

# INVESTMENT FOUNDATION LIMITED

## ANNUAL REPORT

March 31st, 1975

### 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 Common Shares are listed and traded on the Montreal Stock Exchange, Montreal  
Transfer and Registry Agents — Canada Permanent Trust Company, Montreal.

April 15th, 1975.

### TO THE SHAREHOLDERS:

Your Directors are pleased to present the 46th Annual Report of your Company together with the Balance Sheet as at March 31st, 1975 and statements of Earnings, Retained Earnings and Capital Surplus for the year ended on that date, with the auditor's report thereon.

Net earnings for the year were \$270,236. or \$3.38 per share against \$228,103. or \$2.85 per share during the preceding year. The regular quarterly dividend was increased to \$0.70 per share from \$0.60 per share with the January 31st payment; so that regular dividends of \$2.60 per share were paid and two extras of \$0.30 per share have been declared payable January 31st, 1975 and April 30th, 1975. The net increase in retained earnings was \$14,399.

Once again, the year under review was difficult for the investor. At the commencement of our fiscal year, at April 1st, 1974, the Toronto Stock Industrial Index was 215.57. During the year, prices of industrial stocks declined to a low of 151.19 and closed the year on March 31st, 1975 at 180.29, for a decline of almost 16½%. At the same time, as illustrated above, corporate earnings and dividends showed a material increase. The liquidating value of your Company's shares, after provision for capital gains tax, declined to \$59.08 per share from \$65.82 per share the previous year, a decline of 10.2%. This occurred in the face of a very high rate of inflation in Canada which, in fact, was understated because of lower than world oil prices. While interest rates were high during the year, the increase in the money supply, high government expenditures and high wage settlements were major causes of the inflation rate.

The future is difficult to predict. Most common stocks are clearly undervalued on a replacement of assets basis. Hopefully, the current recession will abate in the foreseeable future and a rational return can be earned on the real value of the assets. At the same time, Canadian costs have been rising at a rapid rate which could have an adverse effect on our exports. It is possible that the Canadian recession could deepen and the recovery lag behind that of the United States.

Last year at this time it was possible to predict higher earnings with some certainty. While current conditions make predictions more difficult, we expect that earnings can be maintained.

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 common shares of Investment Foundation Limited on Valuation Day, December 22nd, 1971 was \$41.50 per share.

The security holdings as at March 31st 1975 were as follows:

	<u>BONDS</u>		<u>MARKET VALUE</u>	
\$10,000. Asbestos Corporation 9¾% July 15/90 .....		\$	9,300.	
10,000. T. Eaton Acceptance 5¾% April 15/84 .....			7,600.	
25,000. Royal Trust Company Mortgage Corporation 6% October 1/85 .....			19,250.	
25,000. RoyNat 6¼% December 15/80 .....			21,750.	\$ 57,900. 1.3%

<u>SHARES</u>	<u>PREFERRED STOCKS</u>		<u>MARKET VALUE</u>	
5,500	Canada Cement Lafarge 6½% Pfd.	\$	79,063.	
10,600	Canadian International Power Company Limited Pfd		129,850.	
3,500	G.B.C. Capital Ltd. Pfd.		91,000.	
2,400	Jannock Corporation Limited "A"		30,300.	
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.	\$ 407,063. 8.9%
<u>CONVERTIBLE PREFERRED STOCKS</u>				
2,465	Invaco Industries Limited "B" Convertible Pfd.	\$	123,250.	
1,000	Trans Canada Pipe Lines \$2.65 Convertible Pfd.		38,000.	
500	Western Broadcasting Company Ltd. 5¼% Convertible Pfd.		10,750.	\$ 172,000. 3.7%
<u>COMMON STOCKS</u>				
<u>BANK</u>				
6,050	Bank of Nova Scotia	\$	245,782.	\$ 245,782. 5.3%
<u>COMMUNICATIONS</u>				
10,000	Reader's Digest Association (Canada) Ltd.	\$	85,000.	
8,000	Ronalds-Federated Limited		101,000.	
9,000	Tele-Capital Ltd. "A"		47,250.	\$ 233,250, 5.0%
<u>FINANCE</u>				
2,000	The Huron and Erie Mortgage Corporation	\$	49,500.	
9,000	IAC Limited		173,250.	
12,000	MICC Investments		123,000.	
8,000	TD Realty Investments Units		223,000.	
8,000	TD Realty Investments Warrants		23,600.	\$ 592,350. 12.9%
<u>FOODS</u>				
16,000	Dominion Stores Limited	\$	292,000.	
1,000	Redpath Industries Limited "A"		20,750.	\$ 312,750. 6.8%
<u>FOREST PRODUCTS</u>				
10,000	Maclaren Power & Paper Company "A"	\$	275,000.	
7,084	The Price Company Limited		96,520.	\$ 371,520. 8.1%
<u>MINES</u>				
9,000	Bralorne Resources Limited	\$	11,610.	
5,300	Hollinger Mines Limited "A"		143,100.	
8,300	Hudson Bay Mining and Smelting Co. Limited "A"		149,400.	
5,000	The International Nickel Company of Canada Limited "A"		125,625.	
2,500	Labrador Mining and Exploration Company Limited		60,625.	\$ 490,360. 10.7%
<u>MISCELLANEOUS</u>				
10,000	The Canadian Salt Company Limited	\$	140,000.	
4,000	Northern Electric Company, Limited		88,000.	
5,000	Canadian Industries Limited		86,250.	
3,000	Eddy Match Company Limited		48,000.	
5,000	St. Lawrence Cement Co. "A"		81,250.	\$ 443,500. 9.7%
<u>OILS</u>				
20,000	Murphy Oil Company Limited	\$	100,000.	
1,000	Texaco Canada Limited		32,000.	\$ 132,000. 2.8%
<u>PIPELINES</u>				
6,000	Interprovincial Pipe Line Company	\$	78,000.	
10,000	Pembina Pipe Line Ltd. "B"		24,000.	
10,500	Trans Canada Pipe Lines		111,563.	
3,000	Trans Mountain Pipe Line Company		33,000.	\$ 246,563 5.4%
<u>TRANSPORTATION</u>				
9,000	Greyhound Lines of Canada Limited	\$	142,875.	
7,000	Trimac Limited		26,600.	\$ 169,475 3.7%
<u>UTILITIES</u>				
7,500	Bell Canada	\$	355,313.	
10,000	Canadian International Power Company Limited		122,500.	
10,000	Maritime Telegraph & Telephone Company Limited		160,000.	\$ 637,813. 13.9%
<u>U. S. COMPANIES</u>				
1,500	Olin Corporation	\$	30,242.	
1,000	R. J. Reynolds Industries, Inc.		52,720.	\$ 82,962. 1.8%
Total Portfolio			\$4,595,288.	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, 1975

