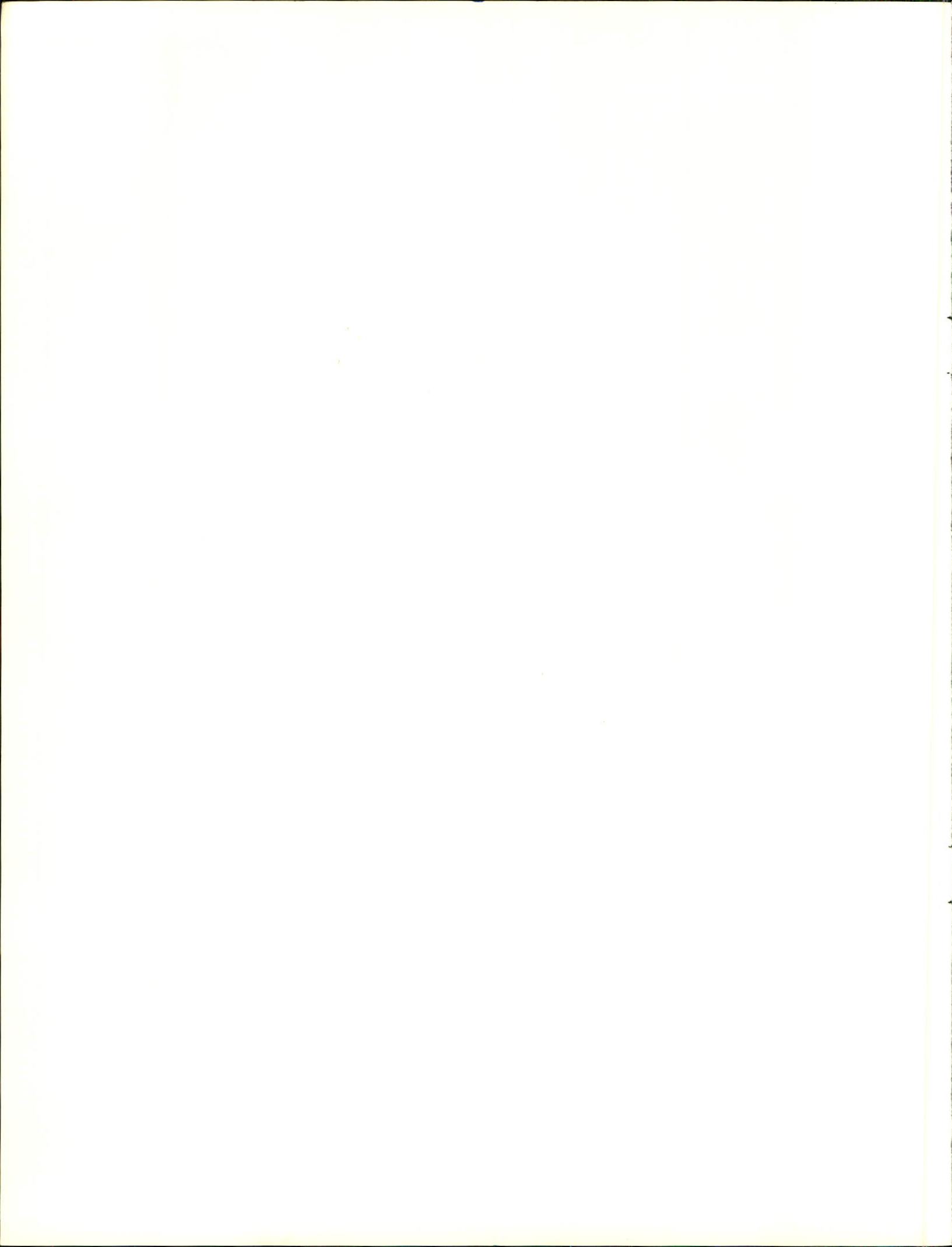


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CANADIAN GENERAL INVESTMENTS LIMITED

ANNUAL REPORT, DECEMBER 31

1987



BOARD OF DIRECTORS

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

INVESTMENT COMMITTEE

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
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, 1987 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, 1987 amounted to \$246,402,671 at market value. From this amount is deducted total accrued liabilities and deferred income taxes referred to in note 2 (b), which leaves a net value of \$233,103,919. Based on 3,843,764 common shares outstanding as at December 31, 1987 each common share had an apparent liquidating value of approximately \$60.64. It should be noted that while \$12.2 million in deferred income taxes was deducted from consolidated assets in calculating the equity value per share, the \$12.2 million continues to work for the benefit of the shareholders.

