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**CANADIAN GENERAL INVESTMENTS LIMITED**

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**ANNUAL REPORT, DECEMBER 31**

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*1986*

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**BOARD OF DIRECTORS**

ALEX E. BARRON  
J. CHRISTOPHER BARRON  
DAVID L. CAMPBELL  
DOUGLAS N. KENDALL  
GEORGE R. MacLAREN  
M. C. G. MEIGHEN, O.B.E.  
MICHAEL A. MEIGHEN, Q.C.  
E. LOUISE MORGAN  
MILAN NASTICH  
WARD C. PITFIELD  
J. ALLYN TAYLOR  
DONALD C. WEBSTER  
PATRICK O. G. WRIGHT

**INVESTMENT COMMITTEE**

ALEX E. BARRON  
J. CHRISTOPHER BARRON  
M. C. G. MEIGHEN, O.B.E.  
MICHAEL A. MEIGHEN, Q.C.  
WARD C. PITFIELD, Chairman  
J. ALLYN TAYLOR

**AUDIT COMMITTEE**

MICHAEL A. MEIGHEN, Q.C.  
J. ALLYN TAYLOR  
PATRICK O. G. WRIGHT

**OFFICERS**

M. C. G. MEIGHEN, O.B.E.  
Chairman  
ALEX E. BARRON  
Vice Chairman  
WARD C. PITFIELD  
President  
MICHAEL A. MEIGHEN, Q.C.  
Vice President  
MILAN NASTICH  
Vice President  
E. LOUISE MORGAN  
Secretary  
FREDERICK L. MILNE, C.A.  
Treasurer

**AUDITORS**

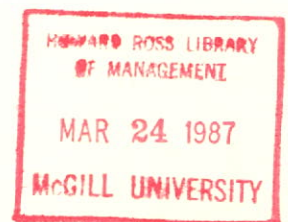
HILBORN ELLIS GRANT  
Toronto

**REGISTRAR AND  
TRANSFER AGENT**

THE CANADA TRUST COMPANY  
Toronto and Winnipeg

**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, 1986, consisting of the audited statements, the Portfolio of Investments, and a five year statistical record of assets, earnings and dividends.

The Balance Sheet discloses that the total consolidated assets of the Company as at December 31, 1986 amounted to \$280,736,503 at market value. From this amount is deducted total accrued liabilities, income taxes payable, deferred income taxes referred to in note 2 (b), and minority interest which leaves a net value of \$255,694,772. Based on 3,843,764 common shares outstanding as at December 31, 1986 each common share had an apparent liquidating value of approximately \$66.52. It should be noted that while \$24.7 million in deferred income taxes was deducted from consolidated assets in calculating the equity value per share, the \$24.7 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 Consolidated Statement of Income discloses that your Company, after paying all expenses and providing for the minority interest, had a net income for the year of \$8,173,105 or \$2.13 per share from dividends paid by portfolio companies and interest earned on short term investments.

As disclosed on page 7 of this report the liquidating value per common share of your Company at December 31, 1986 was \$66.52 compared to \$63.24 at December 31, 1985.

The Portfolio of Investments as at December 31, 1986 can be found on pages 9 and 10 of this report.

In February 1986 the Board of Directors accepted with regret the resignation of A. Bruce Matthews. Mr. Matthews has been a member of the Board since 1961 and a member of the Audit Committee since 1972. He contributed a great deal to the delibera-

tions and decisions of the Board of Directors over the years and his knowledge and genuinely warm personality will be greatly missed by his fellow directors.

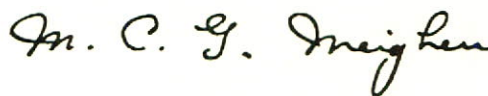
Mr. Milan Nastich was appointed a director of the Corporation to fill the vacancy created by the resignation of Mr. Matthews, and in April 1986 was appointed a Vice President of the Corporation.

