

# INVESTMENT FOUNDATION LIMITED

## ANNUAL REPORT

<sup>m</sup> March 31st, 1971

### DIRECTORS

ALBERT S. FRASER, *President and Managing Director*

W. H. CAMPBELL, D.C.L.

H. C. FLOOD

SÉVÈRE GODIN

A. SCOTT FRASER, *Vice-President*

ALFRED E. GRIFFIN

MOSTYN LEWIS

J. D. HOPKINS, *Secretary-Treasurer*

D. S. PATTERSON, O.B.E.

KENNETH A. WILSON, Q.C.

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

April 27th, 1971.

#### TO THE SHAREHOLDERS:

Your Directors are pleased to present the 42nd Annual Report of your Company, together with a statement of Assets and Liabilities, Earnings and Surplus Accounts for the year ending March 31st, 1971, with the report approved by your Auditors.

Income from dividends and interest less general expenses, salaries, taxes and directors' fees was \$249,494. This compares with \$246,608. for the previous year.

Net earnings on the common shares were \$3.12 as against \$3.08 for the previous year. Dividends of \$2.90 were paid or declared on the common. Payment of these dividends for the fiscal year required \$231,852. In January 1971 the quarterly dividend was increased to 75¢ per share and the shares are now on a \$3.00 annual basis.

Appreciation realized on investments sold was \$125,422. As in previous years this amount was transferred to Appreciation Surplus and the funds reinvested.

As anticipated in our 1970 report the 10% depletion allowance on Investment Foundation Limited shares was again available on 1970 dividends. Individual shareholders residing **in Canada** were advised when computing their income tax for the year 1970 that they were entitled to a tax credit of 20% of the net amount of such dividends.

On the basis of prices at the close of business March 31st, 1971, the market value of your Company's holdings showed an appreciation of \$155,906. over book value of \$4,718,481.

Taxes direct and indirect and special 'temporary' taxes, federally and provincially, continued to increase which along with high wage costs made for reduced earnings for certain Canadian export industries. It is to be hoped that the Governments will find some way to reduce corporation income taxes which are now at an excessive level.

Newsprint and pulps were sold on a U.S.A. dollar basis. The floating of the Canadian dollar in June particularly affected Canadian paper and pulp earnings where selling contracts were made in U.S. dollars now presently close to a Canadian parity basis. In turn these monetary losses to Canada were offset by our very high exports of metals sold at world prices based on the London metal exchange.

Notwithstanding present unfavourable conditions which we experienced in the past three years, your Company is we believe soundly invested and it should continue as in the past, to improve its position both from a capital and an income standpoint. As noted previously in this report net earnings were ahead of last year and realized appreciation net of \$125,422. were transferred to Appreciation Surplus which rose to \$2,734,292. These Appreciation Profits as before are reinvested and earnings therefrom should result in higher income to your Company in future years. Taking market quotations as at March 31st, the liquidation value per share was \$61.77 as against \$62.74 last year.

The World in general continues on an inflationary basis. While Canada has had some success in slowing down the inflationary trend of living costs and wages, it has meant a high rate of unemployment and as well poor living conditions for our many aged and retired citizens who require Government assistance. However, Canada is more fortunate than many countries which are not blessed with substantial and saleable natural products which are in world demand and exportable at world prices. Long term interest rates on bonds and mortgages continue at high rates but may decline somewhat now that short term rates are trending lower. From an international standpoint our exports of metal products such as copper, nickel, iron ore, asbestos and zinc together with oil, meat and wood products are responsible for Canada's export surplus and in turn the strengthening of the Canadian dollar. The Bank of Canada went on a floating dollar exchange rate in June 1970 which made for a high value of our dollar in terms of other world currencies.

The Company's share holdings, all Canadian companies, are listed and traded on regular stock exchanges. With the exception of three items valued at \$101,550. all investments paid a dividend during the fiscal year.

At the year end March 31st, 1971 market values of the Company's security holdings included

Common (including certain "A" and "B") shares . . . . .	\$3,549,530.	72.82%
Preferred including convertible preferreds . . . . .	1,191,144.	24.44%
Bonds . . . . .	133,713.	2.74%
	<u>\$4,874,387.</u>	<u>100.00%</u>

With a breakdown as follows:

Bank, Utilities — include Bank of Nova Scotia, Bell Canada, Mar. T. & T., Nova Scotia L. & P., Can. International Power . . . . .	\$ 994,475.	20.40%
Mines and smelters — include Asbestos, Craigmont, Granisle, Hollinger, Hudson Bay M. & S., Int. Nickel, Noranda, Opemiska . . . . .	1,725,030.	35.39%
Papers and pulps — Bowater-Mersey Pfd., Howard Smith Pfd., Fraser, Maclaren P. & P., Price . . . . .	713,757.	14.63%
Steels — Steel of Canada, Niagara Wire Weaving . . . . .	341,425.	7.01%
Oil & Gas Pipelines — Trans Mountain Pipe, Trans Canada Pipe \$2.80 Pfd. . . . .	157,912.	3.24%
Sundry includes — Aluminum 4½% Pfd., Canada Cement Pfd., Eddy Match, Metro Stores Pfd., Atlantic Sugar "A" . . . . .	808,075.	16.59%
Government bonds and Debentures, Yields 5½% to 9¾%, Maturities 1973— 1990 . . . . .	133,713.	2.74%
	<u>\$4,874,387.</u>	<u>100.00%</u>

The figures below show operations from commencement of business in March 1929.

