

INVESTMENT FOUNDATION LIMITED

ANNUAL REPORT

March 31st, 1968

DIRECTORS

ALBERT S. FRASER, *President and Managing Director*

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

H. C. FLOOD

SÉVÈRE GODIN

ALFRED E. GRIFFIN

MOSTYN LEWIS

J. D. HOPKINS, *Secretary-Treasurer*

A. SCOTT FRASER, *Vice-President*

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 22nd, 1968.

TO THE SHAREHOLDERS:

Your Directors present herewith the 39th Annual Report of your Company, together with a statement of Assets and Liabilities, Profit and Loss, and Surplus Accounts for the year ending March 31st, 1968, with the report of the Auditors.

Income from dividends and interest less general expenses, salaries, taxes and directors' fees was \$220,407. This compares with \$215,704. for the previous year.

Capital Profits on Investments sold less losses on Investments sold were \$284,736. As in previous years this amount was transferred to Capital Surplus. Net earnings on the common shares were \$2.75 as against \$2.69 for the previous year.

Dividends of \$2.70 were paid or declared on the common. Payment of these dividends required \$215,862.

Individual shareholders residing in Canada were advised when computing their income tax for the year 1967 that they are entitled to:

- (1) A depletion allowance equal to 10% of all common dividends received by them from this Company during the year,
and
- (2) A tax credit of 20% of the net amount of such dividends.

On the basis of prices at the close of business March 31st, 1968, the market value of your Company's holdings showed an appreciation of \$2,238,887. over book value \$1,833,227.

In our report for the fiscal year ending March 31st, 1967, we noted that during the first quarter of the year there had been a slight easing in interest rates and an improvement in dividend payments on certain quality stocks. However, the easing in interest rates did not continue, in fact they turned and continued sharply upward with Government, Provincial and Municipal issues going to 6% and higher yields and high class industrial, utility and other mortgage bonds financed on a 7½% basis or higher — Bank loans at a minimum of 7% — Mortgage loans when obtainable at all at 8% and higher.

With high taxes direct and indirect and increasing wage rates, few industries will be able to show a fair return on capital employed until such time as interest rates moderate and wages stabilize. At present only high grade equity stocks giving a fair yield will interest investors.

Notwithstanding present unfavourable conditions which we experienced in former years, your Company is, we believe, soundly invested and it should, as in the past, continue to improve its position both from a capital and an income standpoint. As noted previously in this report, earnings improved and substantial Capital Profits of \$284,736. were transferred to Capital Surplus which rose to \$1,896,795. On the other hand and taking market quotations as at March 31st, the liquidation value of the shares fell to \$51.28 against \$63.79 last year.

During the year vacancies on the Board of Directors were filled by the election of Kenneth A. Wilson, Q.C. and Alfred E. Griffin replacing A. K. Cameron, who died April 10th, 1967, and Doctor C. S. Thompson, who decided to retire from his business commitments. We wish him happiness in his retirement and express our thanks for his co-operation while a Member of the Board.

The Company's Canadian share holdings are listed and traded on regular stock exchanges. With the exception of one item valued at \$20,250., all investments paid a dividend during the fiscal year. However, we should add that during the year four well regarded industrial companies due to strikes and other causes suspended regular dividends.

At the year end March 31st, 1968 market values of the Company's security holdings included

Common Shares	\$2,901,890.	71.26%
Preferred A & B shares	1,051,977.	25.84%
Bonds	118,247.	2.90%
	<u>\$4,072,114.</u>	<u>100.00%</u>

With a breakdown as follows:

Mines and smelters include Asbestos, Cominco, Hudson Bay M. & S., Nickel, Noranda	\$1,251,628.	30.74%
Papers and pulps — Bowater-Mersey Pfd., Howard Smith Pfd., Fraser, MacLaren P. & P., Price	648,302.	15.92%
Utilities, Banks, Finance include Bank of Nova Scotia, C.P.R., Bell Tel., Nova Scotia L. & P., Can. International Power	832,287.	20.44%
Steels — Dofasco, Steel of Canada, Niagara Wire Weaving	289,850.	7.12%
Oils — Imperial Oil	87,750.	2.15%
Sundry — Aluminum 4½% Pfd., Canada Cement Pfd., Eddy Match, Metro. Stores Pfd., Atlantic Sugar "A"	844,050.	20.73%
Bonds and debentures, Yields 5½% to 6¼%, Maturities 1973-1985	118,247.	2.90%
	<u>\$ 4,072,114.</u>	<u>100.00%</u>

Shareholders will observe from the figures shown below that net earnings from dividends and interest for the past 39 years were \$6,039,524. Dividends paid on the preferred and common shares aggregated \$5,725,333.

