	4,434,000*		
		1.17	.93	.93	.87
		1.91*	2.34*		
Dividends paid per common share .....	<b>1.25</b>	1.10	.95	.92	.85
			2.08**		
Market value of common shares					
High .....	<b>20.50</b>	18.50	18.50	15.00	15.50
Low .....	<b>15.50</b>	15.25	13.50	13.50	13.88

\*Including Special Dividends received and Extraordinary Item

\*\*Special Stock Dividend paid.

**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, 1980 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, 1980 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, 1980.

PRICE WATERHOUSE & CO.  
Chartered Accountants

TORONTO, January 23, 1981



**BALANCE SHEET**

	December 31	
	1980	1979
<b>ASSETS</b>		
Investments at indicated market value (Note 1(a))		
Securities having a quoted market value .....	<b>\$46,963,899</b>	\$42,384,771
Securities not having a quoted market value .....	<b>302,566</b>	211,268
	<u><b>47,266,465</b></u>	<u>42,596,039</u>
(Cost as at—		
December 31, 1980—\$16,857,978		
December 31, 1979—\$16,625,852)		
Short-term investments, at cost plus accrued interest .....	<b>2,375,561</b>	2,286,559
Accounts receivable .....	<b>6,596</b>	—
Cash .....	<b>11,808</b>	22,733
	<u><b>\$49,660,430</b></u>	<u>\$44,905,331</u>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accrued liabilities and accounts payable .....	\$ —	\$ 2,153
Dividends payable .....	<b>34,584</b>	35,177
Income taxes payable .....	<b>72,870</b>	—
Deferred income taxes (Note 3(b)) .....	<b>6,647,000</b>	5,552,000
Shareholders' equity:		
Capital stock (Note 2)—		
Authorized—		
110,581 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—		
50,581 (1979—51,631) \$2.50 cumulative first preferred		
shares Series A redeemable at \$52.50 per share .....	<b>2,529,050</b>	2,581,550
1,848,077 (1979—1,837,190) common shares .....	<b>13,066,633</b>	12,860,330
	<u><b>15,595,683</b></u>	<u>15,441,880</u>
Contributed surplus realized on purchase for cancellation		
of first preferred shares .....	<b>167,027</b>	144,239
Unrealized gain on investments .....	<b>23,761,487</b>	20,418,187
Retained earnings (Note 2) .....	<b>3,381,779</b>	3,311,695
	<u><b>42,905,976</b></u>	<u>39,316,001</u>
	<u><b>\$49,660,430</b></u>	<u>\$44,905,331</u>

APPROVED BY THE BOARD:

Alex E. Barron, *Director*M. C. G. Meighen, *Director*

**STATEMENT OF INCOME**

	Year ended December 31	
	1980	1979
Income		
Dividends (Note 1(b)).....	<b>\$2,421,562</b>	\$2,225,001
Interest.....	<b>318,472</b>	268,366
	<b>2,740,034</b>	2,493,367
Expenses		
Management fees (Note 4).....	<b>98,290</b>	91,252
Directors' fees.....	<b>1,400</b>	1,100
Miscellaneous.....	<b>38,966</b>	27,285
Provision for income taxes.....	<b>111,426</b>	85,000
	<b>250,082</b>	204,637
Income before special dividends and extraordinary item.....	<b>2,489,952</b>	2,288,730
Special dividend received in shares of Hollinger Argus Limited.....	-	1,260,000
Extraordinary item		
Recovery of income taxes on the carry forward of losses for income tax purposes of prior years.....	<b>34,115</b>	85,000
Net income for the year.....	<b>\$2,524,067</b>	\$3,633,730
Net income for the year per common share (after deducting preferred dividends)—		
Before special dividend received and extraordinary item.....	<b>\$1.28</b>	\$1.17
After special dividend received and extraordinary item.....	<b>\$1.30</b>	\$1.91

