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EATON FINANCIAL SERVICES

**EATON
GROWTH
FUND
LTD.**

annual report
december 31st, 1976



ONE PLACE FOR ALL YOUR TOMORROWS

To the Shareholders:

Your Board of Directors is pleased to present the 1976 Annual Report of your Fund.

Stock prices in most countries rose in 1976, for the second year in a row. Contrary to our expectations as stated in last year's Annual Report, the rise in Canadian prices again lagged very far behind the rise in New York. The Toronto Stock Exchange Industrial Index rose 3.9%, the Dow Jones Industrials 17.9% and the Tokyo Dow Jones 14.5%. The net asset value per share of your Fund increased 23.2%, including the dividend paid in December. This substantial increase reflects the prudent and timely international diversification of the investments of your Fund, and represents more than satisfactory performance.

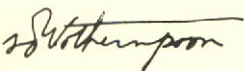
Economic growth in Canada was disappointing last year, especially business capital spending, and, for the first time, direct investment outside the country by Canadian business exceeded direct investment in Canada by foreign business. The provisions of the federal government's Anti-Inflation Program limiting profits, the expense and effort required to report compliance with the Anti-Inflation Program, and the belief that the federal government is not sympathetic to the business sector have led to a reduction in business confidence and in capital spending for future growth. Consumer spending and residential construction were strong and this resulted in growth in the economy overall. The rate of inflation declined significantly.

In 1977, the federal government is expected to introduce measures designed to restore business confidence and stimulate capital spending. There appears to be a growing recognition that all governments must restrain growth in their spending, reduce waste in social programs, encourage investment rather than consumption and restrain wage costs in the public sector, which have increased at a faster rate than those in the private sector. One hopeful sign is the reduction of 5% in the number of employees of the Ontario government.

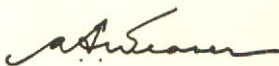
We believe that most adverse factors have been reflected in stock market prices in Canada. The economy is likely to expand moderately this year, and with common shares in the aggregate providing historically high yields and selling at historically low multiples of earnings the Canadian market is attractive. As our problems are addressed, prices are likely to move from discounting problems to anticipating improvement. This is what leads to higher stock prices.

The economic expansion in the U.S. appears to be well balanced and should continue for some time. As the U.S. is a substantial market for most exporting nations, this should stimulate growth in the world economy. Market prices are reasonable based on historical criteria and, in spite of the rises of the past two years, given the positive economic outlook, are likely to provide a good return from present levels. We continue to believe that your Fund's investments in shares of companies operating in other countries provides a very attractive balance, and we are hopeful that your Fund will experience another good year in 1977.

On Behalf of the Board,



Chairman



President

Toronto, Canada
March 8, 1977

statement of financial position

December 31, 1976

	1976	1975
ASSETS:		
Investments, at quoted value:		
(Average cost 1976 —		
\$23,502,057; 1975 —		
\$26,507,257)		
Canadian common stocks..	\$11,885,450	\$12,512,488
Foreign common stocks ..	13,699,760	11,904,543
Foreign preferred stocks ..	998,663	767,269
	<u>26,583,873</u>	<u>25,184,300</u>
Cash, interest-bearing	407,609	434,896
Short-term notes	—	793,777
Accrued investment income	108,788	115,379
Accounts receivable	<u>205,757</u>	<u>20,850</u>
	<u>27,306,027</u>	<u>26,549,202</u>
LIABILITIES:		
Accounts payable	40,957	30,570
Redemptions payable	425,877	330,424
Income taxes payable (note 3)	<u>31,341</u>	<u>37,440</u>
	<u>498,175</u>	<u>398,434</u>
NET ASSETS REPRESENTING		
 SHAREHOLDERS' EQUITY ..	<u>\$26,807,852</u>	<u>\$26,150,768</u>
SHAREHOLDERS' EQUITY:		
Capital stock (note 2):		
Authorized —		
100 deferred shares of \$1		
par value each		
40,000,000 mutual fund		
shares of \$1 par value		
each less 9,230,310 shares		
redeemed (1975 —		
8,592,108 shares redeemed)		
Issued and outstanding —		
2,692,582 mutual fund shares		
(1975 — 3,182,425 shares)	\$ 2,692,582	\$ 3,182,425
Surplus:		
Deficit	(10,680,113)	(11,403,092)
Contributed surplus	31,713,567	35,694,392
Unrealized appreciation		
(depreciation) of		
investments	<u>3,081,816</u>	<u>(1,322,957)</u>
TOTAL SHAREHOLDERS'		
 EQUITY	<u>\$26,807,852</u>	<u>\$26,150,768</u>

