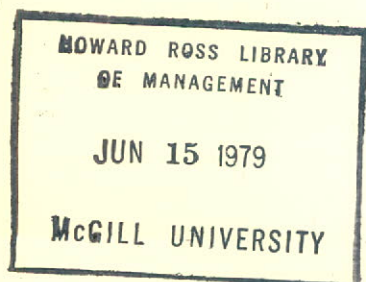


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UNITED CORPORATIONS LIMITED

ANNUAL REPORT 1979



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
Montreal

DONALD J. MIANO
Toronto

MARTIN H. SIEGERMAN
Toronto

IAN S. STEERS
London, England

ALAN E. TARR
Winnipeg

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 47th Annual Report of your Company for the fiscal year ended March 31, 1979.

Financial Statements

(see pages 5 to 12)

The Canadian stock market performed admirably in the year under review with the Toronto Stock Exchange Index rising 37.9% to a new all-time high. By way of contrast, the Dow Jones Industrial Average and the Standard & Poors Composite Index, the two most widely followed indicators of the New York Market, showed much more modest advances of 13.8% and 13.9% respectively and remained well below their previous highs of five and six years ago. The Canadian market has now out-performed its American counterpart by a wide margin for well over two years even after allowance is made for the decline in the value of the Canadian dollar.

Reflecting the underlying strength of the market as a whole, our results for the year were highly gratifying.

Total net assets, including the Swiss loan to which reference was made in our last quarterly report, reached \$116,792,697, up from \$82,829,205 at the end of last year and well into record territory. Net equity value per share at the end of the year was \$28.25, a new all-time high by a very considerable margin and an increase of 48.4% over the previous year-end level of \$19.04. The 1979 figure was after provision for dividends totalling 68¢ per share which are referred to in more detail later in this report. The combination of capital appreciation and dividends produced a return on investment for the year of 51.9%, far ahead of last year's 10.5% and amongst the best in the history of the Company.

Net after-tax income for the year amounted to \$2,856,449, compared to last year's figure of \$2,713,452. Operating expenses, excluding interest on the Swiss loan, at \$280,018 were up very modestly from \$271,132 last year and amounted to only 0.30% of the year-end net equity for the common shares. After provision for dividends on the preferred shares, net income available for the common shares was \$2,478,094, equal

to 70.3¢ per share, compared to last year's \$2,335,097 or 66.3¢ per share. We can see considerable potential in our portfolio for further increases in dividend income and currently estimate that earnings per common share should exceed 80¢ for the current fiscal year.

Operations during the year generated a net realized gain on investments of \$10,432,044 after provision for capital gains taxes of \$525,667. In addition, unrealized appreciation in the value of investments increased by \$21,942,516 to a year-end total of \$31,363,810. No provision has been made in the financial statements for possible capital gains tax exigible on realization of that appreciation nor has a potential recovery of \$745,167 in refundable capital gains tax been recorded in the accounts.

Dividends

Regular dividends at the annual 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 three quarterly dividends of 16¢ per share followed, in the fourth quarter, by an increase in the quarterly dividend to 20¢ per share. This brought total dividends per common share for the year to 68¢, unchanged from the level established four years ago, but set a new quarterly rate of 20¢ per share for the current fiscal year.

Portfolio of Investments

The detailed portfolio of investments held by the Company as of March 31, 1979, is set out on pages 8 to 10 and summary balance sheets 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.

Long Term Record of Investment Results

(see pages 14 and 15)

As usual we are including in this report a long-term 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 our last fiscal year except net income available for the common shares. This ran somewhat below the levels of 1975 and 1976, but we spent a large part of that period heavily reserved in high-yielding short-term debt instruments and, in addition, had no income debentures or other debt outstanding. We currently anticipate a new high for net income in the current year. Particularly noteworthy is the fact that operating expenses have been substantially unchanged over the last ten years despite the inflationary environment that has prevailed. If present projections hold, operating expenses should decline this year to approximately the 1968 level.

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 to others on a fee basis, and as a holding company for certain of our non-portfolio investments.

This subsidiary had another successful year although it was only able to report a modest profit after absorbing the non-recurring expenses involved in our move to Toronto. With those expenses behind us, we anticipate a return to normal profitability in the current year.

The continued substantial growth of RoyFund (Equity) Ltd. and RoyFund Income Trust warrants special mention. Managed 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 investment programs such as registered retirement savings plans and deferred profit sharing plans. The outstanding success of this operation is evidenced by the fact that the combined assets of the two funds had reached \$192.7 million as of March 31, 1979, compared to \$158.2 million and \$128.1 million at the same dates in 1978 and 1977.

