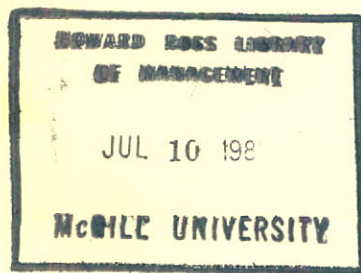


UNITED CORPORATIONS LIMITED

ANNUAL REPORT 1980



UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



DIRECTORS

IAN A. BARCLAY
Vancouver

G. DRUMMOND BIRKS
Montreal

JAMES V. EMORY
Toronto

JOCK K. FINLAYSON
Montreal

KENNETH S. HOWARD, Q.C.
Montreal

HENRY N. R. JACKMAN
Toronto

CLIFFORD S. MALONE
Toronto

DONALD J. MIANO
Toronto

MARTIN H. SIEGERMAN
Toronto

IAN S. STEERS
London, England

ALAN E. TARR
Winnipeg

W. P. WILDER
Toronto

OFFICERS

J. V. EMORY
President

M. H. SIEGERMAN
Vice-President

R. A. M. SMITH, C.A.
Vice-President,
Secretary and Treasurer

EVELYN CLAYTON
Assistant Secretary

P.A. SMALLMAN
Assistant Treasurer

Auditors

Price Waterhouse & Co.

Transfer Agent

Montreal Trust Company.
Shares transferable at Montreal, Toronto, Halifax,
Winnipeg, Regina, Calgary and Vancouver.

Registrar

The Royal Trust Company

Head Office

Suite 2990, South Tower
Royal Bank Plaza
Toronto, Ont. M5J 2J2

Shares Listed

First Preferred, Second Preferred (1959 and 1963 Series) and Common shares are listed on the Montreal and Toronto Stock Exchanges.

TO THE SHAREHOLDERS:

Your Directors take pleasure in presenting the 48th Annual Report of your Company for the fiscal year ended March 31, 1980.

Market Background

Canadian stock markets continued to show unusual strength for the first eleven months of our fiscal year with the Toronto Stock Exchange Index advancing just under 50% during the period. Up until the end of 1979 this advance appeared to be soundly based by historical yardsticks. However, in January and February of 1980 the Index rose just under 21%, over 40% of the total eleven-month advance, and, although it remained sound value for the longer term, a high degree of speculation in both the commodity and stock markets became evident. The root cause of that speculation was a world-wide search for a store of value to provide protection against the continuous erosion of currencies caused by high and rising rates of inflation. Finally, early in March, the combination of inflation and speculation in commodity markets reached intolerable levels and forced strong action by the Federal Reserve Board in the United States which, in turn, was followed by similar action by the central banks in the rest of the industrial world. As a result world-wide interest rates shot up to unprecedented levels and a large element of doubt was introduced as to the economic outlook for the balance of 1980 and into 1981. While this was the object of the exercise, it had the effect of throwing financial markets into considerable disarray with the result that the Toronto Stock Exchange Index fell precipitously in March. This wiped out the whole of the rise of the first two months of the calendar year and returned the Index to slightly below its level at the end of 1979. As a consequence, for the whole of our fiscal year, the Index rose 22.6%, still a respectable twelve-month increase but well below the eleven-month figure.

The Canadian market continued to outperform its American counterpart by a wide margin as evidenced by the fact that, over the same twelve-month period, the Dow Jones Industrial Average declined by 8.9% while the much more broadly based Standard & Poors Composite Index was able to advance by only 5.0%.

Financial Statements

(see pages 4 to 12)

As might be expected, our investment results followed the course of the Canadian stock market during the year although we continued to outperform the Toronto Stock Exchange Index by a comfortable margin.

At the end of March our net equity value per common share, as defined in Note 5 to the Financial Statements, was \$36.25. This was still 1% above the December 31st level of \$35.89 and 27.3% ahead of the corresponding figure of \$28.47 at the end of the previous fiscal year. The March, 1980, figure was after provision for dividends of 87.5¢ per share to which more detailed reference is made later in this report.

Net income for the year amounted to \$4,080,860 compared to \$2,856,449 last year. After provision for dividends on the preferred shares, net income available for the common shares was \$3,702,505, equal to \$1.05 per share on the average number of shares outstanding during the year, an increase of 49.4% over last year's figure of \$2,478,094 or 70.3¢ per share. The latest figure was a new all-time high by a very considerable margin.

Operating expenses excluding interest, at \$296,556, were up very modestly from \$280,018 last year and were equal to only 0.24% of year-end net assets for the common shares. As will be seen from the long-term record on pages 14 and 15 of this Report, operating expenses have shown very little variation over the last ten years despite the inflationary atmosphere which has prevailed and the ratio of those expenses to net assets for the common shares in fiscal 1980 was the lowest in the history of the company.

Operations for the year generated a net realized gain on investments of \$11,667,314 after provision for refundable capital gains taxes of \$4,190,657, bringing the cumulative total for net realized gains as shown in the Statement of Surplus to \$74,231,941. In addition, unrealized appreciation in the value of investments increased by \$11,898,415 to a year-end total of

\$43,262,225. No provision has been made in the financial statements for possible refundable capital gains tax exigible on realization of that unrealized appreciation nor has a potential recovery of \$4,935,824 in refundable capital gains tax been recorded in the accounts.