In November 1986 the Board of Directors regretfully accepted the resignation of John D. Barrington. Mr. Barrington joined the Board in 1968 and has served as a member of the Audit Committee since 1972. During his tenure he contributed very effectively to the solution of problems facing the Board, and the members were very appreciative of his support, advice and warm friendship.

Mr. George R. MacLaren was appointed a director to fill the vacancy created by Mr. Barrington's resignation.

In conclusion we express our appreciation to the staff for their invaluable contribution to the operation of the Corporation during the year.

Submitted on behalf of the board



Chairman of the Board



President

TORONTO, February 24, 1987

**FIVE YEAR PERFORMANCE SUMMARY**

	1986	1985	1984	1983	1982
Net Assets .....	\$255,695,000	\$243,821,000	\$204,431,000	\$198,274,000	\$182,346,000
Per share .....	66.52	63.24	53.10	51.49	47.35
Net earnings .....	8,173,000	8,251,000	6,816,000	7,129,000	8,074,000
Per share .....	2.13	2.14	1.77	1.85	2.10
Dividends paid per share .....	1.80	1.70	1.60	1.55	1.60
				*4.42	
Market value					
High .....	59.50	48.13	38.50	35.00	26.00
Low .....	46.00	36.00	33.00	24.50	17.25

\*Special Stock Dividend paid

**AUDITORS' REPORT**

TO THE SHAREHOLDERS OF  
CANADIAN GENERAL INVESTMENTS LIMITED

We have examined the consolidated balance sheet of Canadian General Investments Limited as at December 31, 1986 and the consolidated 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 consolidated financial statements present fairly the financial position of the company as at December 31, 1986 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.



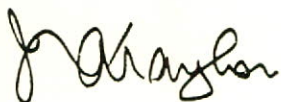
HILBORN ELLIS GRANT  
Chartered Accountants

Toronto, Ontario  
January 27, 1987

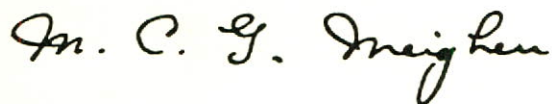
**CONSOLIDATED BALANCE SHEET**

	December 31	
	1986	1985
<b>ASSETS</b>		
Investments		
Securities having a quoted market value .....	\$254,639,141	\$273,376,405
Securities not having a quoted market value .....	7,820,383	5,831,912
	<u>262,459,524</u>	<u>279,208,317</u>
(Cost as at December 31, 1986 - \$154,325,626 December 31, 1985 - \$163,309,372)		
Short-term investments, at cost plus accrued interest .....	17,914,990	1,019,759
Dividends receivable .....	237,793	484,200
Amount receivable on securities sold .....	-	585,167
Income taxes recoverable .....	112,133	-
Cash .....	12,063	22,899
	<u>\$280,736,503</u>	<u>\$281,320,342</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities .....	\$ 39,582	\$ 48,569
Income taxes payable .....	-	9,829,780
	<u>39,582</u>	<u>9,878,349</u>
Deferred income taxes (note 2(b)) .....	24,728,943	27,331,198
Minority interest in subsidiary .....	273,206	289,446
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock (note 3)		
Authorized		
4,000,000 common shares		
Issued and outstanding		
3,843,764 (1985 - 3,854,892) common shares .....	36,345,995	36,451,219
Unrealized gain on investments .....	83,373,762	89,004,609
Retained earnings .....	135,975,015	118,365,521
	<u>255,694,772</u>	<u>243,821,349</u>
	<u>\$280,736,503</u>	<u>\$281,320,342</u>