March 31st, 1929-71 — Gross income earned from dividends and interest . . . . .	\$7,695,937.
— Total expenses including taxes and Directors' Fees . . . . .	942,228.
— Net Income after expenses and taxes . . . . .	<u>\$6,753,709.</u>
— Dividends paid on Share Capital — 94.95% of net income . . . . .	6,412,894.
— Earned Surplus . . . . .	<u>\$ 340,815.</u>

March 31st, 1971 — Book Value of securities . . . . .	\$4,718,481.
— Market value of securities . . . . .	4,874,387.
— Appreciation in market value over cost . . . . .	<u>\$ 155,906.</u>

Respectfully submitted on behalf of the Directors,

A. S. FRASER,  
President and Managing Director.



# INVESTMENT FOUNDATION LIMITED

(Incorporated under the Quebec Companies Act)

## BALANCE SHEET AS AT 31ST MARCH, 1971

	ASSETS	
	1971	1970
<b>CURRENT</b>		
Cash .....	\$ 130,785	\$ 56,805
Short term bank deposits .....	—	60,000
Due from brokers .....	—	14,107
Income taxes refundable .....	33	—
Accrued dividends and interest .....	37,845	39,673
Prepaid expenses .....	—	84
	<u>168,663</u>	<u>170,669</u>
Investment securities at book value (Approximate market value 1971 — \$4,874,387 1970 — \$4,970,407) .....	4,718,481	4,593,794
Furniture and fixtures at depreciated value .....	1	1
	<u>\$4,887,145</u>	<u>\$4,764,464</u>
	<b>LIABILITIES</b>	
<b>CURRENT</b>		
Accounts payable .....	\$ 750	\$ 700
Due to brokers .....	43,187	51,502
Income taxes payable .....	—	126
Common dividends payable 15th April .....	59,962	71,954
	<u>103,899</u>	<u>124,282</u>
	<b>SHAREHOLDERS' EQUITY</b>	
<b>CAPITAL</b>		
Common stock — no par value		
Authorized .....	200,000 shares	
Issued .....	79,949 shares	
	1,547,450	1,547,450
CONTRIBUTED SURPLUS — discount on preferred shares redeemed (net) .....	160,689	160,689
CAPITAL SURPLUS — net realized appreciation on investments sold .....	2,734,292	2,608,870
RETAINED EARNINGS .....	340,815	323,173
	<u>4,783,246</u>	<u>4,640,182</u>
	<u>\$4,887,145</u>	<u>\$4,764,464</u>

Approved by the Board of Directors  
A. S. FRASER, Director  
W. H. CAMPBELL, Director

### AUDITORS' REPORT

To the Shareholders,  
INVESTMENT FOUNDATION LIMITED.

We have examined the balance sheet of Investment Foundation Limited as at March 31, 1971 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, 1971 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.  
22nd April, 1971.

# INVESTMENT FOUNDATION LIMITED

## STATEMENT OF EARNINGS YEAR ENDED MARCH 31, 1971

	<u>1971</u>	<u>1970</u>
REVENUE		
Dividends.....	\$ 268,996	\$ 266,170
Interest.....	8,952	9,301
	<u>277,948</u>	<u>275,471</u>
EXPENSES		
General expenses.....	24,391	25,187
Directors' fees.....	3,010	2,590
	<u>27,401</u>	<u>27,777</u>
NET REVENUE BEFORE INCOME TAXES.....	250,547	247,694
PROVISION FOR INCOME TAXES.....	1,053	1,086
	<u>249,494</u>	<u>246,608</u>
NET EARNINGS FOR THE YEAR.....	<u>\$ 249,494</u>	<u>\$ 246,608</u>

## STATEMENT OF RETAINED EARNINGS YEAR ENDED MARCH 31, 1971

BALANCE AT THE BEGINNING OF THE YEAR.....	\$ 323,173	\$ 316,412
NET EARNINGS FOR THE YEAR.....	249,494	246,608
	<u>572,667</u>	<u>563,020</u>
DIVIDENDS.....	231,852	239,847
	<u>340,815</u>	<u>323,173</u>
BALANCE AT THE END OF THE YEAR.....	<u>\$ 340,815</u>	<u>\$ 323,173</u>

## STATEMENT OF CAPITAL SURPLUS NET REALIZED APPRECIATION ON INVESTMENTS SOLD YEAR ENDED MARCH 31, 1971

BALANCE AT THE BEGINNING OF THE YEAR.....	\$2,608,870	\$2,305,555
APPRECIATION ON INVESTMENTS SOLD DURING THE YEAR.....	125,422	303,315
	<u>\$2,734,292</u>	<u>\$2,608,870</u>
BALANCE AT THE END OF THE YEAR.....	<u>\$2,734,292</u>	<u>\$2,608,870</u>

**INVESTMENT FOUNDATION  
LIMITED**

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**ANNUAL REPORT**

**For the Fiscal Year Ended March 31, 1971**

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