

INVESTMENT FOUNDATION LIMITED

ANNUAL REPORT

March 31st, 1974

DIRECTORS

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

IAN B. CAMPBELL, C.A., Vice-President J. D. HOPKINS, Secretary-Treasurer
A. KEITH HAM TED TILDEN
MOSTYN LEWIS 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 16th, 1974.

TO THE SHAREHOLDERS:

Your Directors are pleased to present the 45th Annual Report of your Company, together with the Balance Sheet as at March 31st, 1974 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 \$228,103. or \$2.85 per share against \$202,896. or \$2.54 per share during the preceding year. Regular dividends of \$2.40 per share were paid and an extra of \$0.30 per share has been declared payable April 30th, 1974. The net increase in retained earnings was \$12,241.

There can be little argument that the year under review was extremely difficult for the investor. During the year, there was material improvement in profits in most sectors of the economy, in particular forest products, mining, agriculture and light and heavy manufacturing. At the same time, the Western world experienced an extremely high rate of inflation. Unfortunately, Canada was not exempt with the cost of living rising at an alarming rate even prior to the impact of increased fuel prices. Common stocks have not provided a hedge. On March 31st, 1973 the Toronto Stock Industrial Index was 223.77. During the year it had a low of 201.63 and closed at March 31st, 1974 at 215.57. As reflected in the enclosure with the April 30th, 1974 dividend, the liquidating value of your common shares as at March 31st, 1974 was \$65.82 after provision for capital gains taxes based on market values of our holdings at that date. The liquidating value of \$67.90 shown in the previous year did not include a similar provision. This would have amounted to \$1.03 per share.

It is difficult to predict when more rational values will be placed on our common stocks. With this in mind, your management has the stock portfolio under constant review and we strive to invest our funds in well managed growing companies.

To complicate the problem, politicians tend to regard "profit" as a four letter word. The expression "corporate rip-off" for example, is not only technically incorrect but morally dishonest.

It is with regret that we report the death during the year of Albert S. Fraser and Donald S. Patterson. Bert Fraser as President and Manager of this company for forty-two years was the architect who designed the survival of the company through the depression and then the war and its aftermath. Don Patterson, as employee and director, was associated with the company for many years. Their counsel and cheerfulness will be greatly missed by your board. A. Keith Ham and Ted Tilden were appointed to the Board of Directors in their place.

We are including a list of the securities currently held by the company. With one exception, all are listed on either Canadian exchanges or the New York Stock Exchange.

For Canadian capital gains tax purposes, the value of common shares of Investment Foundation Limited on Valuation Day, December 22nd, 1971 has been established by the Department of National Revenue as \$41.50 per share.

At the present time we anticipate that the earnings of Investment Foundation Limited in the current fiscal year will improve over those of last year. Needless to say, the extent cannot be accurately judged at this time. Your directors will consider the annual rate of earnings during the latter months of 1974 and at that time, will decide whether an increase in the dividend rate can be made. It is the policy of your directors at this time to try to maintain a high level of earnings and dividends, consistent with sound financial management.

The security holdings as at March 31st, 1974 were as follows:

| | | BONDS | MARKET VALUE | |
|-----------|--|-------|--------------|--------------|
| \$10,000. | Asbestos Corporation 9¾% July 15/90 | | \$ | 10,100. |
| 10,000. | T. Eaton Acceptance 5¾% April 15/84 | | | 7,700. |
| 25,000. | Royal Trust Company Mortgage Corporation 6% October 1/85 | | | 19,125. |
| 25,000. | RoyNat 6¼% December 15/80 | | 21,500. \$ | 58,425. 1.1% |

