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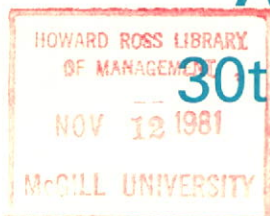
DOMINION-SCOTTISH INVESTMENTS LIMITED



Fifty-Third

ANNUAL REPORT

30th September, 1981



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*

Donald E. Dunn, C.A.
*Vice President - Finance,
Henry Birks & Sons Limited,
Montreal, Quebec*

George A. Fierheller
*President and Chief Executive Officer,
Premier Cablesystems Ltd.
Vancouver, British Columbia*

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

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

John S. Lane, C.F.A.
*Vice-President and Assistant General
Manager 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*

David T. M. Ross, F.C.C.A.
*Secretary,
British Assets Trust P.L.C.,
Edinburgh, Scotland*

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, 11th December, 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, 1981, net assets amounted to \$62.9 million. Net asset value per common share declined to \$83.78 at 30th September, 1981, from \$96.07 a year ago, a decrease of 12.8%. During the same period the Standard & Poor 500 Composite Stock Index and The Toronto Stock Exchange 300 Composite Stock Index declined 7.4% and 16.7% respectively.

INCOME AND DIVIDENDS

For the year ended 30th September, 1981, net income available for payment of dividends on the 60,000 preference shares outstanding amounted to \$1,244,910 which was 8.3 times the preference dividend requirement of \$150,000.

Net income available for the common shares was equivalent to \$1.54 per share. An interim dividend of \$0.75 was paid on 28th May, 1981, and a further dividend of \$0.75 per common share was declared payable on 24th November, 1981, to shareholders of record at the close of business on 13th November, 1981.

OUTLOOK FOR 1982

The U.S. economy appears to be falling back into recession as weak consumer demand caused by very high interest rates begins to impact production schedules. Several quarters of declining economic output and rising unemployment are anticipated. In this environment interest rates and inflation will probably decline but the stock market may continue to suffer from the twin pressures of unfavourable yield comparisons with fixed income securities and a worsening outlook for corporate profits.

Investment psychology in Canada is understandably shaken because of the many ill conceived government policies of intervention in the private sector and a continuing obsession with constitutional matters. Economic prospects are gloomy as the consumer is squeezed by inflation and high interest rates. Massive federal and provincial government deficits and a weak Canadian dollar do not suggest any near term respite from high interest rates.

The Corporation's investment policy is to continue to emphasize strongly financed U.S. companies which are not dependent upon the overall growth of the U.S. economy for their own earnings progress. While we are not overly sanguine about the near term stock market prospects, we remain convinced that this policy will provide superior returns for patient investors.

DIRECTORATE

Mr. Ian E. Ivory resigned as a director of the Corporation effective 31st August, 1981. The directors wish to record their appreciation of the significant contribution made by Mr. Ivory during his tenure as a director.

Mr. David T. M. Ross, F.C.C.A., an employee of Ivory & Sime Limited and Secretary of British Assets Trust, Edinburgh American Assets Trust and other investment companies managed by Ivory & Sime, was appointed a director of the Corporation on 2nd November, 1981, to fill the vacancy created by the resignation of Mr. Ian E. Ivory.

ANNUAL MEETING

The Annual Meeting of the shareholders of the Corporation has been called for Friday, 11th December, 1981.

On behalf of the board,

Clifford L. Larock,
President and Chief Executive Officer

Montreal, Quebec,
2nd November, 1981.

DOMINION-SCOTTISH INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

as at 30th September, 1981

	<u>1981</u>	<u>1980</u>
INVESTMENTS (Note 2)	<u>\$63,151,633</u>	<u>\$72,618,087</u>
CURRENT ASSETS		
Cash	602,288	447,258
Due from brokers	488,679	751,544
Accrued income on investments	<u>127,170</u>	<u>125,255</u>
	<u>1,218,137</u>	<u>1,324,057</u>
CURRENT LIABILITIES		
Due to bank	—	1,018,335
Due to brokers	543,467	936,268
Accrued expenses	81,042	93,872
Income taxes payable	<u>831,490</u>	<u>223,055</u>
	<u>1,455,999</u>	<u>2,271,530</u>
NET CURRENT LIABILITIES	<u>(237,862)</u>	<u>(947,473)</u>
NET ASSETS (Note 4)	<u>\$62,913,771</u>	<u>\$71,670,614</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	<u>1,120,396</u>	<u>1,344,950</u>
SURPLUS ON CHANGES IN INVESTMENTS (Note 3)	<u>31,121,826</u>	<u>24,845,236</u>
UNREALIZED APPRECIATION OF INVESTMENTS	<u>24,692,056</u>	<u>39,500,935</u>
	<u>\$62,913,771</u>	<u>\$71,670,614</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, 1981

