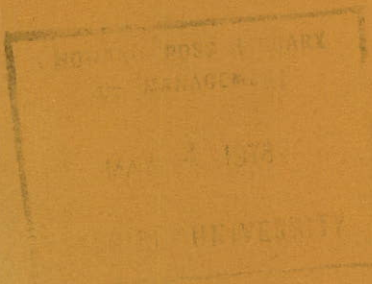


1975  
Annual Report

**Francana  
Development  
Corporation**





# The Corporation

Francana Development  
Corporation Ltd.  
612 St. James Street  
Montreal, Quebec  
H3C 1E1  
(514) 845-7111

Francana Development Corporation Ltd. was incorporated in 1966 and it is a wholly-owned subsidiary of Credit Foncier Franco-Canadien. The Corporation acts as an investment and lending vehicle for Credit Foncier in areas other than the mortgage, trust and real estate fields.

The Corporation is in a position to provide a variety of financing to a number of different types of companies through its three wholly-owned subsidiaries, Frandevcor Ventures Ltd, Frandevcor Investments Ltd and Frandevcor Explorations Ltd. The Corporation has provided or arranged financing, through mortgages, sale and lease-backs, term loans, and the purchase of preferred and common shares, to companies across the country operating in British Columbia, the Prairies, Ontario, Quebec and the Maritimes and in one case in the United States.

The Corporation had \$27.0 million invested in the form of income debentures (\$13.5 million), term loans and advances (\$5.7 million), and preferred and common shares (\$7.8 million) on December 31 1975. The major equity investments are 307,519 shares of Francana Oil and Gas Ltd and 273,600 shares of Hudson Bay Mining and Smelting Co., Limited.



## Directors & Officers

**R. Lavoie**  
President

President and General Manager  
Credit Foncier

**R. Gratton**  
Executive Vice President

Executive Vice President and  
Co-General Manager  
Credit Foncier

**M. B. Harding**  
Vice President

Assistant General Manager  
Credit Foncier

**M. M. Lessard**  
Vice President  
Secretary & Treasurer

Treasurer  
Credit Foncier

## Officers

**C. D. Hyde**  
Assistant Vice President  
Frandedcor Ventures Ltd

**C. Normand**  
Assistant Vice President  
Frandedcor Investments Ltd

**C. Richard**  
Chief Accountant

**M. A. Plourde**  
Assistant Secretary

in the regular quarterly dividend being reduced from 40 cents to 20 cents in the fourth quarter; the total dividends declared in 1975 were \$1.40 per share compared with \$1.60 per share in 1974.

The decrease in profits in 1975 was due entirely to a drop in the profitability of base metal mining and smelting operations whose pre-tax profit of \$42 million in 1974 was replaced by a pre-tax loss of \$0.2 million in 1975. The profitability of other sectors of Hudson Bay Mining's operations, including fertilizers, oil and gas and chemicals, remained virtually unchanged as a whole in 1975 with profits before taxes and minority interests of about \$32 million.

Hudson Bay Mining continued its program of investment outside of Canada. During the year it acquired 18% of Inspiration Consolidated Copper Company of Morristown, New Jersey for about \$22 million. This company has open-pit copper mines, smelting, refining and fabrication facilities in Arizona. Hudson Bay Mining also increased its ownership in Terra Chemicals International Inc, Sioux City, Iowa, a manufacturer of nitrogen based fertilizers, from 30% to 51% and increased its investments in that company by about \$21.7 million.

During the year Hudson Bay Mining's potash operation was hampered by a 13 week shutdown that resulted from a fire. In spite of this problem, production for the

year amounted to 901,000 tons compared with 1,093,000 tons in 1974. The Saskatchewan government introduced legislation during the year authorizing it to purchase or expropriate some or all of the potash operations in the province; this legislation was passed by the legislature in January 1976. Hudson Bay Mining has been advised informally that the province may want to acquire its Sylvite division.

#### **Loans and Investments**

During the past seven years the Corporation has made, through its subsidiaries, a number of loans to and minority investments in junior public and private companies operating in different regions across the country.

