

ANNUAL REPORT

DECEMBER 31, 1987

A. Scott Fraser
President

Ian B. Campbell
Vice-President

A. Keith Ham
Secretary

John D. Hopkins

Peter C. Landry
Neil B. Ivory

Ted Tilden

The Class A and Class B Shares are listed and traded on The Montreal Exchange, Montreal.

Transfer and Registry Agents ----- The Canada Trust Company,
600 Dorchester Blvd. West, Montreal, Quebec, H3B 1N6

TO THE SHAREHOLDERS:

March 22, 1988

We present to you the fifty-ninth annual report since the original incorporation and the tenth since we became a federal company. This year, with the assistance of our transfer agent, Canada Trust, we are making best efforts to ensure that all beneficial owners receive this report. This means that all nominee shareholders will be requested to send annual reports and proxy statements to beneficial owners.

We do not believe it necessary to recapitulate the stock market action of 1987. Suffice to say that our portfolio declined some 35% from the high to the low following the October break. While many of our companies were experiencing rising earnings, there is no question that 1987 was an unsatisfactory year for the investor. Generally speaking, industrialists we speak to anticipate 1988 will be a good year. We are hopeful that the results for 1988 will be better than those of 1987. Economists are now suggesting that the recession will be delayed until 1989. At this time, stock prices seem to reflect a cautious optimism.

Please note that our dissent of the price paid for Fraser Inc. by Noranda will go before a judge in early May. We can only hope for an early resolution of this problem that commenced in late May 1985.

During the past year, dividends totaled \$6.60 per share of which \$3.60 per share was from earnings and \$3.00 from Capital Gains. For this year a regular dividend of \$1.60 per share has been declared from earnings, payable March 31, 1988.

ROBERT B. ROSS LIBRARY
OF MONTREAL

MAY 18 1988

MCGILL UNIVERSITY

A review of our performance on a per share basis for the past three years is:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	\$	\$	\$
Break-up value after tax	105.37	126.25	123.70
Earnings	3.45	4.80	5.17
Dividends	6.60	7.40	7.15

We should point out to shareholders that the unaudited statement of earnings for the nine-month period ended September 30, 1987, sent to shareholders, showed interest revenue of \$43,503 and earnings per share of \$2.97. These figures should have read \$22,878 and \$2.71 respectively. The reason for this is interest accrued on the Convertible Debenture of Bow Valley Resources of \$20,625 was not paid and therefore interest income for this period was overstated.

If those shareholders whose shares are in nominee name would give us their name and address, we will make best efforts to insure that quarterly reports are sent directly to you.

On behalf of the Directors,

A. Scott Fraser,
President

IFL Investment Foundation
(Canada) Limited
770 Sherbrooke St. West
Suite 1700
Montreal, Quebec
H3A 1G1

Auditors:
Hyde, Houghton
4150 St. Catherine St. West
Montreal, Quebec
H3Z 2Y5

SECURITY HOLDINGS AT DECEMBER 31, 1987

	<u>CONVERTIBLE DEBENTURES</u>	<u>MARKET VALUE</u>		<u>%</u>
\$ 250,000	Bow Valley Resources 11% March 1, 2001	57,500		
200,000	C.H.C. Helicoptors 8% August 31, 2007	120,000		
200,000	Finning Tractor 11.50% June 24, 2001	<u>214,000</u>	\$ 391,500	4.5
	<u>PREFERRED STOCKS</u>			
15,000	Denison 9.75%	<u>330,000</u>	330,000	3.8
	<u>COMMON STOCKS</u>			
	<u>BANKS-FINANCE</u>			
50,000	Bank of Nova Scotia	650,000		
20,000	Cdn. Imperial Bank of Commerce	390,000		
31,500	Central Capital	354,375		
10,200	Elite Insurance	65,025		
25,000	Morgan Financial	<u>200,000</u>	1,659,400	19.2
	<u>BUILDING PRODUCTS</u>			
32,000	Jannock Limited	600,000		
52,000	St. Lawrence Cement "A"	<u>598,000</u>	1,198,000	13.9
	<u>CONSUMER MERCHANDISING</u>			
3,000	Andres Wines Ltd. "A"	37,500		
20,000	Andres Wines Ltd. "B"	250,000		
10,000	B.C. Sugar "A"	260,000		
30,000	Canada Packers	435,000		
99,000	LFP Holdings	64,350		
10,000	M-Corp. Inc.	95,000		
18,000	Standard Etac	<u>72,000</u>	1,213,850	14.1
	<u>COMMUNICATIONS & MEDIA</u>			
24,800	GTC Transcontinental	145,700		
10,000	Torstar Corp. "B"	<u>237,500</u>	383,200	4.5
	<u>FOREST PRODUCTS</u>			
10,000	Canfor Corp.	260,000		
25,000	Fraser Inc.	<u>625,000</u>	885,000	10.3
	<u>MANUFACTURING</u>			
20,000	Biotech Electronics Pfd. "A"	205,000		
65,000	Biotech Electronics	146,250		
10,000	Canam Manac	85,000		
30,000	Circo Craft	<u>102,000</u>	538,250	6.2
	<u>PETROLEUM & SERVICES</u>			
30,000	Westmin Resources	<u>251,250</u>	251,250	2.9
	<u>UTILITIES & PIPELINES</u>			
22,400	Bell Canada Enterprises	831,600		
8,000	Interprovincial Pipeline	345,000		
20,000	Maritime Telegraph & Telephone	<u>302,500</u>	1,479,100	17.2
	<u>TRANSPORTATION</u>			
20,000	C.H.C. Helicoptors	67,000		
67,511	Trimac Ltd.	<u>229,537</u>	<u>296,537</u>	<u>3.4</u>
	<u>TOTAL PORTFOLIO</u>		<u>\$ 8,626,087</u>	<u>100.0</u>