The Interior Trust Company, owned equally by The Royal Bank of Canada and United Bond & Share,

remained dormant insofar as the usual functions of a trust company are concerned but its investment operations were highly successful during the year. As a result the market value of our share of its underlying assets exceeds our book cost by a sizeable amount and it is in a position to pay substantial dividends to its two shareholders.

Review and Outlook

As was mentioned earlier in this report, the Canadian stock market put on a remarkable performance last year. In fact, despite a continued high level of inflation, a weak Canadian dollar, an almost unprecedented rise in interest rates (normally anathema to the stock market), obvious political uncertainties and widely expressed concerns about the economy and, indeed, about the future of the country itself, the past year will go into the record as one of the better twelve-month periods in Canadian stock market history. Under the circumstances it is natural to wonder if the market has been on an irrational binge with the inevitable hangover to come in 1979.

Forecasting is always a chancy business and in today's fast-moving world it is prudent to maintain a high degree of flexibility in order to be able to react quickly to the unexpected. But, based on present evidence, we feel that the Canadian stock market is not as vulnerable as many people seem to believe. Because of the substantial increase in corporate profits in recent months, the market, on the basis of current earnings, is very little more expensive now than it was at the end of 1977. Furthermore, although the current market yield is somewhat lower than it was a year ago, dividends, on which that yield is based, were only removed from anti-inflation controls last October and are in the process of adjusting to a more normal (and considerably higher) level. As a consequence, despite its recent rise, the market still represents sound value on an historical basis so that any case for the market now being vulnerable to a severe decline must be based on a belief that earnings and/or dividends will drop sharply in 1979. There is very little evidence to support such a view at this time. In fact, our own forecast is for a further increase in both earnings and dividends during the current year.

As we see it, then although it may be difficult for the market to duplicate last year's unusually strong performance and there may well be recurring bouts of profit-taking, its basic trend is likely to remain upward.

General

During the year the \$8,000,000 of income debentures due to mature March 9, 1979, were re-negotiated on slightly more favourable terms with an extended maturity to August 1, 1986.

In mid-September, 1978, your directors and staff were saddened by the death of Charles L. Gundy. A member of our board since 1951, he was the senior director in point of service and made a major contribution to the affairs of the Company during his twenty-seven years of association with it. Mr. Gundy was a leading figure in the Canadian financial and business community. He was also a modest and compassionate man who will be greatly missed by a host of friends and associates.

On behalf of the Directors,

J. V. Emory
President

May 11, 1979

UNITED CORPORATIONS LIMITED

BALANCE SHEET

	March 31	
	1979	1978
Assets:		
Portfolio investments, at market value (average cost — 1979 — \$82,485,511; 1978 — \$65,259,108)	\$113,751,641	\$ 74,683,940
Other investments (Note 2)	1,659,654	1,804,440
	<u>115,411,295</u>	<u>76,488,380</u>
Cash and temporary cash investments	2,239,189	6,501,928
Accrued income on investments	357,286	386,708
Income taxes recoverable	—	36,170
	<u>\$118,007,770</u>	<u>\$ 83,413,186</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Accrued interest payable	\$ 109,893	\$ 110,959
Options written, at market value (premium received — 1979 — NIL; 1978 — \$27,712)	—	31,250
Due to brokers	532,105	412,605
Other accounts payable	32,167	29,167
Income taxes payable	540,908	—
	<u>1,215,073</u>	<u>583,981</u>
Bank loan (Note 3)	1,506,120	—
Income debentures (Note 4)	8,000,000	8,000,000
	<u>10,721,193</u>	<u>8,583,981</u>
Shareholders' equity:		
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
	644,993	—
	<u>6,343,639</u>	<u>6,343,639</u>
	<u>52,237</u>	<u>200,000</u>
	<u>3,522,473</u>	<u>12,463,023</u>
Surplus —		
Retained income	895,117	812,305
Accumulated net realized gains on investments	62,564,627	52,132,583
	<u>63,459,744</u>	<u>52,944,888</u>
	<u>75,922,767</u>	<u>65,407,911</u>
Unrealized appreciation in value of investments	31,363,810	9,421,294
	<u>107,286,577</u>	<u>74,829,205</u>
	<u>\$118,007,770</u>	<u>\$ 83,413,186</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	
	1979	1978
NET INCOME:		
Income —		
Dividends and interest	\$ 3,705,788	\$ 3,318,759
Expenses —		
Management fee	164,000	164,000
Directors' remuneration	35,800	25,900
Fees and expenses of trustee, registrar and transfer agents	27,178	27,658
Taxes other than income taxes	1,565	2,525
Legal and audit fees	24,387	12,700
Office and miscellaneous expenses	27,088	38,349
Interest on bank loan	16,139	—
	296,157	271,132
Interest on income debentures	527,895	453,342
	824,052	724,474
Income before income taxes	2,881,736	2,594,285
Foreign taxes withheld	11,759	19,198
Provision for income taxes	15,000	—
	26,759	19,198
	2,854,977	2,575,087
Equity in net income of subsidiary	1,472	138,365
NET INCOME	\$ 2,856,449	\$ 2,713,452
Net income per common share	70.3¢	66.3¢

See notes to financial statements.