The 8.8% decline in liquidating value per common share from \$66.52 at December 31, 1986 resulted from the abrupt contraction of financial markets in the fourth quarter. It should be noted that at the latest year-end 14.1% of your Company's net assets was held in the form of cash and short-term investments as a defensive measure and to position your company to take advantage of attractive opportunities that might arise.

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 \$7,366,934 or \$1.92 per share from dividends and interest earned on short-term investments, compared to \$2.13 in the year 1986. The reduction was due to lower dividend and interest income, and to losses on foreign exchange.

The dividends paid in the 1987 fiscal year on the common shares of your Company amounted to \$1.80, the same as that paid in 1986.

The Portfolio of Investments as at December 31, 1987 can be found on pages 9 and 10 of this report. Action was taken during the year to dissolve C.G.I. And Third Venture Capital Limited to simplify the cost of administration. The assets were transferred to the Portfolio of Canadian General Investments Limited.

The Members of the Board of Directors of your Company wish to record their deep and abiding sorrow on the untimely passing, on September 18, 1987 of their great friend and fellow director, Alex E. Barron. Mr. Barron joined the Board of Directors on March 31, 1953 and served with distinction in the offices of Vice-President, President and Vice-Chairman. During his tenure in these offices he gave great strength and loyalty to the Corporation and was one of the few individuals who had the ability and courage to rise above a crisis and provide leadership in a most gracious and humane manner.

His genuine concern and understanding in dealing with people was unsurpassed. He was unassuming and a gentleman in the highest meaning of the word. We will not only miss his knowledge and leadership, but also his genuinely warm personality and friendship.

Mr. Douglas Kendall retired after 17 years of valued service as a member of the Board and we were pleased to welcome Mr. J. Dean Muncaster, who filled the vacancy.

We express our appreciation to the staff of the Management Company for their hard work during a year in which new investment strategy had to be applied to deal with difficult market conditions.

Submitted on behalf of the Board

Mr. C. G. Ingleton

Chairman of the Board

Walter Riquie

President

TORONTO, February 16, 1988

FIVE YEAR PERFORMANCE SUMMARY

	1987	1986	1985	1984	1983
Net assets	\$233,104,000	\$255,695,000	\$243,821,000	\$204,431,000	\$198,274,000
Per common share	60.64	66.52	63.24	53.10	51.49
Net earnings	7,367,000	8,173,000	8,251,000	6,816,000	7,129,000
Per common share	1.92	2.13	2.14	1.77	1.85
Dividends paid					
Per common share	1.80	1.80	1.70	1.60	1.55 4.42*
Market value of common shares					
High	56.50	59.50	48.13	38.50	35.00
Low	35.00	46.00	36.00	33.00	24.50

*Special Stock Dividend paid

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
CANADIAN GENERAL INVESTMENTS LIMITED

We have examined the balance sheet of Canadian General Investments Limited as at December 31, 1987 and the 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 financial statements present fairly the financial position of the company as at December 31, 1987 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.



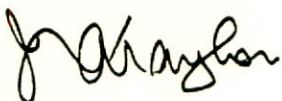
HILBORN ELLIS GRANT
Chartered Accountants