Approved on behalf of the Board



Director



Director

**CONSOLIDATED STATEMENT OF INCOME**

	Year ended December 31	
	1986	1985
Income		
Dividends .....	\$ 8,895,006	\$ 8,191,240
Interest .....	1,408,968	1,566,227
Gain (loss) on foreign exchange .....	(21,193)	861,074
	<u>10,282,781</u>	<u>10,618,541</u>
Expenses		
Management fees (note 4).....	1,355,760	1,142,260
Directors' fees .....	18,550	20,900
Miscellaneous.....	96,308	104,339
	<u>1,470,618</u>	<u>1,267,499</u>
Income before income taxes and minority interest .....	8,812,163	9,351,042
Income taxes .....	637,455	1,098,382
Income before minority interest .....	8,174,708	8,252,660
Minority interest .....	1,603	2,020
Net income for year .....	<u>\$ 8,173,105</u>	<u>\$ 8,250,640</u>
Net income for year per common share.....	<u>\$2.13</u>	<u>\$2.14</u>

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

	Year ended December 31	
	1986	1985
Balance, beginning of year .....	\$ 118,365,521	\$ 87,357,294
Add (deduct)		
Net income for year .....	8,173,105	8,250,640
Dividends paid on common shares .....	(6,919,994)	(6,546,610)
	<u>119,618,632</u>	<u>89,061,324</u>
Excess of cash consideration paid over book value of common shares purchased under issuer bid (note 3) .....	(423,964)	(184,147)
Gain on disposition of investments .....	<u>16,780,347</u>	<u>29,488,344</u>
Balance, end of year .....	<u>\$ 135,975,015</u>	<u>\$ 118,365,521</u>
Dividends paid per common share		
In cash or common shares .....	<u>\$ 1.80</u>	<u>\$ 1.70</u>

**CONSOLIDATED STATEMENT OF UNREALIZED GAIN ON INVESTMENTS**

	Year ended December 31	
	1986	1985
Balance, beginning of year .....	\$ 89,004,609	\$ 81,041,994
Increase (decrease) during year .....	(7,765,048)	11,263,918
Add (deduct)		
Income taxes—deferred .....	2,155,255	(3,306,036)
Minority interest .....	(21,054)	4,733
	<u>(5,630,847)</u>	<u>7,962,615</u>
Balance, end of year .....	<u>\$ 83,373,762</u>	<u>\$ 89,004,609</u>



**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

	Year ended December 31	
	1986	1985
Net assets, beginning of year .....	\$243,821,349	\$204,431,044
Add		
Net income for year .....	8,173,105	8,250,640
Gain on disposition of investments .....	16,780,347	29,488,344
Increase in unrealized gain on investments .....	—	7,962,615
	<u>268,774,801</u>	<u>250,132,643</u>
Deduct		
Decrease in unrealized gain on investments .....	5,630,847	—
Common shares purchased under issuer bid (note 3) .....	529,188	235,620
Dividends paid .....	6,919,994	6,075,674
	<u>13,080,029</u>	<u>6,311,294</u>
Net assets, end of year .....	\$255,694,772	\$243,821,349
Apparent liquidating value per common share		
Beginning of year .....	\$63.24	\$53.10
End of year .....	<u>\$66.52</u>	<u>\$63.24</u>

**CONSOLIDATED SCHEDULE OF GAIN ON DISPOSITION OF INVESTMENTS**

	Year ended December 31	
	1986	1985
Cost of investments, beginning of year .....	\$163,309,372	\$116,984,610
Add: Purchase of investments .....	88,113,335	76,645,728
	<u>251,422,707</u>	<u>193,630,338</u>
Deduct: Cost of investments, end of year .....	154,325,626	163,309,372
Cost of investments disposed of during year .....	97,097,081	30,320,966
Proceeds from disposition of investments .....	<u>119,953,994</u>	<u>69,823,067</u>
Gain on disposition of investments before income taxes and minority interest .....	22,856,913	39,502,101
Income taxes—current .....	6,562,463	10,009,595
—deferred (reduction) .....	(447,000)	—
	<u>6,115,463</u>	<u>10,009,595</u>
Minority interest .....	(38,897)	4,162
	<u>6,076,566</u>	<u>10,013,757</u>
Gain on disposition of investments .....	<u>\$ 16,780,347</u>	<u>\$ 29,488,344</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1986

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Consolidation

The consolidated financial statements include the accounts of the company and its 90% owned subsidiary, C.G.I. and Third Venture Capital Limited.

