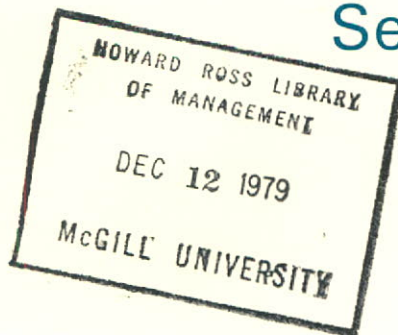


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DOMINION-SCOTTISH INVESTMENTS LIMITED



Fifty-First
ANNUAL REPORT
September 30, 1979



DOMINION-SCOTTISH INVESTMENTS LIMITED

(Incorporated under the Canada Business Corporations Act)

DIRECTORS

Douglas T. Bourke
*President and Chief Executive Officer,
Drummond, McCall Inc.
Lachine, Quebec*

John Clark
*Investment Manager,
Ivory & Sime Limited
Edinburgh, Scotland*

George A. Fierheller
*President and Chief Executive Officer,
Premier Cablevision Limited
Vancouver, British Columbia*

R. Alexander Hammond-Chambers
*Director,
Ivory & Sime Limited
Edinburgh, Scotland*

Ian E. Ivory
*Director,
Ivory & Sime Limited
Edinburgh, Scotland*

Neil B. Ivory
*President,
Pembroke Management Ltd.
Montreal, Quebec*

John S. Lane, C.F.A.
*Vice-President, Investments for Canada,
Sun Life Assurance
Company of Canada
Toronto, Ontario*

Clifford L. Larock, F.C.I.S.
*Chairman and Chief
Executive Officer,
Pembroke Management Ltd.
Montreal, Quebec*

Douglas W. Parkin, M.A., F.I.A.
*Senior Vice-President for
Canada, Finance,
The Prudential Assurance
Company Limited
Montreal, Quebec*

Hugh R. Snyder
*President & Chief Executive Officer,
Brinco Limited
Toronto, Ontario*

OFFICERS

Clifford L. Larock, F.C.I.S.
President and Chief Executive Officer

Neil B. Ivory
Vice-President

Richard Haller
Secretary-Treasurer

Cyril F. Reid
Assistant Secretary-Treasurer

MANAGERS AND LOCATION OF EXECUTIVE OFFICES

Pembroke Management Ltd.
1018 Sun Life Building,
Dominion Square,
Montreal, Quebec
H3B 2W8

PREFERENCE SHARES LISTED

Toronto Stock Exchange

AUDITORS

Touche Ross & Co.,
Chartered Accountants,
1 Place Ville Marie,
Montreal, Quebec
H3B 2A2

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company,
Toronto-Dominion Centre,
Toronto, Ontario
M5W 1P9

REGISTERED OFFICE

First Canadian Place,
12th Floor,
100 King Street West,
Toronto, Ontario
M5X 1B3

ANNUAL MEETING

Friday, 25th January, 1980,
10:00 a.m., at 1018 Sun Life
Building, Montreal, Quebec

DOMINION-SCOTTISH INVESTMENTS LIMITED

TO THE SHAREHOLDERS:

NET ASSET VALUE

At 30th September, 1979, shareholders' equity amounted to \$49.3 million. Net asset value per common share rose to \$64.67 at 30th September, 1979, from \$46.36 a year ago, an increase of 39.5%. During the same period the Standard & Poor 500 Composite Stock Index and The Toronto Stock Exchange 300 Composite Index rose 6.7% and 36.4% respectively.

INCOME AND DIVIDENDS

For the year ended 30th September, 1979, net income available for payment of dividends on the 60,000 preference shares outstanding amounted to \$800,008 which was 5.3 times the preference dividend requirement of \$150,000.

Net income available for the common shares was equivalent to \$0.91 per share. A dividend of \$0.91 per common share was declared payable on 15th November, 1979, to shareholders of record at the close of business on 7th November, 1979.

OUTLOOK FOR 1980

Recent actions by the U.S. Federal Reserve Board to lessen the availability of credit in order to slow inflation and protect the U.S. dollar from further depreciation against other currencies, are likely to aggravate the recession expected for 1980. Record high interest rates will cause corporate profits to decline more sharply than earlier anticipated.

