

**THIRD CANADIAN GENERAL INVESTMENT
TRUST LIMITED**

1973

Annual Report

D E C E M B E R 3 1 , 1 9 7 3



**THIRD CANADIAN GENERAL INVESTMENT TRUST
LIMITED**

Board of Directors _____

ALEX E. BARRON	T. R. MEIGHEN, Q.C.
D. L. CAMPBELL	E. LOUISE MORGAN
A. BRUCE MATTHEWS, C.B.E., D.S.O.	JOHN C. RYKERT
M. C. G. MEIGHEN, O.B.E.	PATRICK O. G. WRIGHT

Officers _____

M. C. G. MEIGHEN, O.B.E.	<i>Chairman of the Board</i>
ALEX E. BARRON	<i>President</i>
JOHN C. RYKERT	<i>Treasurer</i>
E. LOUISE MORGAN	<i>Secretary</i>
PATRICK O. G. WRIGHT	<i>Assistant Treasurer</i>

Auditors _____

PRICE WATERHOUSE & CO. Toronto

Registrar and Transfer Agent _____

THE CANADA TRUST COMPANY Toronto and Montreal

Office of Company _____

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

THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting the Annual Report of your Company for the year ended December 31, 1973 consisting of the Balance Sheet, and Statements of Income, Retained Earnings, Unrealized Gain on Investments and Changes in Net Assets.

The balance sheet discloses that the total assets of the Company as at December 31, 1973 amounted to \$37,187,932. From this amount is deducted the total liabilities of the Company, namely \$1,434,853, which leaves a net value of \$35,753,079. After deducting the First Preferred Shares Series "A" at the call price of \$52.50, namely, \$3,003,262, each of the 1,837,190 Common Shares outstanding as at December 31, 1973 had an apparent equity value of approximately \$17.83. It should be noted that while \$1.4 million in deferred income taxes was deducted from assets in calculating the equity value per share, the \$1.4 million continues to work for the benefit of the shareholders. Such will be the case until future realization of capital gains necessitates part or all of these deferred taxes to be paid to the government.

The Statement of Income discloses that your Company, after paying all expenses, had a net income for the year of \$1,105,668. After providing \$143,359 for dividends on the First Preferred Shares the balance of net income, namely \$962,309 was equivalent to 52 cents for each of the outstanding Common Shares.

During 1973, cash dividends totalling \$143,359 were paid or declared on the First Preferred Shares Series "A". The common shareholders received dividends of 45 cents per share.

The 1972 Annual Report mentioned that the Company was investigating a type of capitalization that would allow the payment of either taxable cash dividends or "tax-free" dividends from 1971 surplus. A detailed review of the proposal by the Company and its legal and accounting advisors indicated that it was not sufficiently attractive to be implemented at this time.

During 1973 the Company elected to pay the 15% tax on the remainder of the 1971 undistributed income on hand. As a result of this payment and because of the changes in the Income Tax Act (Canada), the Company

is now able to pay dividends from 1971 Capital surplus upon which no tax is payable either by the Company or the shareholders. (See Note 4 to Financial Statements). Such dividends, however, do reduce the adjusted cost base of your shares and this in turn could affect the taxable capital gain or loss resulting from any future sale of shares.

Your Directors have decided, for the time being, to continue paying dividends for tax purposes out of the Company's December 31, 1971 surplus accounts. Such a dividend in the amount of twenty-five cents per common share, tax-free in the hands of the shareholders, has been declared payable March 14, 1974 to shareholders of record February 27, 1974, an increase of five cents per share compared to the dividend paid in March 1973.

We advised the shareholders last year of the fact that we did not qualify as an "investment company" for Income Tax purposes. Representations were made to the authorities during the year and we understand that it is unlikely that a favourable change will be made in the near future.

The portfolio of investments as at December 31, 1973 is to be found on page 9 of this report.

Submitted on behalf of the Board.

M. C. G. Meighan

Chairman of the Board

Alex E. Bana

President

TORONTO, January 30, 1974.

