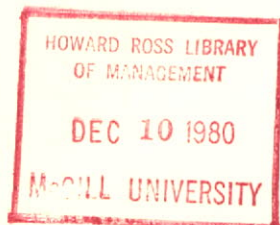


**DOMINION-SCOTTISH INVESTMENTS
LIMITED**



Fifty-Second
ANNUAL REPORT
30th September, 1980



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
*Assistant Director,
Ivory & Sime Limited
Edinburgh, Scotland*

George A. Fierheller
*President and Chief Executive Officer,
Premier Communications 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*

Hugh R. Snyder
*President and 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, 23rd January, 1981,
10:00 a.m., at 1018 Sun Life
Building, Montreal, Quebec

DOMINION-SCOTTISH INVESTMENTS LIMITED

(Incorporated under the Canada Business Corporations Act)

TO THE SHAREHOLDERS:

NET ASSET VALUE

At 30th September, 1980, net assets amounted to \$71.7 million. Net asset value per common share rose to \$96.07 at 30th September, 1980, from \$64.66 a year ago, an increase of 48.5%. During the same period the Standard & Poor 500 Composite Stock Index and The Toronto Stock Exchange 300 Composite Index rose 14.8% and 29.0% respectively.

INCOME AND DIVIDENDS

For the year ended 30th September, 1980, net income available for payment of dividends on the 60,000 preference shares outstanding amounted to \$982,781 which was 6.5 times the preference dividend requirement of \$150,000.

Net income available for the common shares was equivalent to \$1.17 per share. A dividend of \$1.10 per common share was declared payable on 24th November, 1980, to shareholders of record at the close of business on 14th November, 1980.

OUTLOOK FOR 1981

As has been the case in recent years, the economic outlook remains uninspiring. There has been an unexpectedly sharp recovery in the U.S. economy during the third quarter of calendar 1980 but, because the rate of inflation has abated only modestly, interest rates have increased rapidly threatening another dip in the economy starting in the first quarter of 1981.

Prospects are even less inspiring in Canada. The likelihood of price increases in food and petroleum suggests accelerated rates of inflation in 1981 while attempts to contain the enormous Federal Government deficit will act as an economic depressant.

The present Government's goal of economic nationalism and increased public sector involvement will in the long run do a great deal of harm to the Canadian economy.

Notwithstanding these gloomy prospects, we plan to remain fully invested in the stock market. Many companies appear to have learned to cope with sluggish economic growth and high rates of interest and inflation. Common stocks will prove to be reasonably good inflation hedges over long periods of time and we believe that we can continue to meet our long term goal of providing an above average return for our shareholders.

DIRECTORATE

Mr. Donald E. Dunn, C.A., Vice-President of Finance of Henry Birks & Sons Ltd. will be nominated as a director of the Corporation at the forthcoming Annual Meeting in replacement of Mr. Douglas W. Parkin who resigned as at 30th September, 1980. The directors wish to record their appreciation of the contribution made by Mr. Parkin to the deliberations of the Board during his tenure as a director.

ANNUAL MEETING

The Annual Meeting of the shareholders of the Corporation has been called for Friday, 23rd January, 1981.

On behalf of the board,

Clifford L. Larock,
President and Chief Executive Officer

Montreal, Quebec,
3rd November, 1980.

DOMINION-SCOTTISH INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

as at 30th September, 1980

	<u>1980</u>	<u>1979</u>
INVESTMENTS AT MARKET VALUE (cost 1980 — \$33,117,152; 1979 — \$25,929,167)	<u>\$72,618,087</u>	<u>\$46,368,916</u>
CURRENT ASSETS		
Cash and term deposits	447,258	519,170
Due from brokers	751,544	2,372,561
Accrued income on investments	125,255	113,803
Income taxes recoverable	—	54,948
	<u>1,324,057</u>	<u>3,060,482</u>
CURRENT LIABILITIES		
Due to bank	1,018,335	—
Due to brokers	936,268	—
Accrued expenses	93,872	63,606
Income taxes payable	223,055	89,000
	<u>2,271,530</u>	<u>152,606</u>
NET CURRENT (LIABILITIES) ASSETS	<u>(947,473)</u>	<u>2,907,876</u>
NET ASSETS (Note 3)	<u>\$71,670,614</u>	<u>\$49,276,792</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	<u>2,979,493</u>	<u>2,979,493</u>
	<u>5,979,493</u>	<u>5,979,493</u>
RETAINED EARNINGS	1,344,950	1,161,203
SURPLUS FROM CHANGES IN INVESTMENTS (Note 2)	24,845,236	21,696,347
UNREALIZED APPRECIATION OF INVESTMENTS	<u>39,500,935</u>	<u>20,439,749</u>
	<u>\$71,670,614</u>	<u>\$49,276,792</u>