Canada is likely to follow the U.S. into recession next year, not only because our exports to that country will be adversely affected, but also because the new Federal Government appears to be serious in its stated intent to reduce inflation by pursuing more conservative fiscal and monetary policies.

While we are not optimistic about economic and financial prospects for the next six months, we still believe common stocks are likely to provide the best investment returns in the decade of the 1980's. The sectors of greatest attraction continue to be energy and high technology companies, particularly those offering improved productivity. We shall continue to attempt to structure the portfolio to take advantage of these trends.

DIRECTORATE

Mr. Hugh R. Snyder, President and Chief Executive Officer of Brinco Limited, was today elected by the shareholders as a director of the Corporation.

ANNUAL MEETING

The Annual Meeting of the shareholders of the Corporation has been called for Friday, 25th January, 1980.

On behalf of the board,

Clifford L. Larock,
President and Chief Executive Officer

Montreal, Quebec,
30th October, 1979.

DOMINION-SCOTTISH INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

as at 30th September, 1979

	<u>1979</u>	<u>1978</u>
INVESTMENTS AT MARKET VALUE (cost 1979 — \$25,929,167; 1978 — \$24,101,242)	<u>\$46,368,916</u>	<u>\$36,816,706</u>
CURRENT ASSETS		
Cash and term deposits	519,170	695,273
Due from brokers	2,372,561	—
Accrued income on investments	113,803	70,911
Income taxes recoverable	54,948	—
	<u>3,060,482</u>	<u>766,184</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	63,606	204,873
Income taxes payable	89,000	1,164,843
	<u>152,606</u>	<u>1,369,716</u>
NET CURRENT ASSETS (LIABILITIES)	<u>2,907,876</u>	<u>(603,532)</u>
NET ASSETS (Note 3)	<u>\$49,276,792</u>	<u>\$36,213,174</u>
REPRESENTED BY		
CAPITAL STOCK		
5% cumulative redeemable (at \$52.50) preference shares of no par value		
Authorized — 76,730 shares		
Issued — 60,000 shares	\$ 3,000,000	\$ 3,000,000
Common shares of no par value		
Authorized — 1,200,000 shares		
Issued — 713,224 shares	2,979,493	2,979,493
	<u>5,979,493</u>	<u>5,979,493</u>
RETAINED EARNINGS	1,161,203	924,865
SURPLUS FROM CHANGES IN INVESTMENTS (Note 2) ...	21,696,347	16,593,352
UNREALIZED APPRECIATION OF INVESTMENTS	<u>20,439,749</u>	<u>12,715,464</u>
	<u>\$49,276,792</u>	<u>\$36,213,174</u>

Approved by the Board:

C. L. LAROCK, Director
NEIL B. IVORY, Director

DOMINION-SCOTTISH INVESTMENTS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

for the year ended
30th September, 1979

	1979	1978
INCOME FROM INVESTMENTS	<u>\$1,290,733</u>	<u>\$ 926,348</u>
Management expenses	231,907	172,655
Other expenses	<u>29,714</u>	<u>25,364</u>
	261,621	198,019
	<u>1,029,112</u>	<u>728,329</u>
Income and withholding taxes	<u>229,104</u>	<u>164,013</u>
NET INCOME	800,008	564,316
Retained earnings at beginning of year	<u>924,865</u>	<u>674,591</u>
	<u>1,724,873</u>	<u>1,238,907</u>
Dividends		
5% preference shares	150,000	150,000
Common shares	<u>413,670</u>	<u>164,042</u>
	<u>563,670</u>	<u>314,042</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$1,161,203</u>	<u>\$ 924,865</u>
Net income per common share	<u>\$0.91</u>	<u>\$0.58</u>

AUDITORS' REPORT

To the Shareholders of
Dominion-Scottish
Investments Limited

We have examined the statement of financial position of Dominion-Scottish Investments Limited (a subsidiary of GBC Capital Ltd.) as at 30th September, 1979 and the statement of income and retained earnings 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 corporation as at 30th September, 1979 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants.