Dividends

Regular dividends at the rate of \$1.50 per share were declared and paid on both classes of preferred shares during the year. Dividends on the common shares consisted of one quarterly dividend of 20¢ per share followed by three quarterly dividends of 22.5¢ per share. This brought total dividends declared and paid during the year to 87.5¢ per share compared to 68¢ per share in the previous year.

At their April meeting your Directors declared a regular quarterly dividend of 22.5¢ per share, applicable to the first quarter of the current fiscal year, together with an extra dividend of 10¢ per share applicable to the 1980 fiscal year. If this extra dividend is added to the total of 87.5¢ per share referred to above, total dividends applicable to fiscal 1980 operations amounted to 97.5¢ per share, an increase of 43% over the fiscal 1979 figure.

Portfolio of Investments

The detailed portfolio of investments held by the Company as of March 31, 1980, is set out on pages 7 to 9 and summary statements of net assets showing changes in portfolio weightings and the amount of leverage applied to our capitalization as of the end of each of the last six years are on page 13.

Historical Record of Investment Results

(see pages 14 and 15)

As usual, there is included in this report an historical record of the Company's progress since its inception in 1933. As can be seen, every facet of our operations was at a new high at the end of fiscal 1980. The record, which covers forty-six and one quarter years and a multitude of political and economic environments, including three major wars, is a remarkable one. While

the period covered is too lengthy to have a practical application to any but the truly long-term institutional investor, examination of any twenty-five year period within it provides convincing evidence of what can be accomplished through sound equity investment over what might be considered a more normal time span for an individual.

Subsidiary and Associated Companies

Our wholly-owned subsidiary, United Bond & Share Limited, carries out the dual function of acting as the management company for all of our operations, including the provision of investment management services on a fee basis for substantial non-owned assets, and as a holding company for a number of non-portfolio investments.

With respect to investment management services, special mention should be made of the RoyFund operation. This consists of two mutual funds, RoyFund (Equity) Ltd. and RoyFund Income Trust. As their names suggest, the first of these funds is equity-oriented while the second invests in fixed-income securities such as bonds and mortgages. Operated by United Bond & Share, these funds provide savings vehicles for the clients of The Royal Bank of Canada with particular emphasis on long-term, tax-sheltered plans such as retirement savings plans and deferred profit sharing plans. The two funds commenced operations in April, 1967, and October, 1973, respectively, and the outstanding success of the operation is shown by the fact that their combined assets exceeded \$216 million as of March 31, 1980.

The Interior Trust Company, owned equally by The Royal Bank of Canada and United Bond & Share, continued to remain dormant insofar as the usual functions of a trust company are concerned but, as has been the case for several years, its investment operations continued to be highly successful. A number of its investment positions were closed out during the first quarter of 1980 with the result that substantial profits were realized and it was decided to distribute those profits in the form

of dividends to its two parent companies. As a consequence, United Bond & Share received dividends totaling \$100,000 from Interior during fiscal 1980 and a further dividend of \$150,000 in April, 1980. Dividends of that magnitude should be considered as non-recurring.

Outlook

The outlook for the stock market is particularly difficult to forecast at this point. The sizeable decline in March had the effect of wiping out the unusual rise which took place in January and February and returning the market to where it was at the end of 1979. At their current levels most Canadian stocks are selling at about the same multiple of trailing twelve-month earnings as they did at their 1974 lows and the market as a whole remains cheap in terms of asset values and even cheaper in terms of replacement values. It should therefore represent excellent value for the longer term.

However, it is having to compete for investment favour with unusually high levels of interest rates which, in turn, have enhanced the likelihood of a recession as the year progresses. While it seems probable that interest rates have passed their peak thereby easing one source of downward pressure on the stock market, it is still too early to gauge either the magnitude or the duration of any possible recession and its effect on corporate earnings.

The unanswered question at this point is, therefore, whether the market at its present level has adequately discounted the potential problems ahead. Given its value for the longer term, we incline towards the view that it has, but we will be watching developments very closely as the year progresses.

General

In October, 1979, William P. Wilder was appointed a Director of the Company to fill the vacancy created by the death of Charles L. Gundy. Mr. Wilder, who is President and Chief Executive Officer of Hiram Walker-Consumers Home Ltd. and a Director of a number of other companies, spent a large part of his career in the investment business and hence is uniquely qualified to serve as a Director of United.