The following figures from commencement of operations in March 1929 will be of interest to our Shareholders.

Common Shares Outstanding	79,949	\$1,547,450.
Capital Surplus from Redemption and Conversion of Preferred Shares Net		160,689.
Capital Surplus on Investments Sold Less Losses		1,896,795.
Earned Surplus		314,192.

March 31, 1929-68 — Gross income earned from dividends, interest but not including capital profits	\$6,896,639.
— Total expenses including taxes and Directors' Fees	857,114.
— Net Income after expenses and taxes	\$6,039,525.
— Dividends paid on Pfd. and Com. Shares — 94.79% of net income	5,725,333.
— Earned Surplus	\$ 314,192.

March 31, 1968 — Book value of securities — less Capital Surpluses	\$1,833,227.
— Market value of securities	4,072,114.
— Appreciation in market value over cost	\$2,238,887.

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 MARCH 31, 1968

ASSETS

CURRENT:

Cash	\$ 43,128	
5 $\frac{7}{8}$ % Short term bank deposit maturing 15th April, 1968	50,000	
Accrued income	32,548	
Prepaid expenses	333	\$ 126,009
		<hr/>
Investment securities at book value (Market value \$4,072,114)		3,890,711
Furniture and fixtures at depreciated value		1
		<hr/>
		<u>\$4,016,721</u>

LIABILITIES

CURRENT:

Bank loan (secured)	\$ 1,000	
Accounts payable	41,858	
Income taxes payable	372	
Common dividends payable 15th April, 1968	54,365	\$ 97,595
		<hr/>

SHAREHOLDERS' EQUITY

CAPITAL:

Common stock — no par value			
Authorized	200,000 shares		
Issued	79,949 shares	1,547,450	
Contributed surplus — discount on preferred shares redeemed (net)		160,689	
Capital surplus — profits less losses on sales of investments		1,896,795	
Earned surplus		314,192	3,919,126
			<hr/>
			<u>\$4,016,721</u>

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

AUDITORS' REPORT

The Shareholders,
INVESTMENT FOUNDATION LIMITED.

We have examined the accompanying balance sheet of Investment Foundation Limited as at 31st March, 1968 and the statements of profit and loss and earned surplus and of capital surplus for the year ended on that date 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 as shown by the books of the Company, the aforementioned financial statements present fairly the financial position of the Company as at 31st March, 1968 and the results of its operations for the year ended on that date, 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.
16th April, 1968.

INVESTMENT FOUNDATION LIMITED

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED MARCH 31, 1968

REVENUE:

Dividends	\$ 238,038	
Interest	9,333	\$ 247,371
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Deduct:

General expenses	23,412	
Directors' fees	2,520	25,932
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Net revenue for the year before provision for income taxes		221,439
Provision for income taxes		1,032
		<hr/>
Net profit for the year		220,407
Earned surplus — March 31, 1967	309,647	

Deduct:

Dividends	215,862	93,785
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Earned surplus — March 31, 1968		<u>\$ 314,192</u>

STATEMENT OF CAPITAL SURPLUS — PROFITS LESS LOSSES ON SALES OF INVESTMENTS FOR THE YEAR ENDED MARCH 31, 1968

Balance at credit, April 1, 1967	\$1,612,059
Profit on investments sold during the year (net)	284,736
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Balance at credit, March 31, 1968	<u>\$1,896,795</u>

Cpate (latest)

**INVESTMENT FOUNDATION
LIMITED**

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For the Fiscal Year Ended March 31, 1968

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