	<u>1981</u>	<u>1980</u>
INCOME FROM INVESTMENTS.....	<u>\$1,935,676</u>	<u>\$1,576,053</u>
Management expenses.....	405,358	313,832
Other expenses.....	<u>52,573</u>	<u>51,472</u>
	<u>457,931</u>	<u>365,304</u>
	<u>1,477,745</u>	<u>1,210,749</u>
Income and withholding taxes.....	<u>232,835</u>	<u>227,968</u>
NET INCOME.....	<u>1,244,910</u>	<u>982,781</u>
Retained earnings at beginning of year.....	<u>1,344,950</u>	<u>1,161,203</u>
	<u>2,589,860</u>	<u>2,143,984</u>
Dividends		
5% preference shares.....	<u>150,000</u>	<u>150,000</u>
Common shares.....	<u>1,319,464</u>	<u>649,034</u>
	<u>1,469,464</u>	<u>799,034</u>
RETAINED EARNINGS AT END OF YEAR.....	<u>\$1,120,396</u>	<u>\$1,344,950</u>
Net income per common share.....	<u>\$1.54</u>	<u>\$1.17</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, 1981 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, 1981 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,
2nd November, 1981.

Touche Ross & Co.
Chartered Accountants

DOMINION-SCOTTISH INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS 30th September, 1981

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 on 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 4) has been substituted therefor.

2. Investments

	<u>1981</u>	<u>1980</u>
At market value.....	\$62,651,633	\$72,118,087
At directors' valuation.....	500,000	500,000
	<u>63,151,633</u>	<u>72,618,087</u>
At average cost.....	38,459,577	33,117,152
Unrealized appreciation of investments	<u>\$24,692,056</u>	<u>\$39,500,935</u>

3. Surplus on changes in investments

	<u>1981</u>	<u>1980</u>
Balance at beginning of year	\$24,845,236	\$21,696,347
Gain on changes in investments (including loss on exchange, 1981 — \$271; 1980 gain — \$40,905).....	8,447,012	4,231,689
Income taxes on changes in investments.....	<u>2,170,422</u>	<u>1,082,800</u>
	<u>6,276,590</u>	<u>3,148,889</u>
Balance at end of year	<u>\$31,121,826</u>	<u>\$24,845,236</u>

DOMINION-SCOTTISH INVESTMENTS LIMITED

**NOTES TO
FINANCIAL STATEMENTS**
30th September, 1981
(Continued)

4. Changes in net assets	<u>1981</u>	<u>1980</u>
Net assets at beginning of year	<u>\$71,670,614</u>	<u>\$49,276,792</u>
Add (deduct)		
Net income for the year	1,244,910	982,781
Gain on changes in investments:		
Securities at average cost		
at beginning of year	33,117,152	25,929,167
Purchases	<u>12,270,377</u>	<u>13,723,974</u>
	<u>45,387,529</u>	39,653,141
Securities at average cost		
at end of year	<u>38,459,577</u>	<u>33,117,152</u>
Cost of securities sold	<u>6,927,952</u>	6,535,989
Proceeds from securities sold	<u>15,375,235</u>	<u>10,726,773</u>
	<u>8,447,283</u>	4,190,784
(Loss) gain on exchange	(271)	40,905
(Decrease) increase in unrealized appreciation of investments	<u>(14,808,879)</u>	<u>19,061,186</u>
	<u>(5,116,957)</u>	<u>24,275,656</u>
Deduct		
Income taxes on changes in investments	2,170,422	1,082,800
Dividends:		
5% preference shares	150,000	150,000
Common shares	<u>1,319,464</u>	<u>649,034</u>
	<u>3,639,886</u>	<u>1,881,834</u>
Net (decrease) increase for the year	<u>(8,756,843)</u>	<u>22,393,822</u>
Net assets at end of year	<u>\$62,913,771</u>	<u>\$71,670,614</u>
Net asset value per common share	<u>\$83.78</u>	<u>\$96.07</u>

5. Directors' and officers' remuneration

Aggregate remuneration paid during the year to the Corporation's directors amounted to \$28,822 (1980 — \$22,484). The Corporation has four officers, two of whom are also directors. The officers of the Corporation as such received no remuneration.