On behalf of the Directors,

J. V. Emory
President

May 2, 1980

UNITED CORPORATIONS LIMITED

STATEMENT OF NET ASSETS

March 31

	1980	1979
Assets:		
Portfolio investments, at market value (average cost — 1980 — \$97,843,309; 1979 — \$82,485,511)	\$141,105,534	\$113,751,641
Other investments (Note 2)	1,836,420	1,659,654
	<u>142,941,954</u>	<u>115,411,295</u>
Cash and temporary cash investments	2,653,431	2,239,189
Accrued income on investments	302,751	357,286
Due from brokers	778,983	—
	<u>\$146,677,119</u>	<u>\$118,007,770</u>
Liabilities:		
Accrued interest payable	\$ 134,588	\$ 109,893
Due to brokers	520,237	532,105
Other accounts payable	29,867	32,167
Income taxes payable	4,292,101	540,908
	<u>4,976,793</u>	<u>1,215,073</u>
Bank loan (Note 3)	1,657,040	1,506,120
Income debenture (Note 4)	8,000,000	8,000,000
	<u>14,633,833</u>	<u>10,721,193</u>
Net assets	<u>\$132,043,286</u>	<u>\$107,286,577</u>
Represented by:		
Stated capital (Notes 5 and 7) —		
First preferred	52,237	—
Second preferred	—	200,000
Common	2,877,480	—
for a consideration of	\$ 119,384	\$ 119,384
" " " "	6,000,000	6,000,000
" " " "	6,914,278	6,343,639
	<u>13,033,662</u>	<u>12,463,023</u>
Surplus —		
Retained income	1,515,458	895,117
Accumulated net realized gains on investments	74,231,941	62,564,627
	<u>75,747,399</u>	<u>63,459,744</u>
Unrealized appreciation in value of investments	43,262,225	31,363,810
	<u>\$132,043,286</u>	<u>\$107,286,577</u>

APPROVED BY THE BOARD:

H. N. R. Jackman, Director

J. V. Emory, Director

See notes to financial statements.

**STATEMENT OF
NET INCOME**

	Year ended March 31	
	1980	1979
NET INCOME:		
Income —		
Dividends and interest	\$ 4,968,526	\$ 3,705,788
Expenses —		
Management fee	155,000	164,000
Directors' remuneration	42,750	35,800
Fees and expenses of trustee, registrar and transfer agents	35,196	27,178
Taxes other than income taxes	1,934	1,565
Legal and audit fees	22,234	24,387
Office and miscellaneous expenses	39,442	27,088
Interest on bank loan	44,038	16,139
	340,594	296,157
Interest on income debenture	642,329	527,895
	982,923	824,052
Income before income taxes	3,985,603	2,881,736
Foreign taxes withheld	10,216	11,759
Provision for income taxes	100,835	15,000
	111,051	26,759
	3,874,552	2,854,977
Equity in net income of subsidiary	206,308	1,472
NET INCOME	\$ 4,080,860	\$ 2,856,449
Net income per common share	\$1.05	70.3¢

See notes to financial statements.

STATEMENT OF
SURPLUS

	Year ended March 31	
	1980	1979
RETAINED INCOME:		
Balance at beginning of year	\$ 895,117	\$ 812,305
Net income	4,080,860	2,856,449
	<u>4,975,977</u>	<u>3,668,754</u>
Dividends:		
First preferred shares	78,355	78,355
Second preferred shares	300,000	300,000
Common shares (per share 1980 — 87.5¢; 1979 — 68.0¢)	3,082,164	2,395,282
	<u>3,460,519</u>	<u>2,773,637</u>
Balance at end of year	<u>\$ 1,515,458</u>	<u>\$ 895,117</u>
ACCUMULATED NET REALIZED GAINS ON INVESTMENTS:		
Balance at beginning of year	\$ 62,564,627	\$ 52,132,583
Net gain on investments sold during the year —		
Proceeds from sale of investments	58,996,046	48,873,248
Investments at cost at beginning of year	82,485,511	65,259,108
Investments purchased during year	58,495,873	55,141,940
Investments at cost at end of year	(97,843,309)	(82,485,511)
Cost of investments sold	43,138,075	37,915,537
	<u>15,857,971</u>	<u>10,957,711</u>
Less: Income tax on net taxable gains on sale of investments (Note 6)	4,190,657	525,667
Net gain	<u>11,667,314</u>	<u>10,432,044</u>
Balance at end of year	<u>\$ 74,231,941</u>	<u>\$ 62,564,627</u>

STATEMENT OF
CHANGES IN NET ASSETS

	Year ended March 31	
	1980	1979
Net assets at beginning of year	\$107,286,577	\$ 74,829,205
Add (deduct) changes during year —		
Net income	4,080,860	2,856,449
Proceeds from issue of common shares	570,639	—
Net gain on sale of investments	11,667,314	10,432,044
Increase in unrealized appreciation in value of investments	11,898,415	21,942,516
Dividends	(3,460,519)	(2,773,637)
Net assets at end of year	<u>\$132,043,286</u>	<u>\$107,286,577</u>

See notes to financial statements.

