

INVESTMENT FOUNDATION LIMITED

ANNUAL REPORT March 31st, 1978

DIRECTORS

A. SCOTT FRASER, President
H.C. FLOOD
SÉVÈRE GODIN
A. KEITH HAM

IAN B. CAMPBELL, C.A., Vice-President
NEIL B. IVORY
MOSTYN LEWIS

J.D. HOPKINS, Secretary-Treasurer
TED TILDEN
KENNETH A. WILSON, Q.C.

MISS MURIEL M. HAY, Assistant Secretary-Treasurer

The Class A and Class B Shares are listed and traded on the Montreal Stock Exchange, Montreal.
Transfer and Registry Agents — Canada Permanent Trust Company, Montreal.

TO THE SHAREHOLDERS:

April 13th, 1978.

Your Directors are pleased to present the 49th Annual Report of your Company together with the Balance Sheet as at March 31st, 1978 and statements of Earnings, Retained Earnings, Net Realized Gain on Investments Sold and Changes In Net Assets for the year ended on that date, with the auditor's report thereon.

Net earnings for the year were \$5.91 per share against \$4.90 per share last year. Regular quarterly dividends of \$0.80 per share were paid on both the Class A and Class B shares. In addition, three extra dividends were declared during the year so that dividends paid to shareholders during the fiscal year totaled \$5.10. The net increase in retained earnings was \$64,924.

As in the previous fiscal year, your Company received a substantial non-recurring dividend. This had a side effect, enabling your Company to maintain stock positions in fast growing companies which pay small dividends in relation to earnings. The liquidating value of your Company's shares increased to \$77.15 from \$66.01 the previous year both figures after provision for capital gains tax. In the context that the Toronto Stock Exchange Industrial Index rose from 1022.11 to 1063.26 during the year, your Directors are satisfied with the results.

The Anti-Inflation Board regulations regarding dividends should end at Thanksgiving this year. Hopefully, we will receive a number of dividend increases and there is the possibility of another non-recurring dividend to be received by Investment Foundation. Our earnings for the forthcoming year are therefore impossible to predict. We do realize the need for income by our shareholders and, at this time, expect to pay at least the same amount in dividends as we did last year.

An examination of the list of securities held by your Company shows a substantial number of companies where dividends are very low in relation to earnings. Generally speaking, it was these stocks that caused the material increase in value of the total portfolio. We expect to continue this policy within the framework of sound investment management.

With the economic and political outlook for Canada as uncertain as it is, any general prediction as to future prospects is unwise. As we have mentioned in previous Annual Reports, profits, in times of inflation, are frequently overstated in real terms. Hopefully, governments at all levels will understand that real profits must be earned to encourage expansion and growth within our country. We have the natural resources and enterprenurial talent available to achieve these ends, which would directly create employment, but the incentives for equity capital are not sufficient at this time. Many of our most aggressive companies are expanding in foreign countries rather than in Canada. This trend will have to be reversed before stable, long term growth can be achieved.

All stocks are listed on regular stock exchanges with the exception of Taco Bell. For Canadian capital gains tax purposes, the value of the common shares of Investment Foundation Limited on Valuation Day, December 22nd, 1971 was \$41.50 per share.