The Corporation has a significant investment in Sterisystems Ltd as a result of participating in a number of financings dating back to 1968 involving the subscription to convertible debt, preferred and common shares aimed at financing the company from its inception through various stages of growth, including important acquisitions. The company is listed on the Toronto Stock Exchange, and it is the major factor in the hospital television rental business across Canada. The company is also the leading manufacturer of Vitamin E products in Canada through its subsidiary, Webber Pharmaceuticals Ltd. Sterisystems entered the veterinary field in 1975 by the acquisition of a private company,

Sterivet, that is showing excellent penetration of the equine pharmaceutical field. Sterisystems' consolidated sales were up 18% in 1975, and rose from \$7.6 million in 1974 to \$9.0 million. However profits were down and amounted to \$0.60 per share compared with \$0.70 per share in 1974.

Dad's Industries Ltd is a leading Canadian manufacturer and distributor of cookies and related food products in which the Corporation has an important investment in the form of preferred and common shares. The Corporation's initial investment in the company was made in 1968 when it participated with a group of Vancouver businessmen and senior management in providing the funds to acquire the company. Since then Dad's has made a number of acquisitions and the Corporation has participated with other shareholders in providing additional equity capital. In 1975, Dad's sales continued to grow both in terms of value and volume and earnings reached a new high.

The Corporation's largest investment is in Provost Corporation Ltd, a private company that is one of the major bulk truckers in Canada. The Corporation has participated in two financings of this company which have assisted in the construction of the main terminal, in providing working capital, and in completing a major acquisition. These financings have included term loans, sale and

leasebacks as well as the purchase of preferred and common shares. Provost Corporation Ltd's consolidated sales and profits showed continued growth in 1975 and both reached new highs in spite of difficult economic conditions and escalating costs.

Scan-Optics Inc., based in East Hartford, Connecticut, U.S.A., is engaged in the development, manufacture and marketing of optical character reading input data systems for the North American, Japanese, European and South American markets. The Corporation owns a small holding of letter stock which it acquired through the conversion of an original investment in convertible promissory notes. Although the principal backers of the company are two of the largest U.S.A. insurance companies, several Canadian investors have also been involved since 1972. Scan-Optics had its first profitable year in 1975 and it earned \$155,000 on total revenues of \$6.6 million, which were 61% higher than the 1974 revenues of \$4.1 million.

In 1970 the Corporation invested in Quebec Ontario Freightways Inc., a holding company involved in the trucking industry, in order to permit that company to acquire another trucking operation. The Corporation arranged for mortgage financing for the company's main terminal, it made a term loan and subscribed for common and preferred shares. In 1973 Quebec

Ontario Freightways Inc. sold its trucking operations to a large national carrier. The Corporation disposed of its equity participation at that time but still has a term loan outstanding to one of the companies sold in 1973.

In 1972 the Corporation subscribed to a large portion of a public offering of convertible preferred shares by PolyCom Systems Ltd, a Toronto based computer time-sharing service company whose shares are traded over the counter in Toronto. Revenues in 1975 were up and amounted to \$1.3 million but the company suffered a loss of \$320,000.

C & C Yachts Limited is one of the world's largest manufacturers of sailing yachts, with manufacturing facilities in Niagara-on-the-Lake and Oakville in Ontario and a newly opened plant in Middletown, Rhode Island. The Corporation was the first financial institution to purchase a significant minority equity position by acquiring in 1973 a block of shares owned by a former principal of C & C. The shares are listed on the Toronto Stock Exchange. The company's sales volume in 1975 increased by 11% and rose to \$13 million, although earnings per share dropped from \$0.69 to \$0.40, reflecting increased marketing expenditures aimed at maintaining sales levels during the recession. Management is confident that the introduction of several new models in late 1975, a stronger U.S.A. market and

increased manufacturing capacity with the new Rhode Island plant will allow the company to continue its growth.

The Corporation owns convertible preferred shares of La Verendrye Management Corporation, a holding company engaged in the transportation business in Quebec and Ontario, whose shares are traded on the Montreal and Toronto Stock Exchange. The company's revenues in 1975 amounted to \$21.5 million which was a 10% increase over the 1974 revenues of \$19.5 million. Profits for 1975 were adversely affected by a lengthy strike and were \$601,000 or \$0.78 per share compared with \$627,000 or \$0.82 per share in 1974. The company will be acquiring, subject to securing the various regulatory approvals, most of the assets of DCB Industries, a large Quebec and Ontario trucking operation. This acquisition should substantially strengthen La Verendrye's position in its market and make it one of the leading regional carriers in Canada.