STATEMENT OF INVESTMENTS AS AT MARCH 31, 1980

No. of Shares or par value		Average cost	Market value	% of total Portfolio Investments
Banks				
83,542	Bank of Montreal	\$ 1,807,005	\$ 1,921,466	
140,100	The Bank of Nova Scotia	2,839,779	3,327,375	
102,560	The Royal Bank of Canada	2,392,518	4,115,220	
98,098	The Toronto-Dominion Bank	1,799,666	2,476,975	
		<u>8,838,968</u>	<u>11,841,036</u>	8.39
Trust, Savings & Loan				
261,400	National Trust Company, Limited	5,316,652	5,848,825	4.14
Publishing & Printing				
111,500	Harlequin Enterprises Limited	311,945	1,979,125	1.40
TV & Radio				
199,200	Canadian Cablesystems Limited	1,655,303	2,440,200	
99,800	Macleam-Hunter Limited Class A	1,600,525	2,544,900	
		<u>3,255,828</u>	<u>4,985,100</u>	3.53
Food Processing				
32,000	George Weston Limited	606,846	800,000	.57
Distilleries				
110,500	The Seagram Company Ltd.	5,438,344	5,083,000	3.60
Management Companies				
144,000	British Columbia Resources Investment Corporation	1,134,484	990,000	.70
Manufacturing				
178,500	Consumers Glass Company Limited	883,341	3,213,000	
10,000	I.T.L. Industries Limited 6 1/2% Conv. Pfd. Series "B"	250,000	190,000	
166,000	Jannock Limited Warrants	1,214,028	871,500	
112,500	Magna International Inc. Class A	836,625	1,237,500	
		<u>3,183,994</u>	<u>5,512,000</u>	3.91
Cement & Concrete Products				
87,800	Genstar Limited	1,009,949	2,271,825	1.61
Chemicals				
22,000	Du Pont Canada Inc.	486,059	627,000	.44
Aluminum				
226,600	Alcan Aluminium Limited	5,270,986	6,967,950	4.94
Asbestos				
60,000	Cassiar Asbestos Corporation Limited	699,906	660,000	
117,100	United Asbestos Inc.	696,111	761,150	
		<u>1,396,017</u>	<u>1,421,150</u>	1.00
Copper				
28,000	Afton Mines Ltd.	752,957	658,000	
18,300	Brenda Mines Ltd.	192,703	443,775	
37,400	Hudson Bay Mining and Smelting Co., Limited Class "A"	1,225,698	897,600	
24,000	Lornex Mining Corporation Ltd.	1,322,326	1,041,000	
132,000	Noranda Mines Limited	1,928,203	3,316,500	
76,100	Placer Development Limited	3,831,956	3,862,075	
231,932	Teck Corporation Limited Class B	1,349,218	3,073,099	
		<u>10,603,061</u>	<u>13,292,049</u>	9.42

STATEMENT OF INVESTMENTS AS AT MARCH 31, 1980

No. of Shares or par value		Average cost	Market value	% of total Portfolio Investments
Gold & Silver				
23,900	Dome Mines Limited	\$ 524,186	\$ 1,565,450	
24,300	Equity Silver Mines Limited	773,752	777,600	
15,000	Sigma Mines (Quebec) Limited	714,009	744,375	
16,000	United Keno Hills Mines Limited	636,085	492,000	
		2,648,032	3,579,425	2.54
Nickel				
24,500	Falconbridge Nickel Mines Limited Class A	1,269,293	2,296,875	
52,322	Great Lakes Nickel Limited Options	1,207	7,848	
131,000	Inco Limited Class A	3,306,114	3,586,125	
		4,576,614	5,890,848	4.18
Miscellaneous Metals				
42,208	Canada Tungsten Mining Corporation Limited	714,521	1,071,028	.76
Integrated Oils				
18,984	Gulf Canada Limited	1,709,538	2,453,682	
37,250	Texaco Canada Inc.	1,522,360	2,942,750	
		3,231,898	5,396,432	3.82
Oil & Gas Producers				
11,100	CanDel Oil Ltd.	704,568	788,100	
45,000	Coseka Resources Limited	411,909	826,875	
72,430	Czar Resources Ltd.	1,091,296	1,095,504	
14,000	Husky Oil Ltd.	852,906	1,087,520	
98,200	Merland Explorations Limited	1,404,524	2,283,150	
79,400	Mountain States Resources Ltd.	609,252	833,700	
37,775	PanCanadian Petroleum Limited	1,017,553	2,663,137	
37,275	Paramount Resources Ltd.	229,706	260,925	
130,000	Strand Oil & Gas Ltd.	399,100	731,250	
850,000	Warren Explorations Limited	650,000	2,762,500	
100,000	Westmount Resources Limited	675,000	825,000	
		8,045,814	14,157,661	10.03
Oil & Gas Servicing				
44,600	Bralorne Resources Limited	596,844	981,200	
36,600	Nowsco Well Service Ltd.	821,493	1,788,825	
10,000	Okanagan Helicopters Ltd. 8% Conv. Pfd. A (\$10.00 par)	100,000	120,000	
20,000	Okanagan Helicopters Ltd.	294,043	375,000	
20,900	OPI Ltd. Class A	604,829	825,550	
156,000	Trimac Limited Class A	1,046,657	2,808,000	
40,900	Turbo Resources Limited Class B Common	626,466	869,125	
27,720	Westburne International Industries Ltd.	666,289	796,950	
		4,756,621	8,564,650	6.07
Paper & Forest Products				
62,000	Doman Industries Limited	646,161	503,750	.36
Gas Transmission				
151,900	The Alberta Gas Trunk Line Company Limited Class "A"	1,915,423	3,854,463	
91,866	Westcoast Transmission Company Limited	768,221	1,136,842	
		2,683,644	4,991,305	3.54