DOMINION-SCOTTISH INVESTMENTS LIMITED

INVESTMENT PORTFOLIO

as at 30th September, 1981

	Number of Shares	Market Value
BANKS & FINANCE		
Canadian Imperial Bank of Commerce.....	30,000	\$ 783,900
*PHH Group, Inc.	60,000	1,367,063
*Sun Banks of Florida.....	40,000	868,896
*Texas Commerce Bancshares.....	24,000	1,093,361
*Valley National Corp. of Arizona	37,500	1,125,944
		<u>\$ 5,239,164</u>
CONSUMER PRODUCTS		
John Labatt Limited, Class A	66,560	\$ 1,639,373
Scott's Hospitality Inc.	100,000	538,000
Scott's Hospitality Inc., Class C	100,000	550,000
		<u>\$ 2,727,373</u>
DATA PROCESSING		
*Datapoint Corporation	10,000	\$ 564,179
*National Data Corporation.....	150,000	3,032,085
		<u>\$ 3,596,264</u>
DISTRIBUTION & SERVICE		
Emco Limited.....	75,000	\$ 956,250
Nowsco Well Service Ltd.	30,000	555,000
Wajax Limited, convertible preferred A.....	40,000	860,000
Wajax Limited, Class A.....	160,000	1,640,000
		<u>\$ 4,011,250</u>
ENERGY		
†Chilco Partnership No. 4, units of \$50,000 each	10	\$ 500,000
Czar Resources Ltd.	45,000	270,000
Czar Resources Ltd., warrants	8,333	6,250
*Dorchester Gas Corporation	60,000	1,276,553
*Energy Reserves Group, Inc.	35,000	527,975
*Felmont Oil Corporation.....	45,000	1,018,238
*First Mississippi Corp.	75,000	1,380,278
*Freeport-McMoRan Inc.	60,000	1,810,200
*Howell Petroleum Corporation.....	50,000	701,754
Interprovincial Pipe Line Limited	30,000	405,000
*Moran Energy Inc.	77,000	1,568,550
*Noble Affiliates, Inc.	77,200	1,607,096
Numac Oil & Gas Ltd.	35,000	1,260,000
Ocelot Industries Ltd., Class B	15,000	502,500
Penn West Petroleum Ltd., cum warrants.....	33,332	34,999
Penn West Petroleum Ltd., Class A.....	133,328	117,329
*Petrolane Incorporated	60,000	1,149,839
*Petroleum Equipment Tools Co.	70,000	2,048,543
*Summit Energy, Inc., convertible preferred	30,000	615,468
*Summit Energy, Inc.	10,000	134,317
		<u>\$16,934,889</u>

DOMINION-SCOTTISH INVESTMENTS LIMITED

INVESTMENT PORTFOLIO

as at 30th September, 1981
(Continued)

	Number of Shares	Market Value
HEALTH CARE		
*National Medical Care, Inc.	120,000	<u>\$ 1,448,160</u>
MANUFACTURING		
Harris Steel Group Inc., Class A.	440,000	\$ 2,697,200
Harris Steel Group Inc., Class B.	220,000	1,183,600
Ivaco Industries Limited.	60,000	1,230,000
*Storage Technology Corporation.	50,500	1,988,583
*Teledyne Inc.	22,500	3,631,714
		<u>\$10,731,097</u>
METALS AND MINING		
Lornex Mining Corporation Ltd.	50,000	\$ 2,212,500
*Phelps Dodge Corporation.	25,000	1,003,152
Pine Point Mines Limited.	10,000	463,800
		<u>\$ 3,679,452</u>
REAL ESTATE		
Carma Ltd., Class A.	200,000	\$ 1,950,000
*Cousins Properties Incorporated.	179,687	2,331,097
*Lennar Corporation.	30,000	407,295
*The Rouse Company.	80,000	1,979,152
		<u>\$ 6,667,544</u>
RETAILING		
*Cole National Corporation.	150,000	\$ 3,982,440
Grafton Group Limited.	12,000	169,560
Grafton Group Limited, Class A.	48,000	672,000
*Scotty's Inc.	40,000	947,579
*Toys-R-Us, Inc.	30,000	986,559
*H. J. Wilson Co., Inc.	33,000	652,324
		<u>\$ 7,410,462</u>
TRANSPORTATION		
*The Harper Group.	20,000	<u>\$ 705,978</u>
TOTAL VALUE OF INVESTMENT PORTFOLIO		<u>\$63,151,633</u>

*U.S. Securities
at Directors' valuation

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 (2) \$	Total Net Assets \$	Per Common Share		
							Net Asset Value (3) \$	Net Income \$	Dividends \$
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(4)	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
1981	1,935,676	457,931	232,835	1,244,910	6,276,590	62,913,771	83.78	1.54	1.85

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

(2) After deducting taxes relating to gain on changes in investments.

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

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