On behalf of the Board:

G. D. deS. Wotherspoon, Director

A. G. Weaver, Director

(See accompanying notes)

statement of earnings

for the year ended December 31, 1976

	1976	1975
INVESTMENT INCOME:		
Dividends	\$ 902,096	\$ 987,362
Interest	39,152	74,262
	<u>941,248</u>	<u>1,061,624</u>
EXPENSE:		
Management fee (note 4)	313,386	312,584
Earnings before provision for income taxes	627,862	749,040
Provision for income taxes (note 3)	31,333	65,500
	<u>596,529</u>	<u>683,540</u>
NET EARNINGS	<u>\$</u>	<u>\$</u>
NET EARNINGS PER SHARE —		
Based on average number of shares outstanding during year	20.6¢	20.8¢

statement of surplus

for the year ended December 31, 1976

DEFICIT:		
Balance, beginning of year ..	\$(11,403,092)	\$(10,115,634)
Net earnings	596,529	683,540
Net gain on sales of securities	577,497	—
	<u>(10,229,066)</u>	<u>(9,432,094)</u>
Dividends (note 2)	(451,047)	(546,440)
Net loss on sales of securities	—	(1,424,558)
	<u>\$(10,680,113)</u>	<u>\$(11,403,092)</u>
CONTRIBUTED SURPLUS:		
Balance, beginning of year ..	\$ 35,694,392	\$ 37,341,286
Excess of amounts received over par value of shares issued	1,248,330	1,595,751
	<u>36,942,722</u>	<u>38,937,037</u>
Excess of amounts paid over par value of shares redeemed	(5,229,155)	(3,242,645)
	<u>\$ 31,713,567</u>	<u>\$ 35,694,392</u>
UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS:		
Balance, beginning of year ..	\$ (1,322,957)	\$ (9,290,615)
Unrealized appreciation of investments	4,404,773	7,967,658
	<u>\$ 3,081,816</u>	<u>\$ (1,322,957)</u>

(See accompanying notes)

statement of changes in net assets

for the year ended December 31, 1976

	1976	1975
NET ASSETS, BEGINNING OF YEAR	<u>\$26,150,768</u>	<u>\$21,346,824</u>
ADDITIONS TO NET ASSETS:		
Net earnings	596,529	683,540
Proceeds from issue of mutual fund shares	945,642	1,291,845
Unrealized appreciation of investments	4,404,773	7,967,658
*Net gain on sales of securities	<u>577,497</u>	<u>—</u>
	<u>6,524,441</u>	<u>9,943,043</u>
DEDUCTIONS FROM NET ASSETS:		
Payment on redemption of mutual fund shares	5,867,357	3,714,541
*Net loss on sales of securities	<u>—</u>	<u>1,424,558</u>
	<u>5,867,357</u>	<u>5,139,099</u>
INCREASE IN NET ASSETS	<u>657,084</u>	<u>4,803,944</u>
NET ASSETS, END OF YEAR ..	<u><u>\$26,807,852</u></u>	<u><u>\$26,150,768</u></u>
NET ASSET VALUE PER SHARE:		
Beginning of year	<u>\$ 8.22</u>	<u>\$ 6.26</u>
End of year	<u><u>\$ 9.96</u></u>	<u><u>\$ 8.22</u></u>
*NET GAIN (LOSS) ON SALES OF SECURITIES:		
Proceeds from sales of securities	<u>\$ 4,672,470</u>	<u>\$ 4,363,059</u>
Cost of securities sold:		
Securities at cost, beginning of year	26,507,257	30,229,696
Purchases	<u>1,089,773</u>	<u>2,065,178</u>
	27,597,030	32,294,874
Securities at cost, end of year	<u>23,502,057</u>	<u>26,507,257</u>
Cost of securities sold	<u>4,094,973</u>	<u>5,787,617</u>
Net gain (loss) on sales of securities	<u><u>\$ 577,497</u></u>	<u><u>\$ (1,424,558)</u></u>