UNITED CORPORATIONS LIMITED

STATEMENT OF SURPLUS

	Year ended March 31	
	1979	1978
RETAINED INCOME:		
Balance at beginning of year	\$ 812,305	\$ 872,490
Net income	<u>2,856,449</u>	<u>2,713,452</u>
	<u>3,668,754</u>	<u>3,585,942</u>
Dividends:		
First preferred shares	78,355	78,355
Second preferred shares	300,000	300,000
Common shares (per share 1979 — 68¢; 1978 — 68¢)	<u>2,395,282</u>	<u>2,395,282</u>
	<u>2,773,637</u>	<u>2,773,637</u>
Balance at end of year	<u>\$ 895,117</u>	<u>\$ 812,305</u>
ACCUMULATED NET REALIZED GAINS ON INVESTMENTS:		
Balance at beginning of year	<u>\$ 52,132,583</u>	<u>\$ 56,201,962</u>
Net gain (loss) on investments sold during the year —		
Proceeds from sale of investments	<u>48,873,248</u>	<u>32,437,660</u>
Investments at cost at beginning of year	<u>65,259,108</u>	<u>74,748,450</u>
Investments purchased during year	<u>55,141,940</u>	<u>27,017,697</u>
Investments at cost at end of year	<u>(82,485,511)</u>	<u>(65,259,108)</u>
Cost of investments sold	<u>37,915,537</u>	<u>36,507,039</u>
	<u>10,957,711</u>	<u>(4,069,379)</u>
Less: Income tax on net taxable gains on sale of investments (Note 6)	<u>525,667</u>	<u>—</u>
Net gain (loss)	<u>10,432,044</u>	<u>(4,069,379)</u>
Balance at end of year	<u>\$ 62,564,627</u>	<u>\$ 52,132,583</u>

STATEMENT OF CHANGES IN NET ASSETS

	Year ended March 31	
	1979	1978
Net assets at beginning of year	\$ 74,829,205	\$ 70,614,477
Add (deduct) changes during year —		
Net income	2,856,449	2,713,452
Net gain (loss) on sale of investments	10,432,044	(4,069,379)
Increase in unrealized appreciation in value of investments	21,942,516	8,344,292
Dividends	(2,773,637)	(2,773,637)
Net assets at end of year	<u>\$107,286,577</u>	<u>\$ 74,829,205</u>

See notes to financial statements.

STATEMENT OF INVESTMENTS AS AT MARCH 31, 1979

No. of Shares or par value		Average cost	Market value	% of total Portfolio Investments
Banks				
18,000	Bank of British Columbia	\$ 560,081	\$ 594,000	
83,542	Bank of Montreal	1,807,005	2,015,451	
140,100	The Bank of Nova Scotia	2,839,779	3,222,300	
102,560	The Royal Bank of Canada	2,392,519	4,140,860	
98,098	The Toronto-Dominion Bank	1,799,665	2,207,205	
		9,399,049	12,179,816	10.71
Trust, Savings & Loan				
146,630	National Trust Company, Limited	2,568,899	3,299,175	2.90
Publishing & Printing				
111,500	Harlequin Enterprises Limited	311,945	1,728,250	
87,700	Thomson Newspapers Limited Class A	1,181,983	1,458,012	
		1,493,928	3,186,262	2.80
TV & Radio				
99,600	Canadian Cablesystems Limited	1,655,303	2,016,900	
99,800	Macleam-Hunter Limited Class A	1,600,525	2,195,600	
75,900	Standard Broadcasting Corporation Limited	941,202	891,825	
		4,197,030	5,104,325	4.49
Food Processing				
54,000	George Weston Limited	1,024,053	1,282,500	1.13
Distilleries				
81,600	Hiram Walker-Gooderham & Worts Limited Class A	3,248,879	3,733,200	3.28
Manufacturing				
89,250	Consumers Glass Company Limited	883,341	2,398,594	
10,000	I.T.L. Industries Limited 6 1/2% Conv. Pfd. Series "B"	250,000	237,500	
58,000	Jannock Limited	1,206,253	1,312,250	
25,000	Jannock Limited Warrants	328,015	315,625	
112,500	Magna International Inc. Class A	836,625	1,575,000	
66,600	Northern Telecom Limited Warrants	1,051,949	1,764,900	
		4,556,183	7,603,869	6.68
Cement & Concrete Products				
43,900	Genstar Limited	1,009,949	1,783,438	1.57
Department Stores				
169,425	Hudson's Bay Company	3,934,686	5,718,094	5.03
Specialty Retailers				
109,600	Dylex Limited Class "A"	968,317	1,726,200	
200	Dylex Limited	1,667	3,200	
34,700	Grafton Group Limited	807,188	1,457,400	
17,100	Leon's Furniture Limited	249,044	256,500	
56,400	Reitman's (Canada) Limited Class "A"	741,743	627,450	
35,600	Reitman's (Canada) Limited	504,725	1,015,200	
		3,272,684	5,085,950	4.48
Aluminium				
95,300	Alcan Aluminium Limited	4,145,432	3,954,950	3.48