STATEMENT OF INVESTMENTS AS AT MARCH 31, 1980

No. of Shares or par value		Average cost	Market value	% of total Portfolio Investments
Real Estate & Construction				
21,400	Allarco Developments Ltd.	\$ 611,475	\$ 1,647,800	
82,900	The Cadillac Fairview Corporation Limited	626,821	1,502,563	
59,000	Carma Developers Ltd. Class A	346,236	796,500	
35,700	Melcor Developments Ltd.	252,227	437,325	
64,000	Nu-West Development Corporation Ltd.	695,538	1,032,000	
		<u>2,532,297</u>	<u>5,416,188</u>	3.84
Steel				
60,000	The Algoma Steel Corporation, Limited	2,268,417	1,965,000	
65,350	Dominion Foundries and Steel, Limited Class A	2,020,430	2,189,225	
28,320	Interprovincial Steel and Pipe Corporation Ltd.	509,414	693,840	
81,200	Ivaco Ltd.	1,356,589	1,380,400	
		<u>6,154,850</u>	<u>6,228,465</u>	4.41
Transportation				
245,996	Algoma Central Railway	3,951,825	5,965,419	
110,000	Canadian Pacific Limited	2,178,817	4,239,400	
180,500	Laidlaw Transportation Limited Class A	520,668	1,083,000	
180,500	Laidlaw Transportation Limited Class B	520,668	970,188	
		<u>7,171,978</u>	<u>12,258,007</u>	8.69
Miscellaneous				
199,200	CAE Industries Ltd. Class A	1,182,733	2,664,300	
30,300	Finning Tractor & Equipment Company Limited	667,538	1,185,487	
47,480	National Sea Products Limited Class A	408,814	617,240	
66,400	Scott's Restaurants Co. Limited	407,219	431,600	
70,000	Scott's Restaurants Co. Limited Class C Special	429,298	472,500	
4,218	Solartech Limited	200,000	200,000	
		<u>3,295,602</u>	<u>5,571,127</u>	3.95
American Securities				
26,600	Knogo Corporation	722,231	762,888	
17,600	Standard Oil Company (Indiana)	1,378,708	2,124,320	
7,052	Teledyne, Inc.	439,323	1,074,443	
		<u>2,540,262</u>	<u>3,961,651</u>	2.81
Foreign Securities				
125,000	London and Manchester Assurance Company Limited	516,882	491,250	.35
Corporate				
\$250,000	Canada Permanent Mortgage Corporation 9.75% Nov. 1, 1981	243,750	226,875	
\$250,000	Canadian Pacific Securities Limited 9.75% Dec. 15, 1981	243,750	228,750	
\$250,000	First Canadian Investment Limited 10% Jan. 1, 1981	247,500	236,250	
\$250,000	International Harvester Credit Corporation 10.25% Sept. 1, 1981	246,250	227,500	
\$250,000	Noranda Mines Limited 9.75% Nov. 1, 1980	246,250	237,500	
\$250,000	The Seagram Company Ltd. 9.50% June 1, 1980	247,500	247,812	
		<u>1,475,000</u>	<u>1,404,687</u>	1.00
Total Portfolio Investments		<u>\$ 97,843,309</u>	<u>\$141,105,534</u>	<u>100.00%</u>

**NOTES
TO FINANCIAL
STATEMENTS**
March 31, 1980

1. Summary of accounting policies:

Portfolio investments —

Portfolio investments are carried at quoted market value which is determined from published last sales prices on national securities exchanges at March 31, 1980. When no quoted market is available, the market value of any investment is determined by the directors of the Corporation.

No provision has been made for deferred income taxes that would be payable if the investments had been disposed of on March 31, 1980 at the quoted market prices on that date. If such realization had taken place, any taxes payable on the resulting capital gains would be refundable on distribution of these gains as explained in Note 6.

Other investments —

Other investments are carried at the lower of cost and net realizable value. The investment in United Bond & Share Limited, a wholly-owned subsidiary, is carried at cost plus equity in accumulated earnings. The investment in subsidiary is not consolidated because it is not significant.

Dividend and interest income —

Dividend income is recognized on the ex-dividend date and interest income is recognized as earned.

Foreign exchange —

The average cost of investments other than Canadian is the cost thereof translated into Canadian dollars at the rate of exchange prevailing at the time of purchase. The market value of such investments at March 31, 1980 has been translated into Canadian dollars at the exchange rate prevailing as at that date.

The loan payable in Swiss francs has been translated at the rate obtained upon the purchase of a contract for the forward purchase of Swiss francs, the proceeds of which are to be used in repaying this liability.

2. Other investments:

Other investments consist of the following —

	1980	1979
Shares in and advances to subsidiary, United Bond & Share Limited, at cost plus equity in accumulated earnings	\$1,836,420	\$1,653,654
Shares in International Capital Corporation Ltd., at realizable value	—	6,000
	<u>\$1,836,420</u>	<u>\$1,659,654</u>

3. Bank loan:

The Corporation borrowed 2,200,000 Swiss francs from a foreign bank at an interest rate of 2-5/8% per annum, due November 3, 1980. On May 15, 1979 the Corporation entered into a contract for the purchase of 2,200,000 Swiss francs on November 3, 1980 at a cost of \$1,657,040. The proceeds of this contract are to be used in repayment of the loan.

4. Income debenture:

The income debenture is due August 1, 1986 and is repayable in whole or in part at the option of United Corporations Limited on 30 days' notice. This debenture bears interest at a variable rate determined in relation to the prime lending rate. At March 31, 1980 the rate was 9.5%.