Toronto, Ontario
February 4, 1988

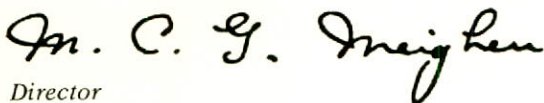
CONSOLIDATED BALANCE SHEET

	December 31	
	1987	1986
ASSETS		
Investments		
Securities having a quoted market value	\$202,597,210	\$254,639,141
Securities not having a quoted market value	7,483,138	7,820,383
	<u>210,080,348</u>	<u>262,459,524</u>
(Cost as at December 31, 1987 – \$153,266,855 December 31, 1986 – \$154,325,626)		
Short-term investments, at cost plus accrued interest	32,888,168	17,914,990
Dividends receivable	87,394	237,793
Amount receivable on securities sold	1,303,560	–
Income taxes recoverable	2,039,430	112,133
Cash	3,771	12,063
	<u>\$246,402,671</u>	<u>\$280,736,503</u>
 LIABILITIES		
Accounts payable and accrued liabilities	\$ 142,525	\$ 39,582
Amount payable on securities purchased	933,530	–
	<u>1,076,055</u>	<u>39,582</u>
Deferred income taxes (note 2(b))	12,222,697	24,728,943
Minority interest in subsidiary (note 4)	–	273,206
	<u>–</u>	<u>273,206</u>
 SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized		
4,000,000 common shares		
Issued and outstanding		
3,843,764 common shares	36,345,995	36,345,995
Unrealized gain on investments	44,590,798	83,373,762
Retained earnings	152,167,126	135,975,015
	<u>233,103,919</u>	<u>255,694,772</u>
	<u>\$246,402,671</u>	<u>\$280,736,503</u>

Approved on behalf of the Board



Director



Director

CONSOLIDATED STATEMENT OF INCOME

	Year ended December 31	
	1987	1986
Income		
Dividends	\$ 8,587,724	\$ 8,895,006
Interest	1,102,307	1,408,968
Loss on foreign exchange.....	(470,211)	(21,193)
	<u>9,219,820</u>	<u>10,282,781</u>
Expenses		
Management fees (note 3).....	1,402,115	1,355,760
Directors' fees	21,200	18,550
Miscellaneous.....	216,321	96,308
	<u>1,639,636</u>	<u>1,470,618</u>
Income before income taxes and minority interest	7,580,184	8,812,163
Income taxes	212,959	637,455
Income before minority interest	7,367,225	8,174,708
Minority interest	291	1,603
Net income for year	<u>\$ 7,366,934</u>	<u>\$ 8,173,105</u>
Net income for year per common share.....	<u>\$1.92</u>	<u>\$2.13</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	1987	1986
Balance, beginning of year	\$135,975,015	\$118,365,521
Add (deduct)		
Net income for year	7,366,934	8,173,105
Dividends paid on common shares	(6,918,739)	(6,919,994)
	<u>136,423,210</u>	<u>119,618,632</u>
Excess of cash consideration paid over book value of common shares purchased under issuer bid	—	(423,964)
Gain on disposition of investments	<u>15,743,916</u>	<u>16,780,347</u>
Balance, end of year	<u>\$152,167,126</u>	<u>\$135,975,015</u>
Dividends paid per common share		
In cash or common shares	<u>\$1.80</u>	<u>\$1.80</u>

CONSOLIDATED STATEMENT OF UNREALIZED GAIN ON INVESTMENTS

	Year ended December 31	
	1987	1986
Balance, beginning of year	\$ 83,373,762	\$ 89,004,609
Decrease during year	(51,320,405)	(7,765,048)
Reduction in provision for deferred income tax	12,506,246	2,155,255
Minority interest	31,195	(21,054)
	<u>(38,782,964)</u>	<u>(5,630,847)</u>
Balance, end of year	<u>\$ 44,590,798</u>	<u>\$ 83,373,762</u>

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Year ended December 31	
	1987	1986
Net assets, beginning of year	\$255,694,772	\$243,821,349
Add		
Net income for year	7,366,934	8,173,105
Gain on disposition of investments	15,743,916	16,780,347
	<u>278,805,622</u>	<u>268,774,801</u>
Deduct		
Decrease in unrealized gain on investments	38,782,964	5,630,847
Common shares purchased under issuer bid	—	529,188
Dividends paid	6,918,739	6,919,994
	<u>45,701,703</u>	<u>13,080,029</u>
Net assets, end of year	<u>\$233,103,919</u>	<u>\$255,694,772</u>
Apparent liquidating value per common share		
Beginning of year	\$66.52	\$63.24
End of year	<u>\$60.64</u>	<u>\$66.52</u>

