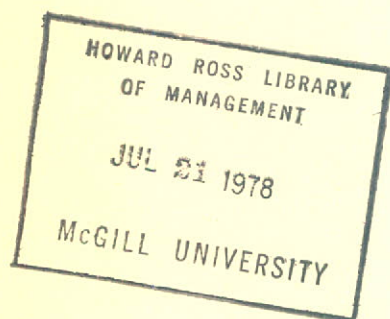


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UNITED CORPORATIONS LIMITED

ANNUAL REPORT 1978



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

CHARLES L. GUNDY
Toronto

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

800 Dorchester Blvd. West
Montreal, Que. H3B 1X9

Executive Office

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

Shares Listed

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



TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the 46th Annual Report of your Company for the fiscal year ended March 31, 1978.

Financial Statements (see pages 6 to 13)

The year under review was another lackluster one for the equity investor. The Canadian stock market, as exemplified by the broadly-based new Toronto Stock Exchange Index, continued to fluctuate within a comparatively narrow trading range and, for the year as a whole, managed to achieve only a modest advance of 4.8%. But this subdued performance should be looked at in relation to the New York market which traditionally has a major influence on the trend in Canada. There the Standard & Poors Composite Index, which probably bears the closest resemblance to its Toronto counterpart in its composition, was down 9.4% while the Dow Jones Industrial Average, consisting largely of the stocks of big, cyclical companies, was down 17.6%. The noticeable divergence between the Standard & Poors Index and the Dow Jones Average exemplified the two-tiered nature of both the Toronto and New York markets in which a majority of the large, institutional-type stocks suffered declines while many of the so-called secondary stocks performed very well.

Our net equity value per Common Share closed the year at \$19.04, an increase of 6.7% over the corresponding figure of \$17.84 at the end of the previous year. This was the highest level since April, 1974, when the market was in the midst of its precipitous decline, and just 14% below its all-time high reached at the end of October, 1973. The 1978 figure was after provision for Common dividends totalling 68¢ per share which are referred to in more detail later in this report and the combination of capital appreciation and dividends produced an after-tax return on investment of 10.5% for the year.

Net after-tax income for the year amounted to \$2,713,452, well ahead of last year's figure of \$2,494,302 and the third highest level in the Company's history. Operating expenses, at \$271,132, were down somewhat from \$285,184 last year, below the ten-year average figure of \$274,560 and amounted to only 0.40% of the year-end net equity for the Common Shares. After

provision for dividends on both classes of Preferred Shares, net income available for the Common Shares was \$2,335,097 or 66.3¢ per share compared to \$2,115,947 or 60.1¢ per share last year.

There was a net realized loss on sale of investments of \$4,069,379 charged to retained surplus during the year but this was more than offset by an increase of \$8,344,292 in unrealized appreciation on investments with the result that total net equity as shown on the balance sheet increased by \$4,214,728 to \$74,829,205. The Company had refundable capital gains tax of \$215,478 on hand at the end of the year together with an accumulated net capital loss for tax purposes of \$7,099,647 which can be carried forward indefinitely against future capital gains. Neither of these potential recoveries is reflected in the financial statements.

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 continued to be declared and paid at the regular quarterly rate of 16¢ per share together with an extra dividend of 4¢ per share in the final quarter. This brought total dividends per Common Share for the year to 68¢, unchanged from the level established three years ago.

It will be noted that dividends paid on the Common Shares were not quite covered by net income although the shortfall was considerably smaller than was the case in the preceding year. This was not unexpected and is in line with the policy of dividend maintenance established at the time the Income Debentures were issued. There is considerable room for increases in dividend payments by a number of companies whose shares we hold but the extension of the anti-inflation regulations with respect to dividends will inhibit such increases until after the expiry of the regulations in October, 1978. Meanwhile two successive increases during recent weeks in the bank's prime lending rate, which forms the basis of the formula determining the interest rate payable on the Income Debentures, have had the effect of raising that rate by 0.5%. However, barring something unexpected, your Directors anticipate that the Common dividend will be maintained at its present level until such time as an increase becomes warranted.

Portfolio of Investments

The detailed portfolio of investments held by the company at the end of its fiscal year is set out on pages 9 to 11 and summary balance sheets showing changes of portfolio weightings at the end of the last six fiscal years are on page 16.

Long Term Record of Investment Results

(see pages 14 and 15)

The format of this record of the Company's progress since inception was altered two years ago to conform more closely with the concept followed by the taxation authorities — that capital gains and losses should only be recorded as such when realized and then treated as another form of income although subject to different rules for tax purposes.

This approach tends to diminish the importance of unrealized appreciation/depreciation and hence of net equity value per Common Share. In fact, it was adopted because the latter is becoming progressively less meaningful as an historical record of investment results without continuous and increasingly complicated adjustments for distortions caused by changes in the tax laws in recent years. However, despite its diminished usefulness in providing an historical record, net equity value serves an important purpose as a measure of the theoretical market value of the Company at any given point of time. As a consequence, we will continue to report our net equity value per Common Share at regular intervals.