(See accompanying notes)

schedule of investments and other net assets

December 31, 1976

COMMON STOCKS — 95.43%

BANKS — 9.49%

The Bank of Nova Scotia
The Royal Bank of Canada

COMMUNICATIONS — 7.13%

*American Broadcasting Companies, Inc.
Thomson Newspapers Limited

FOOD, BEVERAGES AND TOBACCO — 7.53%

*Borden Incorporated
*Reynolds (R.J.) Industries, Inc.

LEISURE — 12.62%

*Eastman Kodak Company
*Fuji Photo Film Co. Ltd.
*Hilton Hotels Corporation

MERCHANDISING — 1.94%

Grafton Group Limited

METALS AND MINING — 10.58%

Cominco Ltd.
Inco Limited
McIntyre Mines Limited
*Reynolds Metals Company

OFFICE SYSTEMS AND EQUIPMENT — 10.05%

*International Business Machines Corporation
Moore Corporation Limited

OIL AND GAS — 9.10%

Alminex Limited
Dome Petroleum Limited
Shell Canada Limited "A"

PIPELINES — 3.95%

The Alberta Gas Trunk Line Co., Ltd. "A"

STEEL — 3.48%

Dominion Foundries and Steel, Limited

TRANSPORTATION — 3.86%

*Union Pacific Corp.

MISCELLANEOUS — 15.70%

*Jonathan Logan, Inc.
*Merck and Co., Inc.
*Morton-Norwich Products, Inc.
*Pioneer Hi-Bred International Inc.
*Scovill Manufacturing Company
Westburne International Industries Ltd.

TOTAL COMMON STOCKS

PREFERRED STOCKS — 3.73%

*Champion International Corp. \$1.20 Conv.

TOTAL INVESTMENT PORTFOLIO — 99.16%

Other — 0.84%

TOTAL NET ASSETS — 100.00%

*Foreign Stocks
(See accompanying notes)

Number of shares	Quoted value	Diversification of \$10,000 of net assets
70,000	\$ 1,496,250	\$ 558
40,000	1,050,000	391
30,000	1,195,369	446
55,000	715,000	267
29,000	994,628	371
15,000	1,023,251	382
10,000	867,525	324
600,000	1,823,618	680
30,000	692,255	258
20,000	520,000	194
21,000	766,500	286
25,500	841,500	314
5,900	179,950	67
26,000	1,049,100	391
5,000	1,408,467	525
35,000	1,286,250	480
120,000	900,000	336
20,000	830,000	310
45,000	708,750	264
75,000	1,059,375	395
35,000	931,875	348
10,000	1,033,969	386
40,000	630,469	235
10,000	687,211	256
30,000	627,947	234
38,000	919,980	343
34,000	745,971	278
60,000	600,000	224
	<u>25,585,210</u>	<u>9,543</u>
36,000	998,663	373
	<u>26,583,873</u>	<u>9,916</u>
	<u>223,979</u>	<u>84</u>
	<u><u>\$26,807,852</u></u>	<u><u>\$10,000</u></u>

auditors' report

To the Shareholders of
Eaton Growth Fund Ltd.:

We have examined the statement of financial position and the schedule of investments and other net assets of Eaton Growth Fund Ltd. as at December 31, 1976 and the statements of earnings, surplus 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, 1976 and the results of its operations and changes in 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.

Toronto, Canada,
March 7, 1977

Clarkson, Gordon & Co.
Chartered Accountants

notes to financial statements

December 31, 1976

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments are recorded in the accounts at their quoted value at the close of each business day, with the difference between this amount and average cost being shown as unrealized appreciation (depreciation) of investments.