5. Stated capital:

On September 20, 1977 the Corporation was continued under Section 181 of the Canada Business Corporations Act. The classes of shares and, where applicable, the maximum number of shares that the Corporation is authorized to issue are as follows:

- (a) 52,237 First Preferred Shares without nominal or par value are redeemable at \$30.00 each;

**NOTES
TO FINANCIAL
STATEMENTS**
(continued)

- (b) 200,000 Second Preferred Shares without nominal or par value, issuable in series of which Second Preferred Shares (i) 80,290 shares are designated \$1.50 Cumulative Redeemable Second Preferred Shares, 1959 Series and are redeemable at \$30.00 each and (ii) 119,710 shares are designated \$1.50 Cumulative Redeemable Second Preferred Shares, 1963 Series and are redeemable at \$31.50 each.
- (c) Third Preferred Shares without nominal or par value, issuable in series. The maximum number of Third Preferred Shares that may be outstanding at any time shall be that number of which the stated value does not exceed \$15,000,000; and
- (d) an unlimited number of Common Shares without nominal or par value.

During the year, certain employees exercised their options under the employees' stock option plan (Note 7) to purchase 42,100 common shares for a total consideration of \$570,639.

The net equity value of the Corporation's common shares is determined by adding the total amount of refundable capital gains tax on hand (Note 6) to the net assets and deducting from the resulting total the outstanding preferred shares at their cost of redemption. Net equity value per common share is the net equity value divided by the number of common shares outstanding.

	1980	1979
Net Assets	\$132,043,286	\$107,286,577
Add:		
Refundable capital gains tax on hand at end of year	4,935,824	745,167
	136,979,110	108,031,744
Deduct:		
Cost of redemption —		
First preferred shares	1,567,110	1,567,110
Second preferred shares	6,179,565	6,179,565
	7,746,675	7,746,675
Net equity value	\$129,232,435	\$100,285,069
Net equity value per common share	\$36.25	\$28.47

6. Income taxes:

The Corporation qualifies as an investment corporation under Section 130 of the Income Tax Act — Canada. As such, dividends received from taxable Canadian corporations are not taxed while other income is taxed at reduced rates.

Taxes on capital gains are refundable if the Corporation elects to distribute such gains by way of capital gains dividends to its shareholders. The Corporation has refundable capital gains tax on hand of \$4,935,824 at March 31, 1980. This potential recovery has not been recorded in the Corporation's accounts.

7. Employees' stock option plan:

In accordance with the provisions of the employees' stock option plan as amended, options to purchase 2,900 common shares are outstanding and 66,920 common shares are reserved for further options. The options outstanding are exercisable at an average price of \$14.12.

8. Comparative figures:

The presentation of certain figures has been restated to conform with the presentation in the current year.

AUDITORS' REPORT

To the Shareholders of United Corporations Limited:

We have examined the financial statements of United Corporations Limited for the year ended March 31, 1980 which appear on pages 4 to 11. 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 and investments of the Corporation as at March 31, 1980 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.

Toronto, May 14, 1980

Price Waterhouse & Co.
Chartered Accountants

SUMMARY STATEMENTS OF NET ASSETS (all investments at market)

Portfolio —	1980 March 31st	1979 March 31st	1978 March 31st	1977 March 31st	1976 March 31st	1975 March 31st
Cash, etc., Bullion, Short Term Notes & Bonds	\$ 3,735,165	\$ 2,596,475	\$ 6,924,806	\$ 1,234,300	\$ 6,352,602	\$ 9,249,465
Less: Liabilities	<u>4,976,793</u>	<u>1,215,073</u>	<u>583,981</u>	<u>284,550</u>	<u>57,109</u>	<u>297,940</u>
Net Reserves	(1,241,628)	1,381,402	6,340,825	949,750	6,295,493	8,951,525
Common Stocks	140,795,534	112,394,754	72,541,465	74,223,540	70,745,042	60,127,155
Convertibles	<u>310,000</u>	<u>1,356,887</u>	<u>2,142,475</u>	<u>1,601,912</u>	<u>1,194,150</u>	<u>764,200</u>
Total Portfolio Investments and Cash	139,863,906	115,133,043	81,024,765	76,775,202	78,234,685	69,842,880
Investment in and advances to Subsidiary and Affiliated Companies	<u>1,836,420</u>	<u>1,659,654</u>	<u>1,804,440</u>	<u>1,839,275</u>	<u>1,840,810</u>	<u>1,831,305</u>
Net Assets available for investment	141,700,326	116,792,697	82,829,205	78,614,477	80,075,495	71,674,185
Less: Bank loan and Income Debenture	<u>9,657,040</u>	<u>9,506,120</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>—</u>
Total Net Assets	<u>\$132,043,286</u>	<u>\$107,286,577</u>	<u>\$74,829,205</u>	<u>\$70,614,477</u>	<u>\$72,075,495</u>	<u>\$71,674,185</u>
Capitalization —						
Senior Capital at Redemption Prices: —						
First Preferred Shares	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110
Second Preferred Shares	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>
Total Senior Capital	7,746,675	7,746,675	7,746,675	7,746,675	7,746,675	7,746,675
Net Assets for Common Shares*	<u>124,296,611</u>	<u>99,539,902</u>	<u>67,082,530</u>	<u>62,867,802</u>	<u>64,328,820</u>	<u>63,927,510</u>
	<u>\$132,043,286</u>	<u>\$107,286,577</u>	<u>\$74,829,205</u>	<u>\$70,614,477</u>	<u>\$72,075,495</u>	<u>\$71,674,185</u>
*Percentage of Common Stocks & Convertibles to Net Assets for Common Shares	113.5%	114.3%	111.3%	120.6%	111.8%	95.3%