UNITED CORPORATIONS LIMITED

STATEMENT OF INVESTMENTS AS AT MARCH 31, 1979

No. of Shares or par value		Average cost	Market value	% of total Portfolio Investments
Copper				
8,000	Afton Mines Ltd.	\$ 121,907	\$ 145,000	
35,700	Brenda Mines Ltd.	375,930	673,837	
42,000	Hudson Bay Mining and Smelting Co., Limited Class "A"	1,007,046	971,250	
70,000	Noranda Mines Limited Class A	3,069,086	3,141,250	
15,000	Placer Development Limited	434,446	431,250	
50,000	Sherritt Gordon Mines Limited Class A	513,215	568,750	
90,966	Teck Corporation Limited Class B	802,469	1,273,524	
		<u>6,324,099</u>	<u>7,204,861</u>	6.33
Gold				
11,400	Dome Mines Limited	750,091	1,219,800	
23,650	Sigma Mines (Quebec) Limited	731,450	975,563	
		<u>1,481,541</u>	<u>2,195,363</u>	1.93
Nickel				
14,900	Falconbridge Nickel Mines Limited Class A	553,888	767,350	
52,322	Great Lakes Nickel Limited Options	1,207	7,848	
60,000	Inco Limited Class A	1,308,446	1,395,000	
		<u>1,863,541</u>	<u>2,170,198</u>	1.91
Miscellaneous Metals				
42,208	Canada Tungsten Mining Corporation Limited	714,521	986,612	.87
Integrated Oils				
33,100	BP Canada Limited	628,179	819,225	
59,150	Texaco Canada Inc.	2,265,593	3,415,912	
		<u>2,893,772</u>	<u>4,235,137</u>	3.72
Oil & Gas Producers				
15,000	Dome Petroleum Limited	564,358	1,993,125	
37,775	PanCanadian Petroleum Limited	1,017,553	1,884,028	
160,000	Trans-Canada Resources Ltd.	422,034	470,400	
		<u>2,003,945</u>	<u>4,347,553</u>	3.82
Paper & Forest Products				
67,100	Reed Paper Ltd. A Conv. Pfd. \$12.50 par	655,305	679,387	.60
Gas Transmission				
162,500	The Alberta Gas Trunk Line Company Limited Class "A"	2,049,086	3,148,438	
91,866	Westcoast Transmission Company Limited	768,222	1,205,741	
		<u>2,817,308</u>	<u>4,354,179</u>	3.83
Real Estate & Construction				
19,400	Allarco Developments Ltd.	527,860	722,650	
82,900	The Cadillac Fairview Corporation Limited	626,821	1,077,700	
72,000	Carma Developers Ltd. Class A	422,525	792,000	
48,200	Costain Limited	454,344	554,300	
153,200	Daon Development Corporation	373,183	1,627,750	
55,700	Melcor Developments Ltd.	393,531	751,950	
27,500	Oxford Development Group Ltd. Conv. 1st. Pfd. Series A	404,955	440,000	
		<u>3,203,219</u>	<u>5,966,350</u>	5.24

