

INVESTMENT FOUNDATION LIMITED

ANNUAL REPORT

March 31st, 1976

DIRECTORS

A. SCOTT FRASER, President
JAMES L. DAVIS
H. C. FLOOD
SÉVÈRE GODIN

IAN B. CAMPBELL, C.A., Vice-President
A. KEITH HAM
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, 1976.

Your Directors are pleased to present the 47th Annual Report of your Company together with the Balance Sheet as at March 31st, 1976 and statements of Earnings, Retained Earnings and Net Realized Gain on Investments sold for the year ended on that date, with the auditor's report thereon.

Net earnings for the year were \$279,473. or \$3.49 per share against \$270,236. or \$3.38 per share during the preceding year. Regular quarterly dividends of \$0.70 per share were declared on the Class A shares so that regular dividends of \$2.80 per share were paid and two extras of \$0.30 per share have been declared payable January 31st, 1976 and April 30th, 1976 or a total of \$3.40 in the fiscal year. On the Class B shares the total declared for the fiscal year after deduction of the 15% Federal tax amounted to \$2.89 per share free of income tax. The net increase in retained earnings was \$7,647.

One year ago we expected that earnings could be maintained during the past year. In fact, earnings for the six months ending September 30th, 1975 were comfortably ahead as several of the companies in which we hold shares increased their dividends. A number of other increases were expected but the dividend freeze imposed by the Government of Canada on Thanksgiving Day caused a decline in anticipated annual results. Hopefully, dividend controls will be eased or eliminated in October this year in which case our earnings should improve; however to predict this in the context of Wage and Price Controls would be unwise.

In recent years, the ethic of saving for a rainy day has been destroyed by Canadian Governments by their advocacy of a spend now, pay later policy. While the private sector has the partial discipline of the balance sheet and profit and loss statement, there has been little discipline of any kind in government spending practices. Perhaps the worst, yet least known example of this is the indexing against inflation of the Pension Plan for Federal civil servants. As the Federal plan is not funded, there is not an actuarial deficiency and the ultimate cost to Canadian taxpayers cannot be calculated. In summation, the civil service which has the responsibility to control inflation, is the only segment of our economy whose pensions are indexed against inflation. With Wage and Price Controls affecting the operations of public companies, there are good reasons for the uncertainty in the minds of investors and savers.

The liquidating value of your shares, after provision for capital gains tax, improved from \$59.08 per share to \$63.68 per share at year end. Security transactions during the year were designed to increase the overall return in equity while maintaining dividend income. Stocks with a high return on equity appear to give the greatest opportunity for increases in dividend income. Should this be the case, if dividend controls are eased or removed, increased income for Investment Foundation will result in increased dividends paid by your Company.

We suggest that shareholders examine the list of securities held. Many of them are clearly undervalued by any traditional yardstick.

All common and preferred stocks are listed on regular stock exchanges with the exception of Ivaco Convertible Preferred. 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.

The security holdings as at March 31st, 1976 were as follows:

	<u>SHORT TERM CERTIFICATES</u>	<u>MARKET VALUE</u>		
\$200,000. Bank of Nova Scotia		\$ 200,000.	\$ 200,000.	4.0%
	<u>BONDS</u>			
\$ 10,000. Asbestos Corporation 9 $\frac{3}{4}$ % July 15/90		\$ 9,000.		
10,000. T. Eaton Acceptance 5 $\frac{3}{4}$ % April 15/84		7,400.		
25,000. Royal Trust Company Mortgage Corporation 6% October 1/85		18,250.		
25,000. RoyNat 6 $\frac{1}{4}$ % December 15/80		21,375.	\$ 56,025.	1.1%

SHARES	PREFERRED STOCKS		Market Value	
5,500	Canada Cement Lafarge 6½% Pfd.	\$ 72,875.		
10,600	Canadian International Power Company Limited Pfd.	132,500.		
4,000	G.B.C. Capital Ltd. Pfd.	88,000.		
2,400	Jannock Corporation Limited "A"	26,400.		
3,600	Metropolitan Stores of Canada Limited \$1.30 Pfd. '61	48,600.		
1,700	Metropolitan Stores of Canada Limited \$1.30 Pfd. '67	22,950.	\$ 391,325.	7.8%
CONVERTIBLE PREFERRED STOCKS				
2,465	Ivaco Industries Limited "B" Convertible Pfd.	\$ 88,740.		
1,000	Trans Canada Pipe Lines \$2.65 Convertible Pfd.	40,000.		
500	Western Broadcasting Company Ltd. 5¾% Convertible Pfd.	13,500.	\$ 142,240.	2.8%
COMMON STOCKS				
BANK				
4,000	Bank of Nova Scotia	\$155,000.	\$ 155,000.	3.2%
COMMUNICATIONS				
10,000	Reader's Digest Association (Canada) Ltd.	\$117,500.		
9,000	Tele-Capital "A"	47,250.		
2,200	Toronto Star "B"	39,325.	\$ 204,075.	4.1%
FINANCE				
2,000	The Huron and Erie Mortgage Corporation "A"	\$ 46,000.		
9,000	IAC Limited	164,250.		
11,000	MICC Investments	115,500.		
8,000	TD Realty Investments Units	204,000.		
8,000	TD Realty Investments Warrants	13,200.	\$ 542,950.	10.8%
FOODS				
16,000	Dominion Stores Limited	\$256,000.		
1,300	Redpath Industries Limited "A"	30,225.	\$ 286,225.	5.7%
FOREST PRODUCTS				
10,000	Maclaren Power & Paper Company "A"	\$310,000.		
7,084	The Price Company Limited	114,229.	\$ 424,229.	8.5%
MINES				
9,000	Bralorne Resources Limited	\$ 20,700.		
5,300	Hollinger Mines Limited "A"	185,500.		
8,300	Hudson Bay Mining and Smelting Co. Limited "A"	173,263.		
4,000	The International Nickel Company of Canada Limited "A"	129,000.		
2,500	Labrador Mining and Exploration Company Limited	80,000.		
300	Pine Point Mines Limited	9,612.	\$ 598,075.	11.9%
MISCELLANEOUS				
5,000	Canadian Industries Limited	\$120,000.		
10,000	The Canadian Salt Company Limited	140,000.		
11,000	Harlequin Enterprises Limited	97,625.		
4,000	Northern Telecom Warrants	62,000.		
8,000	St. Lawrence Cement Co. "A"	134,000.		
10,000	Scott's Restaurants Co. Limited	78,750.	\$ 632,375.	12.6%
OILS				
20,000	Murphy Oil	\$102,500.	\$ 102,500.	2.1%
PIPELINES				
8,000	Interprovincial Pipe Line Company	\$105,000.		
10,000	Pembina Pipe Line Ltd. "B"	33,000.		
10,500	Trans Canada Pipe Lines	127,313.		
3,000	Trans Mountain Pipe Line Company	30,750.	\$ 296,063.	5.9%
TRANSPORTATION				
9,000	Greyhound Lines Canada	\$162,000.		
7,000	Trimac Limited	35,000.	\$ 197,000.	3.9%
UTILITIES				
7,500	Bell Canada	\$336,563.		
10,000	Canadian International Power Company Limited "A"	152,500.		
10,000	Maritime Telegraph & Telephone Company Limited	177,500.	\$ 666,563.	13.3%
U.S. COMPANIES				
1,500	Olin Corporation	\$ 56,849.		
1,000	R. J. Reynolds Industries, Inc.	61,279.	\$ 118,128.	2.3%
			Total Portfolio	\$5,012,773. 100.0%