Montreal, Quebec
30th October, 1979.

DOMINION-SCOTTISH INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

30th September, 1979

Note 1. Accounting Policies and Presentation

a) General

The corporation follows generally accepted accounting principles in the preparation of its financial statements and their application is consistent with that of the preceding year.

b) Foreign currencies

Transactions in foreign currencies during the year were recorded at the relative rates of exchange applicable on the dates of such transactions. Amounts in foreign currencies included in assets and liabilities are shown in Canadian funds, converted at rates of exchange applicable at the year end, any adjustment thereon being credited or charged, as the case may be, to "Surplus from changes in investments".

c) Statement of changes in financial position

A statement of changes in financial position has been omitted since it is deemed inappropriate for an investment corporation. A statement of changes in net assets (Note 3) has been substituted therefor.

Note 2. Surplus from Changes in Investments

	<u>1979</u>	<u>1978</u>
Balance at beginning of year	<u>\$16,593,352</u>	<u>\$12,451,777</u>
Gain from changes in investments (including gain on exchange, 1979 — \$11,364; 1978 — \$90,769)	<u>6,511,995</u>	5,517,325
Income taxes on changes in investments	<u>1,409,000</u>	1,375,750
	<u>5,102,995</u>	<u>4,141,575</u>
Balance at end of year	<u>\$21,696,347</u>	<u>\$16,593,352</u>

DOMINION-SCOTTISH INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

30th September, 1979
(Continued)

Note 3. Changes in Net Assets

	<u>1979</u>	<u>1978</u>
Net assets at beginning of year	<u>\$36,213,174</u>	<u>\$24,373,421</u>
Add:		
Net income for the year	800,008	564,316
Gain on changes in investments		
Investments at average cost at		
beginning of year	24,101,242	17,110,352
Purchases	<u>10,654,320</u>	<u>11,940,354</u>
	<u>34,755,562</u>	29,050,706
Investments at average cost at end of year ...	<u>25,929,167</u>	<u>24,101,242</u>
Cost of securities sold	8,826,395	4,949,464
Proceeds from securities sold	<u>15,327,026</u>	<u>10,376,020</u>
	<u>6,500,631</u>	5,426,556
Gain on exchange	11,364	90,769
Increase in unrealized appreciation		
of investments	<u>7,724,285</u>	<u>7,447,904</u>
	<u>15,036,288</u>	<u>13,529,545</u>
Deduct:		
Dividends		
5% preference shares	150,000	150,000
Common shares	413,670	164,042
Income taxes on changes in investments	<u>1,409,000</u>	<u>1,375,750</u>
	<u>1,972,670</u>	<u>1,689,792</u>
Net increase for the year	<u>13,063,618</u>	<u>11,839,753</u>
Net assets at end of year	<u>\$49,276,792</u>	<u>\$36,213,174</u>

Note 4. Directors and Officers

The board of directors consisted of nine (1978 — eight) members whose aggregate remuneration amounted to \$20,150 (1978 — \$17,554). The corporation has four officers, two of whom are also directors. The officers of the corporation received no remuneration.

DOMINION-SCOTTISH INVESTMENTS LIMITED

INVESTMENT PORTFOLIO

as at 30th September, 1979

	Number of Shares	Market Value
CONSUMER PRODUCTS		
Dominion Dairies Limited	64,000	\$ 1,440,000
Scott's Restaurants Co. Limited	100,000	1,338,000
		<u>\$ 2,778,000</u>
DATA PROCESSING		
* National Data Corporation	87,000	\$ 1,539,826
DISTRIBUTION		
J. Harris & Sons, Limited	315,000	\$ 2,126,250
Wajax Limited	80,000	1,360,000
		<u>\$ 3,486,250</u>
ENERGY		
* American Quasar Petroleum	30,000	\$ 853,041
* Felmont Oil Corporation	20,000	940,086
* First Mississippi Corp.	30,000	718,295
* Helmerich & Payne, Inc.	10,000	847,238
* McMoRan Oil & Gas Co.	30,000	1,357,902
* Moran Bros. Inc.	35,000	863,196
* Murphy Oil Corporation	25,000	2,161,618
* Noble Affiliates, Inc.	26,000	1,120,420
Numac Oil & Gas Ltd.	49,000	2,058,000
* Petrolane Incorporated	15,000	905,268
* Petroleum Equipment Tools Co.	25,000	678,371
* The Standard Oil Company, Ohio	30,000	2,406,968
* UniCapital Corporation	30,000	309,184
* Woods Petroleum Corporation	20,000	780,620
		<u>\$16,000,207</u>
FINANCE		
* H & R Block, Inc.	50,000	\$ 1,516,324
* Old Republic International Corporation	30,000	666,068
* PHH Group, Inc.	30,000	765,996
* Texas Commerce Bancshares	12,000	623,242
* Valley National Bank of Arizona	15,000	496,157
		<u>\$ 4,067,787</u>
HEALTH CARE		
* National Medical Care, Inc.	60,000	\$ 1,488,818