| SHARES | PREFERRED STOCKS | | | MARKET VALUE |
|-------------------------------------|---|-----------------|---------------|-------------------|
| 5,500 | Canada Cement Lafarge 6½% Pfd. | \$ | 93,500. | |
| 10,600 | Canadian International Power Company Limited Pfd. | | 145,750. | |
| 3,500 | G.B.C. Capital Ltd. Pfd. | | 101,500. | |
| 2,400 | Jannock Corporation Limited "A" | | 31,200. | |
| 3,000 | Maclaren Power & Paper Company \$1.00 Par Redeemable Pfd. | | 3,000. | |
| 3,600 | Metropolitan Stores of Canada Limited \$1.30 Pfd. '61 | | 63,000. | |
| 1,700 | Metropolitan Stores of Canada Limited \$1.30 Pfd. '67 | | 29,750. | \$ 467,700. 8.8% |
| CONVERTIBLE PREFERRED STOCKS | | | | |
| 2,465 | Ivaco Industries Limited "B" Convertible Pfd. | \$ | 118,320. | |
| 1,000 | Trans Canada Pipe Lines \$2.65 Convertible Pfd. | | 41,250. | \$ 159,570. 3.0% |
| COMMON STOCKS | | | | |
| BANK | | | | |
| 5,500 | Bank of Nova Scotia | \$ | 203,500. | |
| 5,500 | Bank of Nova Scotia Rights | | 2,090. | \$ 205,590. 3.9% |
| FABRICATING | | | | |
| 4,000 | Eddy Match Company Limited | | | \$ 98,000. 1.9% |
| FINANCE | | | | |
| 1,000 | The Huron and Erie Mortgage Corporation | \$ | 27,250. | |
| 9,000 | IAC Limited | | 162,000. | |
| 16,000 | MICC Investments | | 260,000. | |
| 8,000 | TD Realty Investments Units | | 230,000. | |
| 8,000 | TD Realty Investments Warrants | | 29,200. | \$ 708,450. 13.3% |
| FOODS | | | | |
| 16,000 | Dominion Stores Limited | \$ | 232,000. | |
| 1,000 | Redpath Industries Limited | | 23,500. | \$ 255,500. 4.8% |
| FOREST PRODUCTS | | | | |
| 6,000 | Fraser Companies "A" | \$ | 141,750. | |
| 10,000 | Maclaren Power & Paper Company "A" | | 301,250. | |
| 15,000 | The Price Company Limited | | 236,250. | \$ 679,250. 12.8% |
| MINES | | | | |
| 9,000 | Bralorne Resources Limited | | 16,200. | |
| 6,500 | Craigmont Mines Limited | | 39,000. | |
| 5,300 | Hollinger Mines Limited | | 212,000. | |
| 8,300 | Hudson Bay Mining and Smelting Co. Limited | | 204,388. | |
| 5,000 | The International Nickel Company of Canada Limited | | 173,125. | |
| 2,000 | Labrador Mining and Exploration Company Limited | | 77,500. | \$ 722,213. 13.6% |
| MISCELLANEOUS | | | | |
| 10,000 | The Canadian Salt Company Limited | \$ | 147,500. | |
| 5,000 | Greyhound Lines of Canada Ltd. | | 85,000. | |
| 4,000 | Northern Electric Company, Limited | | 87,000. | |
| 5,000 | Reader's Digest Association (Canada) Ltd. | | 80,000. | |
| 7,000 | Ronalds-Federated Limited | | 154,875. | |
| 9,000 | Tele-Capital Ltd. | | 67,500. | |
| 7,000 | Trimac Limited | | 54,250. | \$ 676,125. 12.7% |
| OILS | | | | |
| 20,000 | Murphy Oil Company Limited | \$ | 180,000. | |
| 1,000 | Texaco Canada Limited | | 48,000. | \$ 228,000. 4.3% |
| PIPELINES | | | | |
| 3,000 | Interprovincial Pipe Line Company | \$ | 59,625. | |
| 10,000 | Pembina Pipe Line Ltd. "B" | | 35,500. | |
| 3,500 | Trans Canada Pipe Lines | | 110,250. | |
| 3,000 | Trans Mountain Pipe Line Company | | 43,875. | \$ 249,250. 4.7% |
| UTILITIES | | | | |
| 7,500 | Bell Canada | \$ | 330,000. | |
| 10,000 | Canadian International Power Company Limited | | 130,000. | |
| 10,000 | Maritime Telegraph & Telephone Company Limited | | 185,000. | \$ 645,000. 12.1% |
| U. S. COMPANIES | | | | |
| 3,000 | Cenco Incorporated | \$ | 37,168. | |
| 3,000 | Olin Corporation | | 43,726. | |
| 1,000 | R. J. Reynolds Industries, Inc. | | 42,755. | |
| 1,000 | The Singer Company | | 34,252. | \$ 157,901. 3.0% |
| | | Total Portfolio | \$ 5,310,974. | 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 31ST MARCH, 1974