T H I R D C A N A D I A N G E N E R A L

Balance Sheet

<i>Assets</i>	December 31	
	1973	1972
Investments at indicated market value (Note 1):		
Securities having a quoted market value - - - - -	\$36,084,332	\$39,850,121
Securities not having a quoted market value - - - - -	706,559	652,817
	36,790,891	40,502,938
(Cost as at—		
December 31, 1973—\$14,358,914		
December 31, 1972—\$14,047,994)		
Short-term investments at cost plus accrued interest - - - - -	301,297	175,072
Income taxes recoverable - - - - -	383	5,248
Cash in bank - - - - -	95,361	22,069
	<u>\$37,187,932</u>	<u>\$40,705,327</u>
<i>Liabilities and Shareholders' Equity</i>		
Dividend payable - - - - -	\$ 35,753	\$ 35,916
Deferred income taxes (Note 4) - - - - -	1,399,100	2,095,600
	1,434,853	2,131,516
Shareholders' equity:		
Capital stock (Note 2)—		
Authorized—		
118,477 first preferred shares of the par value of \$50 each, issuable in series		
52,628,930 3% non-cumulative second preferred shares of the par value of 5¢ each redeemable at the amount paid up thereon		
2,000,000 common shares of no par value		
Issued and outstanding—		
57,205 \$2.50 cumulative first preferred shares Series A redeemable at \$52.50 per share - - - - -	2,860,250	2,873,250
1,837,190 common shares - - - - -	9,185,950	9,185,950
	12,046,200	12,059,200
Contributed surplus, realized on purchase for cancellation of first preferred shares (including \$4,689 arising during the year ended December 31, 1973) - - -	28,954	24,265
Unrealized gain on investments - - - - -	21,032,877	24,359,344
Retained earnings, including \$63,600 (1972—\$50,600) appropriated under Section 62 of the Canada Corporations Act - - - - -	2,645,048	2,131,002
	<u>35,753,079</u>	<u>38,573,811</u>
	<u>\$37,187,932</u>	<u>\$40,705,327</u>

APPROVED ON BEHALF OF THE BOARD:

ALEX E. BARRON, *Director*
T. R. MEIGHEN, *Director*

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, 1973 and the statements of income, retained earnings, unrealized gain on investments and changes in net assets for the year then ended. Our examination included an inspection of share certificates and other evidence of the investments held by the Company as at December 31, 1973 and a general review of the accounting procedures and such tests of accounting records and other supporting evidence 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, 1973 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.

PRICE WATERHOUSE & CO.
Chartered Accountants

Toronto, January 15, 1974

I N V E S T M E N T T R U S T L I M I T E D

Statement of Income

	<u>Year ended December 31</u>	
	<u>1973</u>	<u>1972</u>
Income:		
Dividends received - - - - -	\$ 1,213,108	\$ 1,074,333
Interest earned - - - - -	6,564	15,989
	<u>1,219,672</u>	<u>1,090,322</u>
Expense:		
Management fee - - - - -	96,432	82,090
Directors' fees - - - - -	1,150	1,250
Miscellaneous - - - - -	16,422	9,614
	<u>114,004</u>	<u>92,954</u>
Income before income taxes - - - - -	1,105,668	997,368
Recovery of income taxes - - - - -	—	3,916
Net income for the year - - - - -	<u>\$ 1,105,668</u>	<u>\$ 1,001,284</u>
Net income for the year per common share (after deducting preferred dividends) - - - - -	<u>\$.52</u>	<u>\$.47</u>