Respectfully submitted on behalf of the Directors,

A. SCOTT FRASER,
President.

SECURITY HOLDINGS AS AT MARCH 31st, 1978

	<u>BONDS</u>		<u>MARKET VALUE</u>	
\$10,000.	Asbestos Corporation 9-3/4% July 15/90.....	\$ 9,500.		
10,000.	T. Eaton Acceptance 5-3/4% April 15/84.....	8,125.		
25,000.	Royal Trust Company Mortgage Corporation 6% October 1/85.....	20,375.		
25,000.	Roy Nat 6 1/4% December 15/80.....	23,375.	\$ 61,375.	1.0%
SHARES				
	<u>PREFERRED STOCKS</u>			
5,500	Canada Cement Lafarge 6 1/2% Pfd.....	\$ 86,625.		
4,000	G.B.C. Capital Ltd. Pfd.....	110,000.		
2,640	Jannock Corporation Limited Pfd.....	38,280.		
3,600	Metropolitan Stores of Canada Limited \$1.30 Pfd. '61.....	52,200.		
1,700	Metropolitan Stores of Canada Limited \$1.30 Pfd. '67.....	24,650.	\$ 311,755.	5.0%
COMMON STOCKS				
	<u>BANK</u>			
8,000	Bank of Nova Scotia.....	\$ 155,000.	\$ 155,000.	2.5%
FINANCE				
2,000	Canada Trustco Mortgage Company "A".....	\$ 54,000.		
9,000	IAC Limited.....	157,500.		
11,000	MICC Investments.....	101,750.		
8,000	TD Realty Investments.....	210,000.	\$ 523,250.	8.4%
FOODS				
16,000	Dominion Stores Limited.....	\$ 252,000.		
2,600	Redpath Industries Limited "A".....	42,900.		
15,000	Scott's Restaurants Co. Limited "A".....	140,625.	\$ 435,525.	7.0%
FOREST PRODUCTS				
8,000	Maclaren Power & Paper Company "A".....	\$ 286,000.		
7,084	The Price Company Limited.....	96,520.	\$ 382,520.	6.2%
MINES				
5,000	Asbestos Corporation Limited.....	\$ 192,500.		
5,300	Hollinger Mines Limited "A".....	162,975.		
8,300	Hudson Bay Mining and Smelting Co. Limited "A".....	141,100.		
2,500	Labrador Mining and Exploration Company Limited.....	82,500.	\$ 579,075.	9.3%
MISCELLANEOUS				
5,000	Canadian Industries Limited.....	\$ 96,875.		
9,000	Greyhound Lines Canada Ltd.....	158,625.		
9,860	Ivaco Industries Limited "A".....	83,810.		
8,000	St. Lawrence Cement Co. "A".....	118,000.		
9,000	Tele-Capital "A".....	69,750.	\$ 527,060.	8.5%
OILS				
10,000	Murphy Oil.....	\$ 83,750.		
7,000	Ocelot Industries Ltd. "B".....	94,500.	\$ 178,250.	2.9%
PETROLEUM SERVICES				
7,000	Trimac Limited "A".....	\$ 126,000.		
7,000	Westburne International Industries Ltd.....	161,875.	\$ 287,875.	4.6%
PIPELINES				
8,000	Interprovincial Pipe Line Company "A".....	\$ 111,000.		
10,000	Pembina Pipe Line Ltd.....	65,000.		
13,800	Trans Canada Pipe Lines.....	205,275.	\$ 381,275.	6.1%
PUBLISHING				
46,000	Harlequin Enterprises Limited.....	\$ 592,250.		
10,000	Reader's Digest Association (Canada) Ltd.....	115,000.		
9,000	Torstar Corporation "B".....	137,250.	\$ 844,500.	13.6%
UTILITIES				
7,500	Bell Canada.....	\$ 405,938.		
10,000	Maritime Telegraph & Telephone Company Limited.....	225,000.	\$ 630,938.	10.2%
WARRANTS				
36,000	General Distributors of Canada Ltd.....	\$ 57,600.		
4,000	Northern Telecom.....	31,000.	\$ 88,600.	1.4%
U.S. COMPANIES				
5,000	Blue Bell Inc.....	\$ 133,233.		
3,000	Olin Corporation.....	48,474.		
1,000	R.J. Reynolds Industries, Inc.....	63,924.		
9,000	Sea Containers Inc.....	262,781.		
5,000	Simplicity Pattern Co. Inc.....	74,412.		
6,000	Taco Bell.....	242,371.	\$ 825,195.	13.3%
TOTAL PORTFOLIO			<u>\$6,212,193.</u>	100.0%

INVESTMENT FOUNDATION LIMITED

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 1978

	1978	1977
Net assets at beginning of year	\$5,279,022	\$5,068,618
Net earnings for the year	472,664	391,905
Investments at cost at beginning of year	5,205,899	5,055,579
Purchases of investments for the year	938,334	499,606
	6,144,233	5,555,185
Investments at cost at end of year	5,276,519	5,205,899
Cost of investments sold for the year	867,714	349,286
Proceeds of investments sold for the year	911,508	244,040
Net gain (loss) on investments sold before income taxes	43,794	(105,246)
Income taxes (recoverable)	14,607	(9,611)
Net gain (loss) on investments sold for the year	29,187	(95,635)
Increased in unrealized appreciation for the year	925,754	249,920
Dividends paid	(407,740)	(335,786)
Net increase for the year	1,019,865	210,404
Net assets at end of year	\$6,298,887	\$5,279,022