#### b) Valuation of Investments

Market values of quoted securities are based on the latest bid price reported by the principal securities exchange on which the issue was traded on December 31. 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.

#### c) Investment Transactions

Investment transactions are recorded on the trade date, i.e., the date the order to buy or sell is executed.

#### d) Dividend Income

Dividend income is recorded on the date the dividend is payable by the issuing company.

#### e) Foreign Exchange

Amounts stated in foreign currencies are translated into Canadian dollars as follows:

- (i) Assets and liabilities at the prevailing year-end rates
- (ii) Income, expenses and gain or loss on disposition of investments at the rate in effect on the date of the transaction.

### 2. TAXATION

a) The company is subject to income tax as a public corporation. As a public corporation, taxable dividends received from "taxable Canadian corporations", as defined by the Act, are excluded from taxable income.

b) Unrealized gain on investments includes approximately \$110,000,000 which has accrued since December 31, 1971. A provision for deferred income taxes on this unrealized gain has been made in the accounts.

### 3. CAPITAL STOCK

In 1981, the company first gave notice of its intention to make an issuer bid to purchase through the Toronto Stock Exchange up to that number of its issued and outstanding common shares equal to the number of its common shares as may be issued from time to time as stock dividends, to a maximum of 192,459 (1985-192,459) common shares. Common shares so purchased were not cancelled but were restored to the status of authorized but unissued shares. The provisions of the issuer bid were terminated on July 5, 1986.

During the year, the company purchased 11,128 (1985-5,500) common shares under this issuer bid for cash consideration of \$529,188 (1985-\$235,620). The excess of the cash consideration over the book value of these shares of \$423,964 (1985-\$184,147) was charged to retained earnings.

### 4. RELATED PARTY TRANSACTIONS

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.