**STATEMENT OF RETAINED EARNINGS**

	Year ended December 31	
	1980	1979
Balance at beginning of year .....	\$ 3,311,695	\$ 1,829,140
Add (deduct)		
Net income for the year .....	2,524,067	3,633,730
Dividends paid or declared—		
On first preferred shares Series A .....	(127,984)	(130,266)
On common shares .....	(2,298,314)	(2,020,909)
	<u>(2,426,298)</u>	<u>(2,151,175)</u>
	97,769	1,482,555
	<u>3,409,464</u>	<u>3,311,695</u>
Loss on investments disposed of during year .....	(27,685)	—
Balance at end of year .....	<u>\$ 3,381,779</u>	<u>\$ 3,311,695</u>
Dividends paid or declared per share		
Preferred .....	\$2.50	\$2.50
Common .....	<u>\$1.25</u>	<u>\$1.10</u>

**STATEMENT OF UNREALIZED GAIN ON INVESTMENTS**

	Year ended December 31	
	1980	1979
Increase during the year .....	\$ 4,438,300	\$ 1,960,861
Deferred income taxes .....	(1,095,000)	(603,000)
	<u>3,343,300</u>	<u>1,357,861</u>
Balance at beginning of year .....	20,418,187	19,060,326
Balance at end of year .....	<u>\$23,761,487</u>	<u>\$20,418,187</u>



**STATEMENT OF CHANGES IN NET ASSETS**

	Year ended December 31	
	1980	1979
Net assets at beginning of year .....	<b>\$39,316,001</b>	\$36,501,605
Add		
Net income for the year .....	<b>2,524,067</b>	3,633,730
Gain on purchase for cancellation of first preferred shares.....	<b>22,788</b>	13,980
Increase in unrealized gain on investments .....	<b>3,343,300</b>	1,357,861
	<b>45,206,156</b>	41,507,176
Deduct		
Loss on investments disposed of during year .....	<b>27,685</b>	—
Cash dividends paid or declared:		
On first preferred shares Series A.....	<b>127,984</b>	130,266
On common shares.....	<b>2,092,011</b>	2,020,909
First preferred shares Series A purchased for cancellation .....	<b>52,500</b>	40,000
	<b>2,300,180</b>	2,191,175
Net assets at end of year .....	<b>\$42,905,976</b>	\$39,316,001
Loss on investments disposed of during year		
Cost of investments at beginning of year.....	<b>\$16,625,852</b>	\$15,076,937
Add		
Purchase of investments during year .....	<b>1,890,678</b>	288,915
Dividend received in shares of Hollinger Argus Limited.....	<b>—</b>	1,260,000
	<b>18,516,530</b>	16,625,852
Less: Cost of investments at end of year .....	<b>16,857,978</b>	16,625,852
Cost of investments disposed of during year.....	<b>1,658,552</b>	—
Proceeds from disposition of investments during year.....	<b>1,630,867</b>	—
Loss on investments disposed of during year .....	<b>\$ 27,685</b>	\$ —
Apparent liquidating value per common share (after deducting outstanding preferred shares at call price)		
At beginning of year.....	<b>\$19.92</b>	\$18.37
At end of year .....	<b>\$21.78</b>	\$19.92

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1980

**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.

**2. CAPITAL STOCK AND RETAINED EARNINGS**

(a) On April 9, 1980, by supplementary letters patent, the Company made the following changes to its capital structure and retained earnings:

(i) the authorized limit for the first preferred shares of the par value of \$50 each, issuable in series, was fixed at 111,631 shares;

(ii) of these 111,631 shares, 51,631 shares were designated as \$2.50 cumulative first preferred shares Series A of the par value of \$50 each, redeemable at \$52.50 per share;

(iii) the authorized capital was decreased by the cancellation of 52,628,930 3% non-cumulative redeemable second preferred shares of the par value of 5¢ each, none of which was previously issued; and

(iv) the sum of \$40,000, previously appropriated under Section 62 of the Canada Corporations Act, was restored to retained earnings.

(b) On May 1, 1980, the Company was continued under the Canada Business Corporations Act.

(c) During the year, the Company purchased and cancelled 1,050 of the first preferred shares Series A for an aggregate cash consideration of \$29,712. The resulting gain of \$22,788 was allocated to contributed surplus.

(d) 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 10,887 common shares, in lieu of cash dividends, with an aggregate value of \$206,303.

**3. 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.

(b) Unrealized gain on investments includes approximately \$15,634,000 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.