STATEMENT OF INVESTMENTS AS AT MARCH 31, 1979

No. of Shares or par value		Average cost	Market value	% of total Portfolio Investments
Steel				
44,150	Dominion Foundries and Steel, Limited Class A	\$ 1,203,667	\$ 1,445,913	
60,320	Interprovincial Steel and Pipe Corporation Ltd.	1,085,022	1,236,560	
		<u>2,288,689</u>	<u>2,682,473</u>	2.36
Transportation				
243,000	Algoma Central Railway	3,885,000	5,042,250	
130,000	Canadian Pacific Limited	2,574,966	3,558,750	
200,000	Kaps Transport Ltd.	245,689	348,000	
180,500	Laidlaw Transportation Limited Class A	1,041,336	2,053,187	
20,000	Okanagan Helicopters Ltd.	294,043	250,000	
52,000	Trimac Limited Class A	1,046,657	1,456,000	
		<u>9,087,691</u>	<u>12,708,187</u>	11.17
Miscellaneous				
66,400	CAE Industries Ltd. Class A	1,182,733	1,585,300	
30,300	Finning Tractor & Equipment Company Limited	667,538	924,150	
47,080	National Sea Products Limited Class A	400,761	947,485	
23,800	Nowasco Well Service Ltd.	397,380	666,400	
22,600	Power Corporation of Canada, Limited Class A	554,645	587,600	
4,218	Solartech Limited	200,000	200,000	
		<u>3,403,057</u>	<u>4,910,935</u>	4.32
American Securities				
60,200	Phelps Dodge Corporation	1,662,417	2,060,044	
50,000	Service Merchandise Company, Inc.	940,640	877,500	
7,052	Teledyne, Inc.	439,355	1,002,160	
21,000	Waste Management, Inc.	717,705	712,530	
		<u>3,760,117</u>	<u>4,652,234</u>	4.09
Foreign Securities				
62,210	Henderson Baring Japan Fund	955,193	1,534,721	
66,600	Henderson Baring Pacific Fund	707,741	710,622	
		<u>1,662,934</u>	<u>2,245,343</u>	1.97
Corporate				
\$250,000	Canada Permanent Mortgage Corporation 9.75% Nov. 1, 1981	243,750	245,625	
\$250,000	Canadian Pacific Securities Limited 9.75% Dec. 15, 1981	243,750	246,250	
\$250,000	First Canadian Investment Limited 10% Jan. 1, 1981	247,500	247,500	
\$250,000	International Harvester Credit Corporation 10.25% Sept. 1, 1981	246,250	249,063	
\$250,000	Noranda Mines Limited 9.75% Nov. 1, 1980	246,250	246,250	
\$250,000	The Seagram Company Limited 9.50% June 1, 1980	247,500	246,562	
		<u>1,475,000</u>	<u>1,481,250</u>	1.29
Total Portfolio Investments		<u>\$ 82,485,511</u>	<u>\$113,751,641</u>	<u>100.00%</u>

**NOTES
TO FINANCIAL
STATEMENTS**
March 31, 1979

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, 1979. 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, 1979 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.

Clearing Corporation options —

When an option is written the premium received is set up as a deferred credit. As long as an open position is maintained, the deferred credit is valued at an amount equal to the current market value of an option which would have the effect of closing the Corporation's position and the difference in valuation is treated as an unrealized appreciation or decline in value of investments. Securities which are the subject of a written option continue to be valued at current market value.

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, 1979 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 exchange rate prevailing as at March 31, 1979 and the unrealized exchange gain has been recorded as an unrealized appreciation in the value of investments.

2. Other investments:

Other investments consist of the following —

	<u>1979</u>	<u>1978</u>
Shares in and advances to subsidiary, United Bond & Share Limited, at cost plus equity in accumulated earnings	\$1,653,654	\$1,694,440
Shares in International Capital Corporation Ltd., at realizable value	6,000	110,000
	<u>\$1,659,654</u>	<u>\$1,804,440</u>

3. Bank loan:

During the year, 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.

4. Income debentures:

During the year, the income debentures dated March 9, 1979 were extended by an income debenture due August 1, 1986. The income debenture 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, 1979 the rate was 7.25%.

**NOTES
TO FINANCIAL
STATEMENTS**
(continued)

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;
- (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 (ii) 119,710 shares are designated \$1.50 Cumulative Redeemable Second Preferred Shares, 1963 Series; and
- (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.
- (d) an unlimited number of Common Shares without nominal or par value.

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 Company has refundable capital gains tax on hand of \$745,167 at March 31, 1979. 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 45,000 common shares are outstanding and 66,920 common shares are reserved for further options. The options outstanding are exercisable at an average price of \$13.59.

8. Remuneration of directors and officers:

The total remuneration paid or payable to directors and officers during the year was \$323,200. Officers are remunerated by United Bond & Share Limited, and the management fee charged to the Corporation reflects a proportionate amount of such remuneration.