In December 1975 the Corporation sold its shareholding in Consumers Oil Ltd. to the Saskatchewan Power Corporation as did all the other shareholders of the company. The initial investment in Consumers Oil Ltd was made by the Corporation in 1969. The sale resulted in an extraordinary net profit of \$194,000 on an investment of \$176,000.

The Corporation's portfolio of trading securities decreased significantly in size in 1975 and went from \$1,996,000 at cost at the start of the year to \$318,000 at cost at year end. Improvements in the Canadian stock markets during 1975 enabled the Corporation to show a profit before tax on trading securities of \$250,000 compared with a loss of \$645,000 in 1974.

R. Lavoie  
President

April 29, 1976.



# Consolidated Statement of Revenue and Expenses

Francana Development  
Corporation Ltd.  
and Subsidiary Companies

<b>Revenue</b>	<b>1975</b>	<b>1974</b>
Dividends	\$ 638 000	\$ 883 000
Interest	516 000	394 000
Profit (losses) on trading securities (note 5)	250 000	(645 000)
Management fees	13 000	12 000
Other	—	1 000
	<b>1 417 000</b>	<b>645 000</b>
<b>Expenses</b>		
General expenses	167 000	161 000
Financial expenses	11 000	—
	<b>178 000</b>	<b>161 000</b>
<b>Profit before Income Taxes</b>	<b>1 239 000</b>	<b>484 000</b>
Provision for income taxes (note 6)	7 000	39 000
<b>Net Operating Profit</b>	<b>1 232 000</b>	<b>445 000</b>
<b>Extraordinary Items</b>		
Net gain on disposal of assets after income taxes amounting to \$2 764 000 (note 7)	13 633 000	—
Provision for losses on investments	200 000	—
	<b>13 433 000</b>	<b>445 000</b>
<b>Net Profit for the Year</b>	<b>\$ 14 665 000</b>	<b>\$ 445 000</b>

# Consolidated Balance Sheet

as at December 31, (Note 1)

Francana Development  
Corporation Ltd.  
and Subsidiary Companies

<b>Assets</b>	<b>1975</b>	<b>1974</b>
<b>Current Assets</b>		
Cash	\$ 44 000	\$ 45 000
Accounts receivable	85 000	225 000
Advances to an affiliated company	4 280 000	2 577 000
Trading securities (note 2)	233 000	1 061 000
Income taxes recoverable	—	28 000
	<b>4 642 000</b>	<b>3 936 000</b>
<b>Note Receivable</b>	<b>—</b>	<b>371 000</b>
<b>Loans</b>	<b>1 455 000</b>	<b>1 572 000</b>
<b>Investments</b>		
Debentures, at cost (note 3)	13 470 000	—
Quoted shares (note 4)	7 486 000	19 700 000
Unquoted shares, at cost	372 000	868 000
	<b>21 328 000</b>	<b>20 568 000</b>
	<b>\$ 27 425 000</b>	<b>\$ 26 447 000</b>

Approved by the Board of Directors

R. Lavoie, Director  
R. Gratton, Director

<b>Liabilities</b>	<b>1975</b>	<b>1974</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 4 000	\$ 5 000
Provision for income taxes	2 765 000	—
	<b>2 769 000</b>	<b>5 000</b>
<b>Notes Payable</b>	—	372 000
<b>Deferred Income</b>	<b>41 000</b>	<b>52 000</b>
<b>Shareholders' Equity</b>		
<b>Capital-stock</b>		
Authorized		
2 000 000 common shares without nominal value		
Issued and fully paid		
1 407 130 shares	20 943 000	20 943 000
<b>Retained Earnings</b>	<b>3 672 000</b>	<b>5 075 000</b>
	<b>24 615 000</b>	<b>26 018 000</b>
	<b>\$ 27 425 000</b>	<b>\$ 26 447 000</b>