T H I R D C A N A D I A N G E N E R A L

Statement of Retained Earnings

	Year ended December 31	
	1973	1972
Balance at beginning of year - - - - -	\$ 2,131,002	\$ 1,814,612
Net income for the year - - - - -	1,105,668	1,001,284
Gain on investments sold or redeemed less income taxes of Nil (1972—\$3,100) (Note 4(iv)) - - - - -	470,084	300,551
	3,706,754	3,116,447
Dividends paid or declared:		
On first preferred shares Series A - - - - -	143,359	143,709
On common shares - - - - -	826,736	826,736
Tax paid under Section 196(1) of the Income Tax Act - - - - -	91,611	15,000
	1,061,706	985,445
Balance at end of year - - - - -	\$ 2,645,048	\$ 2,131,002
Dividends paid per share:		
Preferred - - - - -	\$ 2.50	\$ 2.50
Common - - - - -	\$.45	\$.45

Statement of Unrealized Gain on Investments

	Year ended December 31	
	1973	1972
Increase (decrease) during the year - - - - -	\$ (4,022,967)	\$ 7,521,401
Less: Deferred income taxes applicable thereto - - - - -	(696,500)	2,095,600
	(3,326,467)	5,425,801
Balance at beginning of year - - - - -	24,359,344	18,933,543
Balance at end of year - - - - -	\$21,032,877	\$24,359,344

I N V E S T M E N T T R U S T L I M I T E D

Statement of Changes in Net Assets

	Year ended December 31	
	1973	1972
Net assets at beginning of year - - - - -	\$38,573,811	\$32,836,698
Add:		
Net income for the year - - - - -	1,105,668	1,001,284
Gain on investments sold or redeemed less income taxes - - - - -	470,084	300,551
Profit on purchase for cancellation of first preferred shares - - - - -	4,689	2,772
Increase in unrealized gain on investments less deferred income taxes - - - - -	—	5,425,801
	40,154,252	39,567,106
Less:		
Decrease in unrealized gain on investments less deferred income taxes - - - - -	3,326,467	—
Dividends paid or declared—		
On first preferred shares Series A - - - - -	143,359	143,709
On common shares - - - - -	826,736	826,736
Tax paid under Section 196(1) of the Income Tax Act - - - - -	91,611	15,000
First preferred shares Series A purchased for cancellation - - - - -	13,000	7,850
	4,401,173	993,295
Net assets at end of year - - - - -	\$35,753,079	\$38,573,811
Gain on investments sold or redeemed:		
Cost of investments at beginning of year - - - - -	\$14,047,994	\$13,257,623
Add: Purchase of investments during year - - - - -	447,270	831,450
	14,495,264	14,089,073
Less: Cost of investments at end of year - - - - -	14,358,914	14,047,994
Cost of investments sold or redeemed during year - - - - -	136,350	41,079
Proceeds from sale or redemption of investments during year - - - - -	606,434	344,730
Gain on investments sold or redeemed before income taxes - - - - -	470,084	303,651
Provision for income taxes (Note 4(iv)) - - - - -	—	3,100
Net gain on investments sold or redeemed - - - - -	\$ 470,084	\$ 300,551
Apparent liquidating value per common share (after deducting outstanding preferred shares at call price):		
At beginning of year - - - - -	\$19.35	\$16.23
At end of year - - - - -	\$17.83	\$19.35

**THIRD CANADIAN GENERAL INVESTMENT TRUST
LIMITED**

Notes to the Financial Statements

DECEMBER 31, 1973

1. 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 holding 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.
2. During the year ended December 31, 1973 260 \$2.50 cumulative first preferred shares Series A were purchased for cancellation.
3. The aggregate remuneration of 3 of the 8 directors was \$1,150 (1972—\$1,250). The remaining 5 directors, who are also the 5 officers of the Company, are employees of the management company and did not receive any remuneration as directors or officers of the Company.
4. Taxation:
 - (i) 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.
 - (ii) Unrealized appreciation on investments includes \$4,410,533 which has accrued since December 31, 1971. In addition, the Company has received dividends of \$1,591,792 since December 31, 1971 which were paid out of "tax paid undistributed surplus on hand" and "1971 capital surplus" of the payor corporation and, therefore, must be applied to reduce the adjusted cost base of the investment in the payor corporation resulting in a corresponding increase in the gain which may ultimately be realized on this investment. Provision for deferred income taxes on these unrealized gains has been made in the accounts.
 - (iii) The Company estimates its tax surplus categories, as defined by the Income Tax Act and subject to confirmation by the Canadian tax authorities, to be as follows:

	(a) 1971 Undistributed Income (Section 196)	(b) Tax paid Undistributed Surplus (Section 89(1)(k))	(c) 1971 Capital Surplus
Balance January 1, 1973 - - - - -	\$610,742	\$194,612	\$1,687,350
Dividends received - - - - -	—	264,817	577,896
Accrued gains on subsequent disposal of investments - - - - -	—	—	346,170
Section 196(1) Election - - - - -	(610,742)	519,131	—
Tax free dividends paid on common shares - - - - -	—	(826,735)	—
Balance December 31, 1973 - - - - -	\$ —	\$151,825	\$2,611,416

The Company may elect to pay dividends out of category (b) and (c). Such dividends are not required to be included in the shareholder's income but reduce the adjusted cost base of his investment for Canadian tax purposes.

- (iv) Gains realized on investments sold or redeemed during the year include taxable gains accrued since December 31, 1971 which have been offset for income tax purposes by expenses of \$57,967 charged in the statement of income. In accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants, income taxes of \$29,600 otherwise payable on the gains should have been charged to retained earnings with a corresponding increase in net income for the year. This practice has not been followed since it would give an unfair presentation of the net income for the year.

**THIRD CANADIAN GENERAL INVESTMENT TRUST
LIMITED**

Portfolio of Investments

DECEMBER 31, 1973

	Class	No. of Shares		Class	No. of Shares
Alcan Aluminium Ltd. - - - -	Common	5,000	Imperial Oil Ltd. - - - - -	Common	11,000
Algoma Steel Corp. Ltd. - - -	Common	20,000	International Nickel Co. of Canada Ltd. - - - - -	Common	7,500
Argus Corporation Ltd. - - - -	"C" Prefd.	120,000	Interprovincial Pipe Line Limited -	Common	20,000
Bank of Montreal - - - - -	Common	3,000	Kenting Limited - - - - -	Common	15,000
Bank of Nova Scotia - - - - -	Common	3,000	London Life Insurance Co. - -	Common	1,100
C.G.I. and Third Venture Capital Limited - - - - -	Common	10,000	MacMillan Bloedel Limited - -	Common	10,000
C.G.I. and Third Venture Capital Limited - - - - -	Prefd.	500	Moore Corporation Ltd. - - -	Common	40,000
Canada Packers Ltd. - - - - -	"C" Common	17,000	The Ravelston Corp. Limited - -	Common	5,270
Canadian General Investments Ltd. - - - - -	Common	312,116	The Ravelston Corp. Limited - -	Prefd.	48,549
Canadian Tire Corp. Ltd. - - -	"A" Prefd.	5,000	Rio Algom Mines Ltd. - - - -	Common	12,000
Cominco Limited - - - - -	Common	10,000	Royal Bank of Canada - - - -	Common	5,000
Distillers Corporation Seagrams Ltd. - - - - -	Common	40,000	Scott's Restaurants Ltd. - - -	Common	10,000
Dominion Foundries & Steel Ltd.	Common	25,000	Shell Canada "A"- - - - -	Common	9,000
Glendale Corporation - - - - -	Common	10,100	Simpsons Ltd. - - - - -	Common	48,000
Hudson Bay Oil & Gas Co. - - -	Common	2,000	Southam Press Ltd. - - - - -	Common	4,000
Huron & Erie Mortgage Corporation - - - - -	Common	68,000	Steel Co. of Canada Ltd. - - -	Common	12,000
I.A.C. Limited - - - - -	Common	8,000	D. A. Stuart, Oil Co. Ltd. - - -	Common	4,000
			Toronto-Dominion Bank - - - -	Common	2,500
			TransCanada PipeLines Ltd. - -	Common	1,000
			Trizec Corporation Ltd. - - -	Common	15,000