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, 1979 which appear on pages 5 to 12 inclusive. 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, 1979 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 10, 1979

Price Waterhouse & Co.
Chartered Accountants

SUMMARY BALANCE SHEETS (all investments at market)

Portfolio —	1979 March 31st	1978 March 31st	1977 March 31st	1976 March 31st	1975 March 31st	1974 March 31st
Cash, etc., Bullion, Short Term Notes & Bonds	\$ 2,596,475	\$ 6,924,806	\$ 1,234,300	\$ 6,352,602	\$ 9,249,465	\$13,947,145
Less: Liabilities	<u>1,215,073</u>	<u>583,981</u>	<u>284,550</u>	<u>57,109</u>	<u>297,940</u>	<u>267,236</u>
Net Reserves	1,381,402	6,340,825	949,750	6,295,493	8,951,525	13,679,909
Common Stocks	112,394,754	72,541,465	74,223,540	70,745,042	60,127,155	66,202,106
Convertibles	<u>1,356,887</u>	<u>2,142,475</u>	<u>1,601,912</u>	<u>1,194,150</u>	<u>764,200</u>	<u>504,250</u>
Total Portfolio Investments and Cash	115,133,043	81,024,765	76,775,202	78,234,685	69,842,880	80,386,265
Investment in and advances to Subsidiary and Affiliated Companies	<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>	<u>2,071,071</u>
Net Assets available for investment	116,792,697	82,829,205	78,614,477	80,075,495	71,674,185	82,457,336
Less: Bank loan and Income Debenture	<u>9,506,120</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>—</u>	<u>—</u>
Total Net Assets	<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>	<u>\$82,457,336</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
Common Equity*	<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>74,710,661</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>	<u>\$82,457,336</u>
*Percentage of Common Stocks & Convertibles to Common Equity —	114.3%	111.3%	120.6%	111.8%	95.3%	89.3%

LONG TERM RECORD OF INVESTMENT RESULTS — COMMON SHARES

Year	Net Equity For Common Shares				Unrealized		Realized Net Capital Gains	
	Market Value	Book Value	Appreciation (Depreciation)	After Taxes				
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
1933	\$ (378,823)	\$ (0.13)	\$ (1,405,281)	\$ (0.48)	\$ 1,026,458	\$ 0.35	\$ 403,227	\$0.14
1934	1,550,855	0.53	(1,192,871)	(0.41)	2,743,726	0.94	157,221	0.06
1935	2,718,308	0.94	(804,255)	(0.27)	3,522,563	1.21	337,039	0.12
1936	6,296,163	2.18	1,275,583	0.44	5,020,580	1.74	1,970,479	0.69
1937	3,114,981	1.08	1,899,451	0.66	1,215,530	0.42	490,410	0.17
1938	4,086,736	1.42	2,359,600	0.82	1,727,136	0.60	108,117	0.04
1939	4,550,325	1.58	2,919,308	1.01	1,631,017	0.57	453,900	0.16
1940	3,382,741	1.17	3,173,101	1.10	209,640	0.07	227,433	0.08
1941	2,987,636	1.03	3,311,741	1.15	(324,105)	(0.12)	118,688	0.04
1942	3,632,977	1.26	3,320,169	1.15	312,808	0.11	(45,566)	(0.02)
1943	5,166,473	1.79	3,385,603	1.17	1,780,870	0.62	89,011	0.03
1944	6,818,492	2.37	3,674,355	1.27	3,144,137	1.10	259,962	0.09
1945	10,064,064	3.49	4,706,920	1.63	5,357,144	1.86	1,021,940	0.36
1946	9,779,382	3.39	5,832,568	2.02	3,946,814	1.37	1,062,602	0.37
1947	9,488,685	3.29	6,553,505	2.28	2,935,180	1.01	693,688	0.24
1948	9,375,986	3.25	7,080,320	2.46	2,295,666	0.79	574,347	0.20
1949	10,804,850	3.75	7,194,498	2.50	3,610,352	1.25	110,554	0.04
1950	13,542,503	4.70	7,734,846	2.68	5,807,657	2.02	650,507	0.23
1951	16,624,505	5.77	8,917,555	3.09	7,706,950	2.68	1,180,124	0.41
1952	15,792,833	5.48	10,100,526	3.51	5,692,307	1.97	1,169,466	0.41
1953	15,662,967	5.44	10,282,981	3.57	5,379,986	1.87	167,059	0.06
1954	21,733,761	7.55	11,393,897	3.95	10,339,864	3.60	1,082,987	0.38
1955	25,747,806	8.94	13,755,494	4.78	11,992,312	4.16	2,348,630	0.82
1956	25,170,984	8.74	16,552,514	5.75	8,618,470	2.99	2,785,558	0.97
1957	22,000,526	7.64	17,684,185	6.14	4,316,341	1.50	1,064,583	0.37
1958	28,814,158	10.01	18,450,974	6.41	10,363,184	3.60	636,177	0.22
1959	34,220,894	10.02	26,438,371	7.74	7,782,523	2.28	2,426,184	0.71
1960	33,624,014	9.85	27,137,616	7.95	6,486,398	1.90	644,825	0.19
1961	40,375,693	11.77	29,334,538	8.55	11,041,155	3.22	2,108,673	0.62
1962	37,892,527	11.01	29,117,210	8.46	8,775,317	2.55	(329,562)	(0.09)
1963	44,574,262	12.84	30,190,569	8.69	14,383,693	4.15	1,223,254	0.35
1964	55,113,905	15.87	33,782,692	9.73	21,331,213	6.14	3,588,064	1.03
1965	58,370,387	16.80	36,245,319	10.43	22,125,068	6.37	2,363,628	0.68
1966	55,408,872	15.94	40,534,175	11.66	14,874,697	4.28	4,010,780	1.15
1967	67,010,142	19.11	46,964,486	13.39	20,045,656	5.72	6,051,175	1.72
1968	77,183,680	21.98	53,895,493	15.35	23,288,187	6.63	7,685,656	2.19
1969	71,022,217	20.20	59,372,328	16.88	11,649,889	3.32	6,445,802	1.83
1970	63,455,575	18.05	56,150,906	15.97	7,304,669	2.08	(2,108,632)	(0.60)
1971	65,654,757	18.67	54,261,200	15.43	11,393,557	3.24	(394,428)	(0.11)
1972	79,010,506	22.47	57,536,413	16.36	21,474,093	6.11	4,117,838	1.17
1973	76,011,552	21.61	59,907,655	17.03	16,103,897	4.58	3,275,975 (c)	0.93 (c)
1974	74,710,661	21.23	62,385,604	17.73	12,325,057	3.50	2,310,949	0.66
1975	63,927,510	18.14	63,664,343	18.07	263,167	0.07	833,466	0.24
1976	64,328,820	18.26	60,898,691	17.28	3,430,129	0.98	(2,892,770)	(0.82)
1977	62,867,802	17.84	61,790,800	17.54	1,077,002	0.31	1,171,444	0.33
1978	67,082,530	19.04	57,661,238	16.37	9,421,294	2.67	(4,069,379)	(1.15)
1979	99,539,902	28.25	68,176,092	19.35	31,363,810	8.90	10,432,044	2.96