**PORTFOLIO OF INVESTMENTS** as at December 31, 1986

No. of Shares	Total Market Value \$	% of Portfolio	No. of Shares	Total Market Value \$	% of Portfolio
	<b>50,025,000</b>	<b>19.1</b>	125,000	The Toronto-Dominion Bank .....	2,953,125
600,000	The Seagram Company Ltd.	50,025,000		(B) OTHER .....	3,502,300
	<b>7,709,625</b>	<b>2.9</b>	50,200	E-L Financial Corporation Limited .....	3,087,300
267,000	Moore Corporation Limited	7,709,625	500	E-L Financial Corporation Limited 'A' prefd. ....	30,000
	<b>27,400,500</b>	<b>10.4</b>	* 100,000	Guardian Pacific Rim Corporation warrants ...	385,000
100,000	Bell Canada Enterprises Inc .....	3,700,000		<b>INSURANCE</b>	<b>5,187,500</b>
100,000	Bell Canada Enterprises Inc. \$2.70 prefd. ....	3,850,000	* 50,000	Great-West Lifeco Inc. ....	850,000
54,000	British Telecommunications PCL adrs. ....	2,403,000	* 110,000	Manufacturers Life Capital Corporation Inc. 'A' prefd	2,777,500
200,000	Cable and Wireless PLC ...	1,275,000	60,000	The Great-West Life Assurance Company 'A' prefd. ....	1,560,000
300,000	International Thomson Organisation Limited ...	4,125,000		<b>MANUFACTURING</b>	<b>21,347,751</b>
170,000	Northern Telecom Limited 'A' prefd. ....	4,547,500	* 50,000	CAE Industries Ltd. ....	512,500
250,000	Thomson Newspapers Limited 'A' .....	7,500,000	20,000	Consolidated-Bathurst Inc. 'B' prefd. ....	1,470,233
	<b>24,731,208</b>	<b>9.4</b>	300,000	Hayes-Dana Inc. ....	3,675,000
	(A) OILS .....	5,431,208	600,000	Innopac Inc. ....	7,950,000
50,000	Imperial Oil Limited 'A' ...	2,556,250	140,000	Kelsey-Hayes Canada Limited .....	2,660,000
50	Onyx Petroleum Exploration Company Ltd. Royalty Certificates. ....	1,000	117,000	Samuel Manu-Tech Inc. ...	1,755,000
50,000	Pancanadian Petroleum Limited .....	1,368,750	* 100,000	Scott Paper Limited. ....	1,612,500
376,302	Passburg Petroleums Ltd. .	1,505,208	* 2,100	3-L Filters Limited .....	1,562,518
	(B) PIPELINES .....	13,435,000	* 1,500	3-L Filters Limited 'B' special. ....	150,000
200,000	Interprovincial Pipe Line Limited .....	8,000,000		<b>MERCHANDISING</b>	<b>2,231,250</b>
200,000	Nova, an Alberta Corporation 12% prefd. ....	5,300,000	* 210,000	Sears Canada Inc. ....	2,231,250
* 75,000	TransCanada PipeLines Limited warrants .....	135,000		<b>MINING</b>	<b>41,250</b>
	(C) OTHER .....	5,865,000	* 25,000	Falconbridge Limited def. payment rights .....	41,250
150,000	Canadian Utilities 'H' prefd	3,450,000		<b>REAL ESTATE</b>	<b>7,213,500</b>
84,000	Transalta Utilities Corporation 'A' .....	2,415,000	126,000	Trizec Corporation Ltd. 'A' ordinary .....	3,559,500
	<b>44,292,875</b>	<b>16.9</b>	126,000	Trizec Corporation Ltd. 'B' ordinary .....	3,654,000
	(A) BANKS .....	40,790,575		<b>STEEL</b>	<b>3,375,000</b>
100,000	Bank of Montreal .....	3,337,500	100,000	Dofasco Inc, 'C' prefd. ....	3,375,000
100,000	Bank of Montreal 'A' prefd.	2,662,500		<b>VENTURE CAPITAL</b>	<b>5,302,805</b>
100,000	Bank of Montreal warrants	495,000	* 200,000	Barrtor International Fund	1,122,000
291,600	Canadian Imperial Bank of Commerce .....	5,868,450	5,850	C.G.I. and Third Venture Capital Limited prefd. ....	585,000
* 500,000	Continental Bank of Canada .....	8,000,000	90,000	C.G.I. and Third Venture Capital Limited. ....	1,873,852
100,000	National Bank of Canada ..	2,862,500	* 65,000	Canadian General Capital Limited prefd. ....	650,000
176,000	The National Victoria and Grey Trustco Limited ...	4,224,000	9,244	Overseas Venture Capital Ltd. ....	1,071,953
100,000	The Royal Bank of Canada.	3,212,500			
100,000	The Royal Bank of Canada 'A' prefd. ....	3,175,000			
* 40,000	The Royal Bank of Canada 'E' prefd. ....	4,000,000			