**4. MANAGEMENT FEES**

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, 1980	Percent of Portfolio
Investment Trust .....	\$28,870,730	61.1
U.S. Securities .....	4,366,071	9.2
Finance .....	2,966,126	6.3
Beverages .....	2,800,000	5.9
Steel .....	2,364,250	5.0
Energy .....	1,812,500	3.8
Real Estate .....	837,000	1.8
Industrial Management ..	780,000	1.7
Miscellaneous .....	718,659	1.5
Forest Products .....	402,500	.9
Metals .....	398,750	.8
Manufacturing .....	216,366	.5
Venture Capital .....	209,200	.4
Business Forms .....	205,000	.4
Communications .....	169,500	.4
Merchandising .....	149,813	.3
	\$47,266,465	100.0

**SUMMARY OF  
CHANGES IN PORTFOLIO**

in 1980

<b>ADDITIONS TO PORTFOLIO</b>	Shares
Adac Laboratories .....	3,400
Auto Trol Technology Corp. ....	900
Computervision Corp. ....	750
Data Card Corp. ....	1,600
Datapoint Corp. ....	650
Flight Safety International Inc. ....	1,300
Gearhart Industries Inc. ....	1,300
Kinder-Care Learning Centres Inc. ....	3,100
Kroy Industries Inc. ....	1,000
Medtronic Inc. ....	1,200
New England Nuclear Corp. ....	1,300
Noble Affiliates Inc. ....	1,000
Nucor Corp. ....	850
PHH Group Inc. ....	1,300
Philadelphia Suburban Corp. ....	800
Rolm Corp. ....	1,350
Schlumberger Ltd. ....	525
Scientific Atlanta Inc. ....	900
Sensormatic Electronics Corp. ....	1,400
Triad Systems Corp. ....	2,100
U.S. Surgical Corp. ....	1,150
Waste Management Inc. ....	600
Alcan Aluminium Ltd. <sup>1</sup> .....	5,000
The Algoma Steel Corp. Ltd. ....	4,000
Bank of Montreal .....	500
Calgary Power Ltd. 'A' <sup>2</sup> .....	13,200
Canvil Ltd. ....	133
Halliburton Company <sup>1</sup> .....	3,000
Hudson's Bay Oil & Gas Co. Ltd. <sup>3</sup> .....	6,000
Intel Corporation Ltd. <sup>1</sup> .....	3,750
Royal Bank of Canada .....	1,000
Scott's Restaurants Co. Ltd. 'c' <sup>1</sup> .....	10,000
Trizec Corporation Ltd. ....	3,000

**DELETIONS FROM PORTFOLIO**

Canadian Utilities Ltd. ....	1,000
Hollinger Argus Ltd. 'A' .....	30,000

<sup>1</sup>Stock Split—2 for 1<sup>3</sup>Stock Split—4 for 1<sup>2</sup>Stock Split—3 for 1