LONG TERM RECORD OF INVESTMENT RESULTS

Statement of Net Assets

Year	Net Assets for Common Shares Market Value		Accumulated Refundable Capital Gains Tax on Hand		Net Equity for Common Shares Market Value		Unrealized Appreciation (Depreciation)	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
1933	\$ (378,823)	\$ (0.13)	\$ —	\$ —	\$ (378,823)	\$ (0.13)	\$ 1,026,458	\$0.35
1934	1,550,855	0.53	—	—	1,550,855	0.53	2,743,726	0.94
1935	2,718,308	0.94	—	—	2,718,308	0.94	3,522,563	1.21
1936	6,296,163	2.18	—	—	6,296,163	2.18	5,020,580	1.74
1937	3,114,981	1.08	—	—	3,114,981	1.08	1,215,530	0.42
1938	4,086,736	1.42	—	—	4,086,736	1.42	1,727,136	0.60
1939	4,550,325	1.58	—	—	4,550,325	1.58	1,631,017	0.57
1940	3,382,741	1.17	—	—	3,382,741	1.17	209,640	0.07
1941	2,987,636	1.03	—	—	2,987,636	1.03	(324,105)	(0.12)
1942	3,632,977	1.26	—	—	3,632,977	1.26	312,808	0.11
1943	5,166,473	1.79	—	—	5,166,473	1.79	1,780,870	0.62
1944	6,818,492	2.37	—	—	6,818,492	2.37	3,144,137	1.10
1945	10,064,064	3.49	—	—	10,064,064	3.49	5,357,144	1.86
1946	9,779,382	3.39	—	—	9,779,382	3.39	3,946,814	1.37
1947	9,488,685	3.29	—	—	9,488,685	3.29	2,935,180	1.01
1948	9,375,986	3.25	—	—	9,375,986	3.25	2,295,666	0.79
1949	10,804,850	3.75	—	—	10,804,850	3.75	3,610,352	1.25
1950	13,542,503	4.70	—	—	13,542,503	4.70	5,807,657	2.02
1951	16,624,505	5.77	—	—	16,624,505	5.77	7,706,950	2.68
1952	15,792,833	5.48	—	—	15,792,833	5.48	5,692,307	1.97
1953	15,662,967	5.44	—	—	15,662,967	5.44	5,379,986	1.87
1954	21,733,761	7.55	—	—	21,733,761	7.55	10,339,864	3.60
1955	25,747,806	8.94	—	—	25,747,806	8.94	11,992,312	4.16
1956	25,170,984	8.74	—	—	25,170,984	8.74	8,618,470	2.99
1957	22,000,526	7.64	—	—	22,000,526	7.64	4,316,341	1.50
1958	28,814,158	10.01	—	—	28,814,158	10.01	10,363,184	3.60
1959	34,220,894	10.02	—	—	34,220,894	10.02	7,782,523	2.28
1960	33,624,014	9.85	—	—	33,624,014	9.85	6,486,398	1.90
1961	40,375,693	11.77	—	—	40,375,693	11.77	11,041,155	3.22
1962	37,892,527	11.01	—	—	37,892,527	11.01	8,775,317	2.55
1963	44,574,262	12.84	—	—	44,574,262	12.84	14,383,693	4.15
1964	55,113,905	15.87	—	—	55,113,905	15.87	21,331,213	6.14
1965	58,370,387	16.80	—	—	58,370,387	16.80	22,125,068	6.37
1966	55,408,872	15.94	—	—	55,408,872	15.94	14,874,697	4.28
1967	67,010,142	19.11	—	—	67,010,142	19.11	20,045,656	5.72
1968	77,183,680	21.98	—	—	77,183,680	21.98	23,288,187	6.63
1969	71,022,217	20.20	—	—	71,022,217	20.20	11,649,889	3.32
1970	63,455,575	18.05	—	—	63,455,575	18.05	7,304,669	2.08
1971	65,654,757	18.67	—	—	65,654,757	18.67	11,393,557	3.24
1972	79,010,506	22.43	9,920	—	79,020,426	22.47	21,474,093	6.11
1973	76,011,552	21.61	138,399	0.03	76,149,951	21.64	16,103,897	4.58
1974	74,710,661	21.23	215,479	0.06	74,926,140	21.29	12,325,057	3.50
1975	63,927,510	18.14	215,479	0.06	64,152,989	18.21	263,167	0.07
1976	64,328,820	18.26	215,479	0.06	64,544,289	18.32	3,430,129	0.98
1977	62,867,802	17.84	215,479	0.06	63,083,281	17.90	1,077,002	0.31
1978	67,082,530	19.04	215,479	0.06	67,298,009	19.10	9,421,294	2.67
1979	99,539,902	28.25	741,146	0.21	100,281,048	28.47	31,363,810	8.90
1980	124,296,611	34.86	4,935,824	1.38	129,232,435	36.25	43,262,225	12.14

(a) Common Share figures have been adjusted to reflect subdivisions of 4 for 1 in April, 1953, and 3 for 1 in June, 1964.

(b) Figures in brackets denote red figures.

(c) For the three months ending March 31, 1973.