No. of Shares		Total Market Value \$	% of Portfolio
	<b>MISCELLANEOUS</b>	<b>13,706,613</b>	<b>5.2</b>
* 65,100	Cognos Inc. ....	642,863	
80,000	Crownx Inc. ....	1,780,000	
160,000	Crownx Inc. 'A' .....	1,480,000	
150,000	Laidlaw Transportation Limited 'B' .....	2,793,750	
310,000	Scott's Hospitality Inc. ....	3,720,000	
270,000	Scott's Hospitality Inc. 'C' .	3,240,000	
43,750	Fraser Sweatman Industries Inc. ....	4,375	
25,000	Fraser Sweatman Industries Inc. 7% prefd.	45,625	
	<b>U.S. SECURITIES</b>	<b>46,045,283</b>	<b>17.5</b>
40,000	J. L. Clark Manufacturing Co. ....	1,449,525	
* 50,000	Collective Federal Savings.	776,531	
25,000	Consolidated Papers, Inc. ...	1,777,394	
25,000	Corning Glass Works. ....	1,889,559	
60,000	Gray Research, Inc. ....	6,698,876	
125,000	Employers Casualty Company .....	5,651,422	
* 25,000	Fort Howard Paper Company .....	1,583,261	
* 15,000	General Electric Company.	1,778,257	
50,000	Lincoln National Corporation. ....	3,192,406	
* 20,000	Lotus Development Corporation. ....	1,428,818	
* 25,000	J. P. Morgan & Co. Incorporated. ....	2,847,281	
37,500	National City Corporation.	2,374,891	
* 125,000	Numerica Financial Corporation. ....	3,666,953	
* 20,000	Ohio Casualty Corporation	2,146,678	
* 50,000	Roadway Services, Inc. ....	2,381,362	
100,000	Shared Medical Systems Corporation. ....	5,591,025	
* 50,000	University Federal Savings Bank. ....	811,044	
	<b>OTHER FOREIGN SECURITIES</b>	<b>3,826,482</b>	<b>1.5</b>
7,040	Swiss Bank Corporation ..	3,379,200	
* 240	TDK Euro \$ warrants .....	447,282	

### SUMMARY OF PORTFOLIO BY INDUSTRY

	Value as of Dec. 31, 1986	Percent of Portfolio
BEVERAGES. ....	\$ 50,025,000	19.1
U.S. SECURITIES. ....	46,045,283	17.5
FINANCE .....	44,292,875	16.9
COMMUNICATIONS ..	27,400,500	10.4
ENERGY .....	24,731,208	9.4
MANUFACTURING ...	21,347,751	8.1
MISCELLANEOUS. ....	13,706,613	5.2
BUSINESS FORMS ...	7,709,625	2.9
REAL ESTATE. ....	7,213,500	2.8
VENTURE CAPITAL ..	5,302,805	2.0
INSURANCE .....	5,187,500	2.0
OTHER FOREIGN SECURITIES .....	3,826,482	1.5
STEEL. ....	3,375,000	1.3
MERCHANDISING ...	2,231,250	.9
MINING .....	41,250	—
	<u>\$262,436,642</u>	<u>100.0</u>

\* Additions to portfolio in 1986.

## Authorized Capital—

10,000 6% non-cumulative, non-voting  
preference shares with a par value  
of \$100 each redeemable at the  
amount paid up thereon.  
100,000 common shares without par value.

## Issued and outstanding—

6,500 preference shares  
100,000 common shares.

As at December 31, 1986 Canadian General Investments Limited held 5,850 preference shares and 90,000 common shares for a total investment of \$675,000. Third Canadian General Investment Trust Limited held 650 preference shares and 10,000 common shares for a total investment of \$75,000. There are no other shareholders.

No. Shares		Class	Total Value
† 10,000	Calmar Inc. ....	Common	\$ 300,259
2,000	Computalog Gearhart Ltd. ....	Common	12,000
* 20,000	D.W. Electrochemicals Ltd. ....	Common	10,000
* 297	Harriscope of Los Angeles, Inc. ....	Common	500
* 20,000	Helix Investments Ltd. ....	Common	435,000
* 18,000	Helix Investments Ltd. ....	'C' Preferred	282,600
* 246	Interactive Entertainment Inc. ....	Preferred	314,959
* 11,820	Interactive Entertainment Inc. ....	Common	186,805
14,286	International Ionarc Ltd. ....	Common	2,857
* 10,000	Key Publishers Company Ltd. ....	Common	450,000
20,000	M D I Mobile Data International Inc. ....	Common	202,500
30,000	Meridian Technologies Inc. ....	Common	75,000
5,000	Saxton Industries Ltd. ....	Common	4,250
† 14,000	Sterivet Laboratories Limited ....	Common	173,943
† 2,000	The Rochester Community Savings Bank ....	Common	31,061
			<u>\$2,481,734</u>

†U.S. security—o/c New York

\*Note: 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.