CONSOLIDATED SCHEDULE OF GAIN ON DISPOSITION OF INVESTMENTS

	Year ended December 31	
	1987	1986
Cost of investments, beginning of year	\$154,325,626	\$163,309,372
Add: Purchase of investments	98,175,698	88,113,335
	<u>252,501,324</u>	<u>251,422,707</u>
Deduct: Cost of investments, end of year	153,266,855	154,325,626
Cost of investments disposed of during year	99,234,469	97,097,081
Proceeds from disposition of investments	<u>120,432,757</u>	<u>119,953,994</u>
Gain on disposition of investments before income taxes and minority interest	21,198,288	22,856,913
Income taxes—current	5,433,377	6,562,463
—deferred (reduction)	—	(447,000)
	<u>5,433,377</u>	<u>6,115,463</u>
Minority interest	20,995	(38,897)
	<u>5,454,372</u>	<u>6,076,566</u>
Gain on disposition of investments	<u>\$ 15,743,916</u>	<u>\$ 16,780,347</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1987

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the accounts of the company and its wholly 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) Provision for deferred income taxes has been made in the accounts for unrealized gains, which for income tax purposes is the difference between market value and the adjusted cost base of the investments.

3. 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.

4. SHARE REDEMPTION OF MINORITY INTEREST

During the year the shares held by the minority interest in CGI and Third Venture Capital Limited were redeemed for fair market value at the redemption date.

PORTFOLIO OF INVESTMENTS as at December 31, 1987

No. of Shares	Total Market Value \$	% of Portfolio	No. of Shares	Total Market Value \$	% of Portfolio
BEVERAGES		43,025,000	17.7	200,000*	Empire Company Limited 'A' 2,175,000
200,000*	John Labatt Limited	4,525,000	20,000	Helix Investments Limited	250,000
550,000	The Seagram Company Ltd.	38,500,000	15,300	Helix Investments Limited 'C' pref'd.	240,210
BUSINESS FORMS		3,862,500	1.6	50,000*	The Laurentian Group Corporation \$1.875 pref'd.
150,000	Moore Corporation Limited	3,862,500	114,822*	Standard Trustco Limited	1,794,094
COMMUNICATIONS		17,197,250	7.1	FOREST PRODUCTS	
125,000	Bell Canada Enterprises Inc. \$2.70 pref'd.	4,687,500	665,000*	British Columbia Forest Products Limited	12,884,375
200,000	Cable and Wireless PLC . . .	1,650,000	82,800*	Donohue Inc.	2,359,800
300,000	International Thomson Organisation Limited . . .	3,600,000	INSURANCE		1,455,000
10,400	Key Publishers Company Ltd.	416,000	60,000	The Great-West Life Assurance Company 'A' pref'd.	1,455,000
250,000	Thomson Newspapers Limited 'A'	6,843,750	MANUFACTURING		12,912,415
ENERGY		27,282,101	11.2	20,000	Consolidated-Bathurst Inc. 'B' pref'd.
(A) OILS		5,822,701	300,000	Hayes-Dana Inc.	2,775,000
50,000	Imperial Oil Limited 'A' . . .	2,787,500	175,000	Innopac Inc.	1,487,500
50	Onyx Petroleum Exploration Company Ltd. Royalty Certificates.	1	140,000	Kelsey-Hayes Canada Limited	1,785,000
59,800	Pancanadian Petroleum Limited	1,435,200	25,000*	Polyvoltac Canada Inc.	500,000
400,000	Passburg Petroleums Ltd. . .	1,600,000	117,000	Samuel Manu-Tech Inc. . . .	1,594,125
(B) PIPELINES		15,750,000	100,000	Scott Paper Limited.	1,675,000
250,000	Interprovincial Pipe Line Limited	10,812,500	17,500	Sterivet Laboratories Limited	30,625
500,000*	Nova Corporation of Alberta	4,937,500	2,100	3-L Filters Limited	1,583,383
(C) OTHER		5,709,400	1,500	3-L Filters Limited 'B' special.	150,000
2,000	Computalog Gearhart Ltd..	9,400	METALS AND MINERALS		8,014,375
200,000	Transalta Utilities Corporation 'A'	5,700,000	40,000*	Hemlo Gold Mines Inc.	780,000
FINANCE		33,426,329	13.8	125,000*	Noranda Inc.
100,000	Bank of Montreal 'A' pref'd.	2,575,000	125,000*	Noranda Inc. 'C' pref'd. . . .	4,000,000
500,000	Continental Bank of Canada	1,725,000	MERCHANDISING		5,325,000
500,000*	Continental Bank of Canada 'A' pref'd.	6,350,000	100,000*	Loblaw Companies Limited	1,100,000
100,000	The National Victoria and Grey Trustco Limited . . .	1,800,000	200,000	Scott's Hospitality Inc.	2,025,000
100,000	The Royal Bank of Canada.	2,812,500	200,000	Scott's Hospitality Inc. 'C'..	2,200,000
100,000	The Royal Bank of Canada 'A' pref'd.	2,912,500			
150,000	The Toronto-Dominion Bank	4,181,250			
150,000	Crownx Inc. \$2.00 pref'd. . .	2,812,500			
600	E-L Financial Corporation Limited 'A' pref.	29,475			
52,800	E-L Financial Corporation Limited	2,593,800			