IFL INVESTMENT FOUNDATION (CANADA) LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 1987

IFL INVESTMENT FOUNDATION (CANADA) LIMITED

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Hyde
Houghton

COMPTABLES AGRÉÉS/CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders,
IFL Investment Foundation (Canada) Limited

We have examined the balance sheet of IFL Investment Foundation (Canada) Limited as at December 31, 1987 and the statements of income, retained earnings, net realized gain on investments and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1987 and the results of its operations and the changes in its net assets 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

Chartered Accountants

Montreal, Quebec
February 18, 1988

IFL INVESTMENT FOUNDATION (CANADA) LIMITED

BALANCE SHEET

AS AT DECEMBER 31, 1987

ASSETS		1987	1986
Current			
Cash		\$ 850	\$ 470
Accrued dividends and interest		60,152	71,786
Income taxes recoverable		60,628	-
		121,630	72,256
Investments (note 1)		8,626,087	11,054,308
Fixed - at nominal value		1	1
		\$ 8,747,718	\$ 11,126,565
LIABILITIES			
Current			
Bank loan (note 2)		\$ 90,000	\$ 258,000
Accounts payable and accrued liabilities		13,705	9,140
Income taxes payable		-	153,114
		103,705	420,254
SHAREHOLDERS' EQUITY			
Capital stock (note 3)			
Authorized			
100,000	class A common shares of no par value		
100,000	class B common shares of no par value		
Issued			
63,374	class A common shares (1986 - 63,374)	1,226,630	1,226,630
16,575	class B common shares (1986 - 16,575)	320,820	320,820
		1,547,450	1,547,450
Retained earnings		588,446	599,782
Net realized gain on investments		5,308,459	5,154,710
Unrealized gain on investments (note 1)		1,199,658	3,404,369
		8,644,013	10,706,311
Approved by the Board of Directors			
A. Scott Fraser	Director	\$ 8,747,718	\$ 11,126,565
A. Keith Ham	Director		

IFL INVESTMENT FOUNDATION (CANADA) LIMITED

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1987

	1987	1986
Revenue		
Dividends	\$ 346,158	\$ 400,208
Interest	<u>15,600</u>	<u>59,668</u>
	361,758	459,876
Expenses		
Directors' fees	4,200	4,500
General (including interest expense 1987 - \$ 14,445; 1986 - \$ 2,544)	<u>81,078</u>	<u>70,972</u>
	85,278	75,472
Net income for the year	<u>\$ 276,480</u>	<u>\$ 384,404</u>
Income per class A and class B common share	<u>\$ 3.45</u>	<u>\$ 4.80</u>

STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1987

Balance at beginning of year	\$ 599,782	\$ 599,133
Net income for the year	<u>276,480</u>	<u>384,404</u>
	876,262	983,537
Dividends paid (note 4)	<u>287,816</u>	<u>383,755</u>
Balance at end of year	<u>\$ 588,446</u>	<u>\$ 599,782</u>

STATEMENT OF NET REALIZED GAIN ON INVESTMENTS

YEAR ENDED DECEMBER 31, 1987

Net realized gain on investments	\$ 396,968	\$ 1,096,720
Income taxes	<u>3,372</u>	<u>153,114</u>
	393,596	943,606
Net realized gain on investments for the year	<u>5,154,710</u>	<u>4,418,972</u>
Balance at beginning of year	5,548,306	5,362,578
Dividends paid (note 4)	<u>239,847</u>	<u>207,868</u>
Balance at end of year	<u>\$ 5,308,459</u>	<u>\$ 5,154,710</u>

IFL INVESTMENT FOUNDATION (CANADA) LIMITED

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 1987

	1987	1986
Net income for the year	\$ 276,480	\$ 384,404
Investments at cost at beginning of year	7,649,939	6,446,335
Purchases of investments during the year	1,893,581	2,570,375
	9,543,520	9,016,710
Investments at cost at end of year	7,426,429	7,649,939
Cost of investments sold during the year	2,117,091	1,366,771
Proceeds of investments sold during the year	2,514,059	2,463,491
Net realized gain on investments	396,968	1,096,720
Income taxes	3,372	153,114
Net realized gain on investments for the year	393,596	943,606
Decrease in unrealized appreciation for the year	(2,204,711)	(649,205)
Dividends paid (note 4)	(527,663)	(591,623)
Net (decrease) increase for the year	(2,062,298)	87,182
Net assets at beginning of year	10,706,311	10,619,129
Net assets at end of year	\$ 8,644,013	\$ 10,706,311

IFL INVESTMENT FOUNDATION (CANADA) LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1987

1. Investments

Investments are carried at market value for financial statement purposes and the difference between cost and market value is shown as "Unrealized gain on investments" included in the shareholders' equity section of the balance sheet.

2. Bank loan

The bank loan is secured by the investments of the company.

3. 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.

4. Dividends paid

For the year 1987, dividends totalling \$ 287,816 (\$ 3.60 per share) were paid out of retained earnings and dividends totalling \$ 239,847 (\$ 3.00 per share) were paid out of net realized gain on investments.

For the year 1986, dividends totalling \$ 383,755 (\$ 4.80 per share) were paid out of retained earnings and dividends totalling \$ 207,868 (\$ 2.60 per share) were paid out of net realized gain on investments.