| | ASSETS | 1974 | 1973 |
|---|----------------------|--------------|--------------|
| CURRENT | | | |
| Cash | | \$ 7,733 | \$ 43,299 |
| Short-term bank deposits | | — | 140,000 |
| Due from broker | | 18,056 | 8,032 |
| Accrued dividends and interest | | 40,256 | 34,996 |
| | | <hr/> | <hr/> |
| | | 66,045 | 226,327 |
| Investment securities — at cost (approximate market value: 1974 — \$ 5,310,974 1973 — \$ 5,266,158) | | 5,289,142 | 5,083,710 |
| Furniture and fixtures — at depreciated value | | 1 | 1 |
| | | <hr/> | <hr/> |
| | | \$ 5,355,188 | \$ 5,310,038 |
| | | <hr/> | <hr/> |
| | LIABILITIES | | |
| CURRENT | | | |
| Bank loan payable (Note 1) | | \$ 5,000 | \$ — |
| Accounts payable | | 950 | 725 |
| Income taxes payable | | — | 14,728 |
| Dividends payable April 30, 1974 | | 71,954 | 47,969 |
| | | <hr/> | <hr/> |
| | | 77,904 | 63,422 |
| | | <hr/> | <hr/> |
| | SHAREHOLDERS' EQUITY | | |
| CAPITAL | | | |
| Common stock, no par value Authorized: 200,000 Shares Issued: 79,949 Shares | | 1,547,450 | 1,547,450 |
| Contributed surplus — net discount on preferred shares redeemed (Note 2) | | — | 160,689 |
| Capital surplus — net realized appreciation on investments sold | | 3,232,157 | 3,213,730 |
| Retained earnings | | 497,677 | 324,747 |
| | | <hr/> | <hr/> |
| | | 5,277,284 | 5,246,616 |
| | | <hr/> | <hr/> |
| | | \$ 5,355,188 | \$ 5,310,038 |
| | | <hr/> | <hr/> |

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, 1974 and the statements of earnings, retained earnings and capital surplus 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, 1974 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.

HYDE, HOUGHTON & CO.
Chartered Accountants

Montreal, Que.

April 10, 1974.

INVESTMENT FOUNDATION LIMITED

STATEMENT OF EARNINGS YEAR ENDED MARCH 31, 1974

| | 1974 | 1973 |
|---|-------------------|-------------------|
| REVENUE | | |
| Dividends | \$ 257,247 | \$ 224,827 |
| Interest | 5,193 | 7,431 |
| | <u>262,440</u> | <u>232,258</u> |
| EXPENSES | | |
| General | 30,862 | 25,741 |
| Directors' fees | 3,360 | 3,520 |
| | <u>34,222</u> | <u>29,261</u> |
| Earnings before income tax (Note 3) | 228,218 | 202,997 |
| Provision for income tax | 115 | 101 |
| Net earnings for the year | <u>\$ 228,103</u> | <u>\$ 202,896</u> |

STATEMENT OF RETAINED EARNINGS YEAR ENDED MARCH 31, 1974

| | | |
|---|-------------------|-------------------|
| Balance at beginning of year | \$ 324,747 | \$ 313,729 |
| Contributed surplus — net discount on preferred shares redeemed (Note 2) | 160,689 | — |
| Net earnings for the year | <u>228,103</u> | <u>202,896</u> |
| | 713,539 | 516,625 |
| Dividends | <u>215,862</u> | <u>191,878</u> |
| Balance at end of year | <u>\$ 497,677</u> | <u>\$ 324,747</u> |

STATEMENT OF CAPITAL SURPLUS NET REALIZED APPRECIATION ON INVESTMENTS SOLD YEAR ENDED MARCH 31, 1974

| | 1974 | 1973 |
|--|---------------------|---------------------|
| Balance at beginning of year | \$ 3,213,730 | \$ 3,251,519 |
| Net appreciation (loss) on investments sold during the year | 40,714 | (21,004) |
| | <u>3,254,444</u> | <u>3,230,515</u> |
| Provision for taxes on capital gains (Note 3) | <u>22,287</u> | <u>16,785</u> |
| Balance at end of year | <u>\$ 3,232,157</u> | <u>\$ 3,213,730</u> |

NOTES TO THE FINANCIAL STATEMENTS —

- Bank loan payable**
Bonds having a market value of \$58,425 at March 31, 1974 have been delivered to the company's bankers as collateral security for bank loan payable.
- Contributed surplus**
As a result of Supplementary Letters Patent previously issued, the contributed surplus which arose from the redemption of preferred shares is now reinstated as retained earnings, in accordance with the terms of the Quebec Companies Act.
- Income taxes**
Taxes have been provided for in these financial statements based on current income tax law and at the rates prevailing according to the law. The amounts shown, therefore, represent the estimated amounts payable by the company on account of the fiscal year ended March 31, 1974.

4. Earnings per share

| | 1974 | 1973 |
|---|----------------|----------------|
| Per statement of earnings | \$ 2.85 | \$ 2.54 |
| Per statement of capital surplus — capital gains net of income tax thereon | .23 | (.47) |
| Total earnings per share for the year | <u>\$ 3.08</u> | <u>\$ 2.07</u> |

**INVESTMENT FOUNDATION
LIMITED**

ANNUAL REPORT

**For the Fiscal Year
Ended March 31, 1974**