The quoted value of foreign investments is translated to Canadian dollars at exchange rates prevailing at the close of each business day.

Purchases and sales of foreign securities and the related income are translated to Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.

Average cost is used to determine the gain or loss on sales of securities.

The accrual method of recording income and expenses is followed by the company with dividends being recorded on their ex-dividend date.

For each mutual fund share sold the company receives an amount equal to the net asset value per share at the date of sale. Of this amount the par value of \$1.00 is allocated to capital stock and the remainder to contributed surplus. The mutual fund shares are redeemable at the option of the shareholder at their net asset value

and for each share redeemed a corresponding allocation of the net asset value is made.

2. CAPITAL STOCK TRANSACTIONS

Capital stock transactions during the year were as follows:

	1976		1975	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Shares issued:				
Subscriptions ..	102,890	\$ 945,642	160,381	\$1,291,845
Stock dividends, out of net earnings — 17¢ per share (1975 — 17.5¢ per share) ..	45,469	451,047	64,844	546,440
	<u>148,359</u>	<u>\$1,396,689</u>	<u>225,225</u>	<u>\$1,838,285</u>
Shares redeemed	<u>638,202</u>	<u>\$5,867,357</u>	<u>454,587</u>	<u>\$3,714,541</u>

3. INCOME TAXES

The company qualifies as a mutual fund corporation for income tax purposes. Income taxes payable on taxable capital gains and Federal income taxes payable on dividends from Canadian corporations are refundable and accordingly are not deducted in arriving at the net earnings for the year. The provision for income taxes on the statement of earnings includes all taxes on interest income and dividends from foreign corporations.

4. MANAGEMENT FEE

Under the terms of an agreement between the company and Eaton Fund Management Limited, all expenses incurred in the ordinary course of business, including remuneration of directors and officers, other than brokerage fees and all taxes, are paid by Eaton Fund Management Limited. In return for this and other investment management and administrative services, Eaton Fund Management Limited receives a management fee based on the average net assets of the company.

5. DIRECTORS AND OFFICERS

During the year the company had seventeen directors and seven officers. Three of the officers also served as directors.

officers

GORDON D. deS. WOTHERSPOON	Chairman of the Board
ARTHUR G. WEAVER	President
WILLIAM H. ZIMMERMAN	Vice-Chairman
C. VERNER CHRISTENSEN	Treasurer
ROBERT A. DUNFORD	Secretary
MAX W. ZIESACK	Assistant Secretary
LYNN CONLON	Assistant Treasurer

directors

CHARLES W. BRAZIER	Vancouver, B.C.
EDMOND J. COURTOIS	Montreal, Que.
ROBERT E. DAVIES	Banff, Alta.
FREDRIK S. EATON	Toronto, Ont.
JOHN C. EATON	Toronto, Ont.
DOUGLAS D. EVERETT	Winnipeg, Man.
MURRAY J. HOWE	Burlington, Ont.
DAVID KINNEAR	Toronto, Ont.
CHARLES R. MacFADDEN	Halifax, N.S.
TREVOR F. MOORE	Toronto, Ont.
ARTHUR G. WEAVER	Toronto, Ont.
GORDON D. deS. WOTHERSPOON	Uxbridge, Ont.
WILLIAM H. ZIMMERMAN	Toronto, Ont.

business office

Suite 3023, Place Victoria,
Montreal, Quebec H4Z 1B8

manager and distributor

Eaton Fund Management Limited
Toronto, Ontario

**transfer agent and
registrar**

Eaton Trust Company

custodian

A Canadian Chartered Bank
Toronto, Ontario

auditors

Clarkson, Gordon & Co.
Toronto, Ontario



fund highlights

- Principal Protection Insurance available on new investments.
- No initial sales charges.
- Low initial investment. \$200 minimum plus a \$10 administrative fee.
- Voluntary investments. No long term contract.
- Convenient payment system. Automatic monthly transfers from your bank account.
- Annual inter-fund transfer privilege.
- Invested internationally for strong growth potential.
- Service at any Eaton Financial Centre.

For further information, please contact your nearest
Eaton Financial Centre.