No. of Shares		Total Market Value \$	% of Portfolio
	REAL ESTATE	7,365,000	3.0
150,000	Trizec Corporation Ltd. 'A' ordinary	3,900,000	
126,000	Trizec Corporation Ltd. 'B' ordinary	3,465,000	
	STEEL	6,231,875	2.6
100,000	Dofasco Inc. 'C' prefd.....	3,375,000	
130,600*	Stelco Inc. 'C' prefd.	2,856,875	
	TRANSPORTATION	7,562,500	3.1
150,000	Laidlaw Transportation Limited 'B'	2,587,500	
200,000*	Laidlaw Transportation Limited 'G' pref.....	4,975,000	
	VENTURE CAPITAL	2,575,821	1.1
208,586	Barrtor International Fund	1,004,134	
95,469	Canadian General Capital Limited prefd.....	954,687	
9,244	Overseas Venture Capital, Ltd.	617,000	
	MISCELLANEOUS	167,722	0.1
20,000	D.W. Electrochemicals Ltd.	1	
11,820	Interactive Entertainment Inc.....	41,370	
28,540*	Interactive Entertainment Inc. pref.....	38,529	
246	Interactive Entertainment Inc. prefd.....	87,822	
	U.S. SECURITIES	18,107,573	7.4
40,000	Clarcor	1,455,216	
70,000	Collective Federal Savings Bank.....	795,821	
25,000	Consolidated Papers, Inc...	1,827,141	
135,000	Employers Casualty Company	5,700,679	
30,000	General Electric Company.	1,715,076	
56,250	National City Corporation.	2,128,619	
40,000	Ohio Casualty Corporation	1,883,985	
35,000*	RJR Nabisco Inc.	2,040,713	
50,000	University Federal Savings Bank.....	560,323	
	OTHER FOREIGN SECURITIES	325,712	0.1
114,285*	Elders IXL Limited	325,712	

*New holdings in 1987.

SUMMARY OF PORTFOLIO BY INDUSTRY

	Value as of Dec. 31, 1987	Percent of Portfolio
BEVERAGES.....	\$ 43,025,000	17.7
FINANCE	33,426,329	13.8
ENERGY	27,282,101	11.2
U.S. SECURITIES.....	18,107,573	7.4
COMMUNICATIONS ..	17,197,250	7.1
FOREST PRODUCTS..	15,244,175	6.3
MANUFACTURING ...	12,912,415	5.3
METALS & MINERALS	8,014,375	3.3
TRANSPORTATION...	7,562,500	3.1
REAL ESTATE.....	7,365,000	3.0
STEEL.....	6,231,875	2.6
MERCHANDISING ...	5,325,000	2.2
BUSINESS FORMS ...	3,862,500	1.6
VENTURE CAPITAL ..	2,575,821	1.1
INSURANCE	1,455,000	0.6
OTHER FOREIGN	325,712	0.1
MISCELLANEOUS....	167,722	0.1
	<hr/>	
	\$210,080,348	86.5
CASH AND SHORT-TERM INVESTMENTS	32,891,939	13.5
	<hr/>	
	\$242,972,287	100.0