(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.



Operating Expenses
Before interest and taxes
Percentage of
Common Equity
at market
%

Cumulative Retained Surplus
Total Per Share (d)

\$ 475,737	\$ 0.14	\$ 42,104	—
634,553	0.18	41,341	2.67
1,087,437	0.31	44,370	1.63
3,103,004	0.88	66,569	1.05
3,549,913	1.01	65,694	2.11
3,707,012	1.05	58,199	1.42
4,237,970	1.20	57,270	1.26
4,491,761	1.28	60,415	1.85
4,630,401	1.31	44,816	1.50
4,630,588	1.31	43,195	1.22
4,726,023	1.34	45,108	.87
5,014,774	1.42	44,263	.65
6,047,338	1.72	46,882	.47
7,172,984	2.04	48,225	.49
7,893,919	2.24	46,485	.49
8,408,045	2.39	56,582	.60
8,522,222	2.42	60,022	.56
9,182,569	2.61	66,427	.49
10,365,279	2.94	70,971	.43
11,548,250	3.28	72,186	.46
11,730,705	3.33	83,124	.53
12,841,621	3.65	91,038	.42
15,203,218	4.32	91,440	.36
18,000,238	5.11	103,470	.41
19,131,909	5.43	111,113	.51
19,898,699	5.65	106,672	.37
22,306,812	6.33	113,060	.33
23,008,557	6.53	158,548	.47
25,108,529	7.13	152,566	.38
24,834,028	7.05	155,156	.41
25,925,275	7.36	148,494	.33
29,513,348	8.38	155,680	.28
31,956,335	9.07	163,928	.28
36,241,411	10.29	165,166	.30
42,432,077	12.05	182,561	.27
49,294,234	13.99	226,717	.29
54,724,944	15.54	277,012	.39
51,503,521	14.62	303,083	.48
49,613,815	14.08	272,948	.42
52,889,030	15.01	268,995	.34
55,238,132	15.68	68,585 (c)	.36 (e)
57,716,081	16.39	270,578	.36
58,947,995	16.73	256,619	.40
56,182,343	15.95	265,712	.41
57,074,452	16.20	285,184	.45
52,944,888	15.03	271,132	.40
63,459,744	18.02	296,157	.30