<b>ASSETS</b>		
	1975	1974
<b>CURRENT</b>		
Cash .....	\$ 20,004	\$ 7,733
Short-term deposits .....	80,000	—
Accrued dividends and interest .....	41,479	40,256
Income taxes recoverable .....	17,415	—
Due from broker .....	—	18,056
	158,898	66,045
Investments (Note 1) .....	4,592,245	5,289,142
Furniture and fixtures — at depreciated value .....	1	1
	\$ 4,751,144	\$ 5,355,188
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank loan .....	\$ —	\$ 5,000
Accounts payable .....	5,200	950
Dividends payable .....	79,949	71,954
	85,149	77,904
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (Note 2)</b>		
Authorized:		
100,000 Class A Common shares of no par value		
100,000 Class B Common shares of no par value		
Issued:		
79,949 Class A Common shares .....	1,547,450	1,547,450
Retained earnings .....	512,076	497,677
Net realized gain on investments sold .....	3,206,469	3,232,157
Unrealized gain (loss) on investments (Note 1) .....	( 600,000)	—
	4,665,995	5,277,284
	\$ 4,751,144	\$ 5,355,188
Approved by the Board of Directors 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, 1975 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, 1975 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, Que.  
April 10th, 1975.

HYDE, HOUGHTON & CO.  
Chartered Accountants.

# INVESTMENT FOUNDATION LIMITED

## STATEMENT OF EARNINGS

YEAR ENDED MARCH 31, 1975

	1975	1974
<b>REVENUE</b>		
Dividends .....	\$ 299,406	\$ 257,247
Interest .....	10,443	5,193
	309,849	262,440
<b>EXPENSES</b>		
Directors' fees .....	3,760	3,360
General .....	35,717	30,862
	39,477	34,222
Net earnings before income taxes .....	270,372	228,218
Income taxes .....	136	115
Net earnings for the year' .....	\$ 270,236	\$ 228,103

## STATEMENT OF RETAINED EARNINGS

YEAR ENDED MARCH 31, 1975

Balance at beginning of year .....	\$ 497,677	\$ 324,747
Contributed surplus — net discount on preferred shares redeemed .....	—	160,689
Net earnings for the year .....	270,236	228,103
	767,913	713,539
Dividends .....	255,837	215,862
Balance at end of year .....	\$ 512,076	\$ 497,677

## STATEMENT OF NET REALIZED GAIN ON INVESTMENTS SOLD

YEAR ENDED MARCH 31, 1975

	1975	1974
Balance at beginning of year .....	\$ 3,232,157	\$ 3,213,730
Net gain (loss) on investments sold .....	( 22,286)	40,714
	3,209,871	3,254,444
Income taxes on capital gains .....	3,402	22,287
Balance at end of year .....	\$ 3,206,469	\$ 3,232,157

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1975

### Note 1 INVESTMENTS

Investments have traditionally been carried at cost, which at March 31, 1974, approximated market value. Commencing March 31, 1975, investments are carried at market value for financial statement purposes, and the difference between cost and market value is shown as "Unrealized gain (loss) on investments" included in the shareholder's equity section of the balance sheet.

### Note 2 CAPITAL STOCK

Pursuant to Supplementary Letters Patent dated March 25, 1975, the former 200,000 authorized common shares without nominal or par value were reclassified into 100,000 Class A common shares without nominal or par value and 100,000 Class B common shares without nominal or par value. 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.

### Note 3 EARNINGS PER SHARE

	1975	1974
Statement of earnings .....	\$ 3.38	\$ 2.85
Statement of net realized gain (loss) on investments sold .....	( .32)	.23



**INVESTMENT FOUNDATION  
LIMITED**

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**ANNUAL REPORT**

**For the Fiscal Year  
Ended March 31, 1975**

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