On behalf of 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, 1980

	<u>1980</u>	<u>1979</u>
INCOME FROM INVESTMENTS	<u>\$1,576,053</u>	<u>\$1,290,733</u>
Management expenses	313,832	231,907
Other expenses	<u>51,472</u>	<u>29,714</u>
	<u>365,304</u>	<u>261,621</u>
	<u>1,210,749</u>	<u>1,029,112</u>
Income and withholding taxes	<u>227,968</u>	<u>229,104</u>
NET INCOME	982,781	800,008
Retained earnings at beginning of year	<u>1,161,203</u>	<u>924,865</u>
	<u>2,143,984</u>	<u>1,724,873</u>
Dividends		
5% Preference shares	150,000	150,000
Common shares	<u>649,034</u>	<u>413,670</u>
	<u>799,034</u>	<u>563,670</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$1,344,950</u>	<u>\$1,161,203</u>
Net income per common share	<u>\$1.17</u>	<u>\$0.91</u>

AUDITORS' REPORT

The Shareholders,
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, 1980 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, 1980 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.

Montreal, Quebec,
3rd November, 1980.

Touche Ross & Co.
Chartered Accountants

DOMINION-SCOTTISH INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

30th September, 1980

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.

2. Surplus from changes in investments

	<u>1980</u>	<u>1979</u>
Balance at beginning of year	<u>\$21,696,347</u>	<u>\$16,593,352</u>
Gain from changes in investments (including gain on exchange, 1980 — \$40,905; 1979 — \$11,364)	<u>4,231,689</u>	6,511,995
Income taxes on changes in investments	<u>1,082,800</u>	1,409,000
	<u>3,148,889</u>	<u>5,102,995</u>
Balance at end of year	<u>\$24,845,236</u>	<u>\$21,696,347</u>

DOMINION-SCOTTISH INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

30th September, 1980
(Continued)

3. Changes in net assets

	<u>1980</u>	<u>1979</u>
Net assets at beginning of year	<u>\$49,276,792</u>	<u>\$36,213,174</u>
Add:		
Net income for the year	<u>982,781</u>	800,008
Gain on changes in investments		
Securities at average cost		
at beginning of year	<u>25,929,167</u>	24,101,242
Purchases	<u>13,723,974</u>	<u>10,654,320</u>
	<u>39,653,141</u>	34,755,562
Securities at average cost at end of year	<u>33,117,152</u>	<u>25,929,167</u>
Cost of securities sold	<u>6,535,989</u>	8,826,395
Proceeds from securities sold	<u>10,726,773</u>	<u>15,327,026</u>
	<u>4,190,784</u>	6,500,631
Gain on exchange	<u>40,905</u>	11,364
Increase in unrealized appreciation		
of investments	<u>19,061,186</u>	<u>7,724,285</u>
	<u>24,275,656</u>	<u>15,036,288</u>
Deduct:		
Dividends		
5% preference shares	<u>150,000</u>	150,000
Common shares	<u>649,034</u>	413,670
Income taxes on changes in investments	<u>1,082,800</u>	<u>1,409,000</u>
	<u>1,881,834</u>	<u>1,972,670</u>
Net increase for the year	<u>22,393,822</u>	<u>13,063,618</u>
Net assets at end of year	<u>\$71,670,614</u>	<u>\$49,276,792</u>

4. Directors and Officers

The board of directors consisted of ten (1979 — nine) members whose aggregate remuneration amounted to \$22,484 (1979 — \$20,150). 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, 1980

CONSUMER PRODUCTS

	Number of Shares	Market Value
Dominion Dairies Limited	64,000	\$ 1,696,000
Scott's Hospitality Inc.	100,000	675,000
Scott's Hospitality Inc., Class C	100,000	663,000
		<u>\$ 3,034,000</u>

DATA PROCESSING

*National Data Corporation.....	87,000	\$ 2,406,326
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DISTRIBUTION