Net Income				Common Dividends Declared					
Available For Common Shares		Additions to Surplus		Capital		Income		Cumulative Dividends	
Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
\$ 72,510	\$0.03	\$ 475,737	\$0.17	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1,595	0.01	158,816	0.07	—	—	—	—	—	—
115,845	0.04	452,884	0.16	—	—	—	—	—	—
45,088	0.01	2,015,567	0.70	—	—	—	—	—	—
(43,501)	(0.02)	446,909	0.19	—	—	—	—	—	—
48,982	0.02	157,099	0.06	—	—	—	—	—	—
77,058	0.03	530,958	0.19	—	—	—	—	—	—
26,358	0.01	253,791	0.09	—	—	—	—	—	—
79,900	0.03	198,588	0.07	—	—	59,948	.02	59,948	0.02
117,690	0.04	72,124	0.02	—	—	71,937	.025	131,885	0.04
78,361	0.03	167,372	0.05	—	—	71,937	.025	203,822	0.06
153,480	0.05	413,442	0.14	—	—	124,691	.043	328,513	0.09
173,681	0.06	1,195,621	0.42	—	—	163,057	.06	491,570	0.14
242,888	0.08	1,305,490	0.45	—	—	179,843	.06	671,413	0.19
338,974	0.12	1,032,662	0.36	—	—	311,727	.11	983,140	0.28
299,464	0.10	873,811	0.30	—	—	359,685	.125	1,342,825	0.38
387,287	0.13	497,841	0.17	—	—	383,664	.13	1,726,489	0.49
561,357	0.19	1,211,864	0.42	—	—	551,517	.19	2,278,006	0.65
578,082	0.20	1,758,206	0.61	—	—	575,496	.20	2,853,502	0.81
612,980	0.21	1,782,446	0.62	—	—	599,475	.21	3,452,977	0.98
638,850	0.22	805,909	0.28	—	—	623,454	.22	4,076,431	1.16
699,341	0.24	1,782,328	0.62	—	—	671,412	.23	4,747,843	1.35
732,337	0.25	3,080,967	1.07	—	—	719,370	.25	5,467,213	1.55
778,790	0.27	3,564,348	1.24	—	—	767,328	.27	6,234,541	1.77
834,416	0.29	1,898,999	0.66	—	—	767,328	.27	7,001,869	1.99
897,941	0.31	1,534,118	0.53	—	—	767,328	.27	7,769,197	2.21
845,173	0.25	3,271,357	0.96	—	—	863,244	.30	8,632,441	2.45
1,080,482	0.32	1,725,307	0.51	—	—	1,023,562	.30	9,656,003	2.74
1,074,576	0.31	3,183,249	0.93	—	—	1,083,277	.32	10,739,280	3.05
1,145,036	0.33	815,474	0.24	—	—	1,089,975	.32	11,829,255	3.36
1,025,784	0.30	2,249,038	0.65	—	—	1,157,791	.33	12,987,046	3.69
1,284,223	0.37	4,872,287	1.40	—	—	1,284,214	.37	14,271,260	4.05
1,503,104	0.43	3,866,732	1.11	—	—	1,423,745	.41	15,695,005	4.46
1,664,295	0.48	5,675,075	1.63	—	—	1,389,999	.44	17,085,004	4.85
1,740,530	0.50	7,791,705	2.22	—	—	1,601,039	.46	18,686,043	5.30
1,700,009	0.48	9,385,665	2.67	—	—	2,523,508	.72	21,209,551	6.02
1,865,674	0.53	8,311,476	2.36	1,053,262	0.34	1,827,503	.48	24,090,316	6.84
1,981,177	0.56	(127,455)	(0.04)	1,230,555	0.36	1,863,413	.52	27,184,284	7.72
1,669,008	0.47	1,274,580	0.36	1,406,349	0.42	1,757,937	.48	30,348,570	8.62
1,723,962	0.49	5,841,800	1.66	878,968	0.25	1,687,619	.48	32,915,157	9.34
374,400 (c)	0.11 (c)	3,650,375 (c)	1.04 (c)	879,368 (c)	0.25 (c)	421,905 (c)	.12 (c)	34,216,430	9.71
1,996,086	0.56	4,307,035	1.22	—	—	1,829,086	.52	36,045,516	10.23
2,790,691	0.79	3,624,157	1.03	—	—	2,392,243	.68	38,437,759	10.91
2,522,400	0.72	(370,370)	(0.10)	—	—	2,395,282	.68	40,833,041	11.59
2,115,947	0.60	3,287,391	0.93	—	—	2,395,282	.68	43,228,323	12.27
2,335,097	0.66	(1,734,282)	(0.49)	—	—	2,395,282	.68	45,623,605	12.95
2,478,094	0.70	12,910,138	3.66	—	—	2,395,282	.68	48,018,887	13.63

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

(e) Annualized.