# Consolidated Statement of Changes in Financial Position

year ended December 31,

Francana Development  
Corporation Ltd.  
and Subsidiary Companies

<b>Source of Funds</b>	<b>1975</b>	<b>1974</b>
Net operating profit	\$ 1 232 000	\$ 445 000
Less earned portion of deferred income	11 000	10 000
	<b>1 221 000</b>	<b>435 000</b>
Loans receivable reimbursed	117 000	645 000
Note receivable reimbursed	371 000	—
Investments realized		
Quoted	25 453 000	—
Unquoted	690 000	650 000
Notes payable	—	372 000
Capital stock issued	—	8 143 000
	<b>27 852 000</b>	<b>10 245 000</b>
<b>Application of Funds</b>		
Notes payable reimbursed	372 000	—
Loans and note receivable	—	919 000
Investments made		
Debentures	13 470 000	—
Quoted stocks	—	8 262 000
Unquoted stocks	—	24 000
Dividends paid	16 068 000	240 000
	<b>29 910 000</b>	<b>9 445 000</b>
<b>Increase (decrease) in working capital for the year</b>	<b>(2 058 000)</b>	<b>800 000</b>
Working capital at beginning of the year	3 931 000	3 131 000
<b>Working capital at end of the year</b>	<b>\$ 1 873 000</b>	<b>\$ 3 931 000</b>

# Consolidated Statement of Retained Earnings

year ended December 31,

	1975	1974
Balance, January 1,	\$ 5 075 000	\$ 4 870 000
<b>Add</b>		
Net profit for the year	14 665 000	445 000
	<b>19 740 000</b>	<b>5 315 000</b>
<b>Deduct</b>		
Dividends	16 068 000	240 000
Balance, December 31,	\$ 3 672 000	\$ 5 075 000

## Auditors' Report

To the Shareholders of  
Francana Development Corporation Ltd.

We have examined the consolidated balance sheet of Francana Development Corporation Ltd. and its subsidiaries as at December 31, 1975 and the consolidated statements of their revenue and expenses, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and its subsidiaries as at December 31, 1975, the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Samson, Bélair & Associés  
Chartered Accountants

Montreal, February 6, 1976

# Notes to the Consolidated Financial Statements

year 1975

Francana Development  
Corporation Ltd.  
and Subsidiary Companies

## Note 1 Basis of Consolidation

In the accompanying consolidated financial statements, the accounts of Francana Development Corporation Ltd. have been consolidated with those of the following subsidiary companies, all of which are wholly-owned:

Frantevcor Investments Ltd.  
Frantevcor Explorations Ltd.  
Frantevcor Ventures Ltd.

## Note 2 Trading Securities

The portfolio of trading securities is valued as a whole at the lower of cost or market as at December 31,

	1975	1974
Cost	\$ 318 000	\$ 1 996 000
Less		
Provision for unrealized losses	85 000	935 000
Book and market value	\$ 233 000	\$ 1 061 000

## Note 3 Debentures

	1975	1974
	\$ 13 470 000	—

7½% income debentures of Anmercosa Investments Limited, due September 30, 1980, with partial repayment of \$4 630 000 in 1976  
Common shares of Hudson Bay Mining & Smelting Co. Limited are held in trust to guarantee payment of capital and interest due. The repayment of principal is subject to an additional guaranty given by Anglo-American Corporation of Canada Limited.

## Note 4 Quoted Shares

Quoted shares are shown at cost less a provision for losses of \$200 000 taken by a subsidiary in 1975. These shares had a market value of \$7 883 000 as at December 31, 1975 and \$25 329 000 as at December 31, 1974.

**Note 5**  
**Profit (Losses) on Trading Securities**

	1975	1974
Losses on sales of trading securities	\$ (600 000)	\$ (153 000)
Decrease in the provision for unrealized losses (increase in 1974)	850 000	(492 000)
	<b>\$ 250 000</b>	<b>\$ (645 000)</b>

**Note 6**  
**Provision for Income Taxes**

	1975	1974
The 1975 provision for income taxes was established as follows:		
Provision for income taxes on current year's operating profits	\$ 295 000	—
Less		
Reduction of taxes due to applicable losses of prior years	288 000	—
	<b>\$ 7 000</b>	<b>—</b>

**Note 7**  
**Net Gain on Disposal of Assets**

During 1975 the company sold 182 400 shares of Hudson Bay Mining and Smelting Co., Limited and 2 205 012 shares of Francana Oil & Gas Limited for a total consideration of \$28 198 000. The net profit realized on this transaction was \$13 439 000, after income taxes amounting to \$2 764 000. Also a net profit of \$194 000 was realized on the sale by a subsidiary of 122 612 common shares of Consumers Oil Company Limited.