Emco Limited.....	75,000	\$ 1,022,250
Wajax Limited, convertible preferred A.....	25,000	603,250
Wajax Limited	80,000	1,640,000
		<u>\$ 3,265,500</u>

ENERGY

Chilco Partnership No. 4, units of \$50,000 each	10	\$ 500,000
*Dorchester Gas Corporation	30,000	1,395,821
*Energy Reserves Group, Inc.....	70,000	1,321,612
*Felmont Oil Corporation.....	60,000	2,721,413
*First Mississippi Corp.....	30,000	1,698,864
*Howell Petroleum Corporation.....	30,000	979,006
Interprovincial Pipe Line Limited	30,000	498,900
*Kerr-McGee Corporation	10,000	1,003,704
*McMoRan Oil & Gas Co.	60,000	2,458,050
*Moran Energy Inc.	38,500	1,892,698
*Murphy Oil Corporation	65,000	3,252,527
*Noble Affiliates, Inc.	38,600	2,213,884
Numac Oil & Gas Ltd.....	35,000	1,172,500
*Petrolane Incorporated	30,000	1,483,609
*Petroleum Equipment Tools Co.	25,000	1,024,188
*The Standard Oil Company, Ohio	50,000	3,365,188
Strom Resources Ltd.	100,000	340,000
*Summit Energy, Inc., convertible preferred	30,000	869,096
*Woods Petroleum Corporation.....	20,000	749,120
		<u>\$28,940,180</u>

FINANCE

*H & R Block, Inc.	50,000	\$ 1,814,275
Canadian Imperial Bank of Commerce.....	30,000	798,900
*Old Republic International Corporation	30,000	601,520
*PHH Group, Inc.	30,000	1,220,246
*Texas Commerce Bancshares.....	12,000	830,540
*Valley National Bank of Arizona.....	15,000	594,848
		<u>\$ 5,860,329</u>

DOMINION-SCOTTISH INVESTMENTS LIMITED

INVESTMENT PORTFOLIO

as at 30th September, 1980
(Continued)

	Number of Shares	Market Value
HEALTH CARE		
*National Medical Care, Inc.	60,000	<u>\$ 2,730,542</u>
 MANUFACTURING		
Harris Steel Group Inc., Class A.....	440,000	\$ 1,892,000
Harris Steel Group Inc., Class B.....	220,000	880,000
Ivaco Industries Limited.....	60,000	1,275,000
*SPS Technologies	23,210	862,563
*Storage Technology Corporation.....	40,000	989,307
*Teledyne Inc.	18,750	<u>4,142,473</u>
		<u>\$10,041,343</u>
 METALS AND MINING		
Lornex Mining Corporation Ltd.....	50,000	\$ 3,975,000
*Phelps Dodge Corporation	25,000	<u>1,090,028</u>
		<u>\$ 5,065,028</u>
 REAL ESTATE		
Carma Developers Ltd.	75,000	\$ 2,900,000
*Cousins Properties Incorporated	143,750	2,481,826
*The Deltona Corporation	30,000	482,831
*The Rouse Company.....	80,000	<u>1,767,923</u>
		<u>\$ 7,632,580</u>
 RETAILING		
Grafton Group Limited	12,000	\$ 175,560
Grafton Group Limited, Class A.....	48,000	744,000
*Scotty's Inc.	25,000	596,370
*Toys-R-Us, Inc.	20,000	722,900
*H. J. Wilson Co., Inc.	30,000	<u>698,086</u>
		<u>\$ 2,936,916</u>
 TRANSPORTATION		
*The Harper Group	20,000	<u>\$ 705,343</u>
 TOTAL VALUE OF INVESTMENT PORTFOLIO.....		 <u><u>\$72,618,087</u></u>

*U.S. Securities.

DOMINION-SCOTTISH INVESTMENTS LIMITED

TEN-YEAR FINANCIAL SUMMARY

Fiscal Year	Gross Income \$	Expenses \$	Taxes on Income (1) \$	Net Income \$	Gain on changes in investments net of tax \$	Total Net Assets \$	Per Common Share		
							Net Asset Value (2) \$	Net Income \$	Dividend \$
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
1980	1,576,053	365,304	227,968	982,781	3,148,889	71,670,614	96.07	1.17	0.91

(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.