Stock Exchange—1600 shares



**PORTFOLIO OF INVESTMENTS**

as at December 31, 1980

No. of Shares	Total Market Value \$	% of Portfolio	No. of Shares	Total Market Value \$	% of Portfolio
	<b>2,800,000</b>	<b>5.9</b>		<b>837,000</b>	<b>1.8</b>
40,000	<b>BEVERAGES</b> The Seagram Company Ltd..... 2,800,000		18,000	<b>REAL ESTATE</b> Trizec Corporation Ltd..... 837,000	
	<b>205,000</b>	<b>.4</b>		<b>2,364,250</b>	<b>5.0</b>
5,000	<b>BUSINESS FORMS</b> Moore Corporation Limited.... 205,000		24,000	<b>STEEL</b> The Algoma Steel Corp. Ltd.... 900,000	
	<b>169,500</b>	<b>.4</b>	25,000	Dominion Foundries and Steel Ltd. 'A' ..... 1,018,750	
4,000	<b>COMMUNICATIONS</b> Southam Inc. .... 169,500		12,000	Stelco Inc. .... 445,500	
	<b>1,812,500</b>	<b>3.8</b>		<b>209,200</b>	<b>.4</b>
8,000	<b>ENERGY</b> (A) OILS..... 623,750 Hudson's Bay Oil & Gas Co. Ltd. .... 194,000		650	<b>VENTURE CAPITAL</b> CGI and Third Venture Capital Limited Preference... 65,000	
9,000	Shell Canada Ltd. 'A' ..... 220,500		10,000	CGI and Third Venture Capital Limited ..... 144,200	
11,000	Ram Petroleum Limited ..... 200,750			<b>718,659</b>	<b>1.5</b>
1,000	Ram Petroleum Limited— Warrants ..... 8,500		20,000	<b>MISCELLANEOUS</b> Extendicare Ltd. .... 260,000	
	(B) OTHER..... 1,188,750		20,000	Extendicare Ltd. 'A'..... 250,000	
19,000	Calgary Power Ltd. 'A' ..... 356,250		10,100	Firan Glendale Corporation... 17,675	
10,000	Hiram Walker— Consumers Home Ltd..... 307,500		21,200	McEwans Ltd. .... 39,734	
15,000	Rio Algom Ltd..... 525,000		10,000	Scott's Restaurants Co. Ltd. .... 76,250	
	<b>2,966,126</b>	<b>6.3</b>	10,000	Scott's Restaurants Co. Ltd. 'C' .. 75,000	
	(A) BANKS ..... 929,313			<b>4,366,071</b>	<b>9.2</b>
3,500	Bank of Montreal..... 113,313		6,000	Halliburton Company..... 598,020	
8,000	Bank of Nova Scotia ..... 267,000		7,500	Intel Corporation Ltd. .... 364,800	
6,000	Royal Bank of Canada ..... 360,000		5,000	National Mine Service Company ..... 88,800	
5,600	The Toronto-Dominion Bank .. 189,000		60,000	Shared Medical Systems Corporation..... 1,933,800	
	(B) TRUST COMPANY..... 2,036,813			<b>OTHER U.S. SECURITIES</b>	
76,500	Canada Trustco Mortgage Company 'A'..... 2,036,813		3,400	Adac Laboratories ..... 53,788	
	<b>402,500</b>	<b>.9</b>	900	Auto Trol Technology Corp.... 47,268	
10,000	<b>FOREST PRODUCTS</b> MacMillan Bloedel Ltd. .... 402,500		750	Computervision Corp..... 72,068	
	<b>780,000</b>	<b>1.7</b>	1,600	Data Card Corp. .... 45,120	
120,000	<b>INDUSTRIAL MANAGEMENT</b> Argus Corporation Ltd. Class 'C' Prefd..... 780,000		650	DataPoint Corp. .... 92,528	
	<b>28,870,730</b>	<b>61.1</b>	1,300	Flightsafety International Inc. .. 55,289	
1,248,464	<b>INVESTMENT TRUST</b> Canadian General Investments Limited ..... 28,870,730		1,300	Gearhart Industries Inc. .... 87,477	
	<b>149,813</b>	<b>.3</b>	3,100	Kinder-Care Learning Centers Inc..... 55,521	
500	<b>MERCHANDISING</b> Canadian Tire Corporation Ltd. 'A'..... 14,813		1,000	Kroy Industries Inc. .... 54,910	
5,000	Canadian Tire Corporation Ltd..... 135,000		1,200	Medtronic Inc. .... 58,908	
	<b>216,366</b>	<b>.5</b>	1,300	New England Nuclear Corp.... 76,427	
4,000	<b>MANUFACTURING</b> Canadian General Electric Co. Ltd..... 123,000		1,000	Noble Affiliates Inc. .... 64,160	
7,182	Canvil Ltd..... 93,366		850	Nucor Corp. .... 70,899	
	<b>398,750</b>	<b>.8</b>	1,300	PHH Group Inc. .... 64,402	
10,000	<b>METALS</b> Alcan Aluminium Ltd..... 398,750		800	Philadelphia Suburban Corp... 53,480	
			1,350	Rolm Corp. .... 75,344	
			525	Schlumberger Ltd. .... 73,322	
			900	Scientific Atlanta Inc. .... 40,023	
			1,400	Sensormatic Electronics Corp... 50,974	
			2,100	Triad Systems Corp..... 82,719	
			1,150	U.S. Surgical Corp. .... 40,492	
			600	Waste Management Inc. .... 65,532	