DOMINION-SCOTTISH INVESTMENTS LIMITED

INVESTMENT PORTFOLIO

as at 30th September, 1979

(Continued)

	Number of Shares	Market Value
MANUFACTURING		
Emco Limited	75,000	\$ 909,750
Ivaco Industries Limited	60,000	1,020,000
* Pittway Corporation	10,000	426,520
* SPS Technologies	15,000	439,577
* Standard Motor Products, Inc.	30,000	557,088
* Storage Technology Corporation	40,000	806,849
* Teledyne Inc.	15,000	2,546,066
		<u>\$ 6,705,850</u>
 METALS AND MINING		
* Hecla Mining Co.	20,000	\$ 502,076
Lornex Mining Corporation Ltd.	50,000	1,525,000
* Phelps Dodge Corporation	25,000	877,704
		<u>\$ 2,904,780</u>
 REAL ESTATE		
Carma Developers Ltd.	75,000	\$ 1,218,750
* Cousins Properties Incorporated	115,000	1,368,057
* The Deltona Corporation	30,000	426,520
* General Growth Properties, S.B.I.	10,000	501,960
* Ernest W. Hahn, Inc.	13,000	727,986
* The Rouse Company	100,000	2,176,125
		<u>\$ 6,419,398</u>
 RETAILING		
Grafton Group Limited	12,000	\$ 198,000
Grafton Group Limited, Class A	48,000	780,000
		<u>\$ 978,000</u>
 TOTAL VALUE OF INVESTMENT PORTFOLIO		 <u><u>\$46,368,916</u></u>

* U.S. Securities.

DOMINION-SCOTTISH INVESTMENTS LIMITED

TEN-YEAR FINANCIAL SUMMARY

Fiscal Year	Gross Income \$	Expenses \$	Taxes on Income (1) \$	Net Income \$	Net gain on changes in investments \$	Total Net Assets \$	Per Common Share		
							Net Asset Value (2) \$	Net Income \$	Dividend \$
1970	399,872	90,119	26,500	283,253	135,226	13,757,859	14.87	0.19	0.32
1971	433,850	98,533	32,000	303,317	99,013	15,836,452	17.79	0.21	0.24
1972	459,778	134,052	3,943	329,669	1,453,301	23,095,670	27.97	0.25	0.12
1973	421,730	141,282	10,004	290,452	634,846	18,873,333	22.05	0.20	0.15
1974	538,789	85,388	52,935	400,466	(586,146)	13,460,048	14.46	0.35	0.25
1975	598,661	99,014	103,309	396,338	431,084	17,637,031	20.31	0.35	0.25
1976	697,316	118,412	100,000	478,904	1,283,604	20,986,869	25.01	0.46	0.40
1977(3)	481,256	112,595	90,294	278,367	1,062,150	24,373,421	29.76	0.23	—
1978	926,348	198,019	164,013	564,316	4,141,575	36,213,174	46.36	0.58	0.23
1979	1,290,733	261,621	229,104	800,008	5,102,995	49,276,792	64.67	0.91	0.58

(1) Excludes taxes paid on gain on changes in investments.

(2) After deducting preference shares at the redemption price of \$52.50 per share.

(3) Nine month period ended September 30, 1977.