Statement of Net Income and Surplus

Operating Expenses Before Interest and Taxes as a Percentage of Net Assets for Common Shares										Year
Net Realized Capital Gains (Losses) After Taxes		Net Income Available for Common Shares		Common Dividends Declared						
				Out of Capital		Out of Income				
Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	%	
\$ 403,227	\$0.14	\$ 72,510	\$0.03	\$ —	\$ —	\$ —	\$ —	\$ 42,104	—	1933
157,221	0.06	1,595	0.01	—	—	—	—	41,341	2.67	1934
337,039	0.12	115,845	0.04	—	—	—	—	44,370	1.63	1935
1,970,479	0.69	45,088	0.01	—	—	—	—	66,569	1.05	1936
490,410	0.17	(43,501)	(0.02)	—	—	—	—	65,694	2.11	1937
108,117	0.04	48,982	0.02	—	—	—	—	58,199	1.42	1938
453,900	0.16	77,058	0.03	—	—	—	—	57,270	1.26	1939
227,433	0.08	26,358	0.01	—	—	—	—	60,415	1.85	1940
118,688	0.04	79,900	0.03	—	—	59,948	.02	44,816	1.50	1941
(45,566)	(0.02)	117,690	0.04	—	—	71,937	.025	43,195	1.22	1942
89,011	0.03	78,361	0.03	—	—	71,937	.025	45,108	.87	1943
259,962	0.09	153,480	0.05	—	—	124,691	.043	44,263	.65	1944
1,021,940	0.36	173,681	0.06	—	—	163,057	.06	46,882	.47	1945
1,062,602	0.37	242,888	0.08	—	—	179,843	.06	48,225	.49	1946
693,688	0.24	338,974	0.12	—	—	311,727	.11	46,485	.49	1947
574,347	0.20	299,464	0.10	—	—	359,685	.125	56,582	.60	1948
110,554	0.04	387,287	0.13	—	—	383,664	.13	60,022	.56	1949
650,507	0.23	561,357	0.19	—	—	551,517	.19	66,427	.49	1950
1,180,124	0.41	578,082	0.20	—	—	575,496	.20	70,971	.43	1951
1,169,466	0.41	612,980	0.21	—	—	599,475	.21	72,186	.46	1952
167,059	0.06	638,850	0.22	—	—	623,454	.22	83,124	.53	1953
1,082,987	0.38	699,341	0.24	—	—	671,412	.23	91,038	.42	1954
2,348,630	0.82	732,337	0.25	—	—	719,370	.25	91,440	.36	1955
2,785,558	0.97	778,790	0.27	—	—	767,328	.27	103,470	.41	1956
1,064,583	0.37	834,416	0.29	—	—	767,328	.27	111,113	.51	1957
636,177	0.22	897,941	0.31	—	—	767,328	.27	106,672	.37	1958
2,426,184	0.71	845,173	0.25	—	—	863,244	.30	113,060	.33	1959
644,825	0.19	1,080,482	0.32	—	—	1,023,562	.30	158,548	.47	1960
2,108,673	0.62	1,074,576	0.31	—	—	1,083,277	.32	152,566	.38	1961
(329,562)	(0.09)	1,145,036	0.33	—	—	1,089,975	.32	155,156	.41	1962
1,223,254	0.35	1,025,784	0.30	—	—	1,157,791	.33	148,494	.33	1963
3,588,064	1.03	1,284,223	0.37	—	—	1,284,214	.37	155,680	.28	1964
2,363,628	0.68	1,503,104	0.43	—	—	1,423,745	.41	163,928	.28	1965
4,010,780	1.15	1,664,295	0.48	—	—	1,389,999	.44	165,166	.30	1966
6,051,175	1.72	1,740,530	0.50	—	—	1,601,039	.46	182,561	.27	1967
7,685,656	2.19	1,700,009	0.48	—	—	2,523,508	.72	226,717	.29	1968
6,445,802	1.83	1,865,674	0.53	1,053,262	0.34	1,827,503	.48	277,012	.39	1969
(2,108,632)	(0.60)	1,981,177	0.56	1,230,555	0.36	1,863,413	.52	303,083	.48	1970
(394,428)	(0.11)	1,669,008	0.47	1,406,349	0.42	1,757,937	.48	272,948	.42	1971
4,117,838	1.17	1,723,962	0.49	878,968	0.25	1,687,619	.48	268,995	.34	1972
3,275,975 (c)	0.93 (c)	374,400 (c)	0.11 (c)	879,368 (c)	0.25 (c)	421,905 (c)	.12 (c)	68,585 (c)	.36 (e)	1973
2,310,949	0.66	1,996,086	0.56	—	—	1,829,086	.52	270,578	.36	1974
833,466	0.24	2,790,691	0.79	—	—	2,392,243	.68	256,619	.40	1975
(2,892,770)	(0.82)	2,522,400	0.72	—	—	2,395,282	.68	265,712	.41	1976
1,171,444	0.33	2,115,947	0.60	—	—	2,395,282	.68	285,184	.45	1977
(4,069,379)	(1.15)	2,335,097	0.66	—	—	2,395,282	.68	271,132	.40	1978
10,432,044	2.96	2,478,094	0.70	—	—	2,395,282	.68	280,018	.28	1979
11,667,314	3.27	3,702,505	1.05	—	—	3,082,164	.875	296,556	.24	1980

(d) Based on shares outstanding March 31, 1979.

(e) Annualized.