INVESTMENT FOUNDATION LIMITED

[Incorporated under the Quebec Companies Act]

BALANCE SHEET AS AT MARCH 31, 1978

ASSETS

CURRENT	1978	1977
Cash	\$ 75,624	\$ 17,115
Accounts receivable	37,643	—
Accrued dividends and interest	37,605	35,349
Income taxes recoverable	—	12,113
	<u>150,872</u>	<u>64,577</u>
Investments (note 1)	6,212,193	5,215,819
Furniture and fixtures - at depreciated value	1	1
	<u>\$6,363,066</u>	<u>\$5,280,397</u>

LIABILITIES

CURRENT	1978	1977
Accounts payable	\$ 49,572	\$ 1,375
Income taxes payable	14,607	—
	<u>64,179</u>	<u>1,375</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 2)		
Authorized		
100,000 class A common shares of no par value		
100,000 class B common shares of no par value		
Issued		
31,297 class A common shares (1977 - 32,157)	605,769	622,414
48,652 class B common shares (1977 - 47,792)	941,681	925,036
	<u>1,547,450</u>	<u>1,547,450</u>
Retained earnings	640,766	575,842
Net realized gain on investments sold	3,174,997	3,145,810
Unrealized gain on investments (note 1)	935,674	9,920
	<u>6,298,887</u>	<u>5,279,022</u>
Approved by the Board of Directors	<u>\$6,363,066</u>	<u>\$5,280,397</u>
A. SCOTT FRASER, Director		
IAN B. CAMPBELL, Director		

AUDITOR'S REPORT

To the Shareholders,
Investment Foundation Limited

We have examined the balance sheet of Investment Foundation Limited as at March 31, 1978 and the statements of earnings, retained earnings, net realized gain on investments sold and changes in net assets for the year then ended and have obtained all the information and explanations we have required. 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 and according to the best of our information, the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at March 31, 1978 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
April 7, 1978

HYDE, HOUGHTON & CO.
Chartered Accountants

INVESTMENT FOUNDATION LIMITED

STATEMENT OF EARNINGS YEAR ENDED MARCH 31, 1978

	1978	1977
REVENUE		
Dividends	\$ 514,471	\$ 427,115
Interest	9,437	9,382
	523,908	436,497
EXPENSES		
Directors' fees	4,400	4,533
General	44,466	39,218
	48,866	43,751
Earnings before income taxes	475,042	392,746
Income taxes	2,378	841
	472,664	391,905
Net earnings for the year	\$ 472,664	\$ 391,905
Earnings per Class A and Class B common share	\$ 5.91	\$ 4.90

STATEMENT OF RETAINED EARNINGS YEAR ENDED MARCH 31, 1978

Balance at beginning of year	\$ 575,842	\$ 519,723
Net earnings for the year	472,664	391,905
	1,048,506	911,628
Dividends	407,740	335,786
	640,766	575,842
Balance at end of year	\$ 640,766	\$ 575,842

STATEMENT OF NET REALIZED GAIN ON INVESTMENTS SOLD YEAR ENDED MARCH 31, 1978

Net gain (loss) on investments sold before income taxes	\$ 43,794	\$ (105,246)
Income taxes (recoverable)	14,607	(9,611)
	29,187	(95,635)
Balance at beginning of year	3,145,810	3,241,445
Balance at end of year	\$3,174,997	\$3,145,810

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 1978

1. INVESTMENTS

Investments are carried at market value for financial statement purposes, and the difference between cost and market value is shown as "Unrealized gain on investments" included in the shareholders' equity section of the balance sheet.

2. CAPITAL STOCK

The class A and class B shares are inter-convertible on a one for one basis. The rights of the class A and class B shares are identical except that dividends on class B shares may be paid out of "tax-paid undistributed surplus on hand" or out of "1971 capital surplus on hand", provided that a dividend is paid on the class A shares in an amount equal to the dividend on the class B shares plus any tax applicable thereto.

**INVESTMENT FOUNDATION
LIMITED**

ANNUAL REPORT

For the Fiscal Year

Ended March 31, 1978