Respectfully submitted on behalf of the Directors,
A. SCOTT FRASER,
President.

INVESTMENT FOUNDATION LIMITED

[Incorporated under the Quebec Companies Act]

BALANCE SHEET AS AT MARCH 31, 1976

		ASSETS	
		1976	1975
CURRENT			
Cash		\$ 98,266	\$ 20,004
Short-term deposits		200,000	80,000
Accrued dividends and interest		36,470	41,479
Income taxes recoverable		—	17,415
		<u>334,736</u>	<u>158,898</u>
Investments (note 1)		4,815,580	4,592,245
Furniture and fixtures — at depreciated value		1	1
		<u>\$ 5,150,317</u>	<u>\$ 4,751,144</u>
		LIABILITIES	
CURRENT			
Accounts payable		\$ 1,750	\$ 5,200
Dividends payable		79,949	79,949
		<u>81,699</u>	<u>85,149</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:			
34,057 class A common shares		659,190	1,547,450
45,892 class B common shares		888,260	—
		<u>1,547,450</u>	<u>1,547,450</u>
Retained earnings		519,723	512,076
Net realized gain on investments sold		3,241,445	3,206,469
Unrealized loss on investments (note 1)		(240,000)	(600,000)
		<u>5,068,618</u>	<u>4,665,995</u>
Approved by the Board of Directors		<u>\$ 5,150,317</u>	<u>\$ 4,751,144</u>
A. SCOTT FRASER, Director			
IAN B. CAMPBELL, Director			

AUDITORS' REPORT

To the shareholders,
Investment Foundation Limited.

We have examined the balance sheet of Investment Foundation Limited as at March 31, 1976 and the statements of earnings, retained earnings and net realized gain on investments sold for the year then ended and have obtained all the information and explanations we have required. 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 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, 1976, 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 9, 1976.

HYDE, HOUGHTON & CO.
Chartered Accountants.

INVESTMENT FOUNDATION LIMITED

STATEMENT OF EARNINGS YEAR ENDED MARCH 31, 1976

	1976	1975
REVENUE		
Dividends	\$ 306,101	\$ 299,406
Interest	15,254	10,443
	321,355	309,849
EXPENSES		
Directors' fees	4,675	3,760
General	36,824	35,717
	41,499	39,477
Earnings before income taxes	279,856	270,372
Income taxes	383	136
Net earnings for the year	\$ 279,473	\$ 270,236

STATEMENT OF RETAINED EARNINGS YEAR ENDED MARCH 31, 1976

	1976	1975
Balance at beginning of year	\$ 512,076	\$ 497,677
Net earnings for the year	279,473	270,236
	791,549	767,913
Dividends	271,826	255,837
Balance at end of year	\$ 519,723	\$ 512,076

STATEMENT OF NET REALIZED GAIN ON INVESTMENTS SOLD YEAR ENDED MARCH 31, 1976

	1976	1975
Balance at beginning of year	\$ 3,206,469	\$ 3,232,157
Net gain (loss) on investments sold	40,852	(22,286)
	3,247,321	3,209,871
Income taxes on capital gains	5,876	3,402
Balance at end of year	\$ 3,241,445	\$ 3,206,469

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 1976

1. INVESTMENTS

Investments are carried at market value for financial statement purposes, and the difference between cost and market value is shown as "Unrealized loss 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.

3. EARNINGS PER SHARE

	1976	1975
Statement of earnings	\$ 3.49	\$ 3.38
Statement of net realized gain on investments sold43	(.32)

**INVESTMENT FOUNDATION
LIMITED**

ANNUAL REPORT

**For the Fiscal Year
Ended March 31, 1976**

HOWARD ROSS LIBRARY
OF MANAGEMENT
AUG 23 1976
MCGILL UNIVERSITY