Subsidiary and Associated Companies

Our wholly-owned subsidiary, United Bond & Share Limited, carries out the dual function of acting as an investment management company and, from time to time, as a holding company for certain of our non-portfolio investments.

Its investment management activities continued to expand satisfactorily during the year and, in addition, certain portfolio adjustments resulted in a sizeable non-recurring profit. As a consequence, even after absorbing a substantial portion of the expenses involved in relocat-

ing in Toronto (the remainder will fall into our 1979 fiscal year), it was able to make a considerably larger contribution to the parent company, in the combined form of a reduction of management fees and an increase in net income, than has been the case in prior years.

From the investment management point of view, special mention should be made of the RoyFund operation. This consists of two mutual funds, RoyFund (Equity) Ltd., which is equity-oriented, and RoyFund Income Trust, which is, as its name suggests, income-oriented with a portfolio consisting of mortgages and fixed income securities. Managed by United Bond & Share, these funds are designed to 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. Despite the far from ideal market conditions which have prevailed in recent years, the overall operation has continued to show substantial growth with the combined assets of the two funds having reached \$158.2 million as of March 31, 1978, compared to \$128.1 million and \$106.3 million at the same date in 1977 and 1976.

The Interior Trust Company, owned equally by The Royal Bank of Canada and United Bond & Share, remained dormant insofar as the usual operations of a trust company are concerned but its investment portfolio generated a considerable profit during the year.

A further return of capital amounting to \$199,200 was received from International Capital Corporation Ltd. which reduced the book value of our investment in that company to \$110,000.

Review and Outlook

For some time now the economies of the western world have been going through a period of adjustment to what appears to be a new set of standards. The fact that this adjustment has resulted in the apparent contradiction of a high rate of inflation accompanied by a low level of economic growth (the current catch-word is "stagflation") appears to have led to considerable confusion amongst professional economists whose forecasting record in recent years has, by their own admission, left something to be desired (in fairness it should also be added that the record of stock market forecasters has been no better).

Perhaps the present confusion could be resolved, at least in part, by a return to the simple economic law of supply and demand. Looked at in those simple terms it could be argued that for some time now the majority of western countries have been trying, with the enthusiastic encouragement of their governments, to maintain a standard of living which neither their economies nor their capital markets can efficiently support. Inflation is, of course, an extremely complicated subject, but, looked at in the same simple terms it could also be argued that a high level of inflation and interest rates (which, in turn, means a low price level for outstanding securities, including common stocks) is the way the pricing system tells us that the demands we are making on our capacity for producing goods and services and on our true supply of capital (the printing of money does not constitute a true supply of capital) are too great; in short, that we are living beyond our means and must slow down for a while. Looked at in this light "stagflation" becomes symptomatic of a corrective process that has been under way for some time and is likely to continue to plague us until the situation is cured.

There is, however, another side of the picture. Through all the adversities of the past few years the economies of the western world have exhibited an amazing degree of flexibility and in Canada, despite our obvious problems, there appears to be a growing realization on the part of the population as a whole, which is beginning to be reflected at the governmental level, that investment, and particularly equity investment, must receive more encouragement than has been the case for some time. Meanwhile, the consensus forecast for 1978, while far from exuberant, is for continued economic growth at a rate which is reasonably compatible with an orderly continuance of the corrective process already referred to. The stock market, on the other hand, is selling at a level which, by any historical yardsticks, is discounting a high level of adversity.

In our view, then, although the visibility admittedly leaves something to be desired, the economic outlook seems to be for moderate growth accompanied by continued uncertainty but with little real likelihood of the type of disaster currently being forecast in some quarters. This somewhat subdued outlook is, we feel, more than discounted in a number of areas of the stock market and it is on these areas that we propose to concentrate our attention in the months to come. Taking the longer view,

the patient investor in equities should keep in mind the old adage that opportunity is born in adversity.

General

In October, 1977, Messrs. D. J. Miano and M. H. Siegerman were appointed Directors of the Company. Mr. Miano is a Vice-President of E. L. Financial Corporation Limited, which is a major shareholder of United, and Mr. Siegerman a Vice-President of the Company itself.

During that month your Directors also completed the formalities required for continuance of the Company under the Canada Business Corporations Act. The same formalities were completed with respect to United Bond & Share in March of this year.

Shareholders have already been notified of the move of the Executive Offices of the Company to Toronto in April. Enclosed with this Report is a notice of a combined Special and Annual Meeting of Shareholders called to approve, amongst other items, decisions of your Directors to move the Company's Head Office to Toronto, and to create a new class of Third Preferred Shares up to a total value of \$15,000,000.

The first of these decisions has been the subject of periodic discussion by the Board for some time because of the increasing dominance of Toronto as the centre of the investment business in Canada. This dominance has now reached the point where it is felt that the Company will be able to operate more efficiently in the new location.

The second decision results from notice having been given by the federal tax authorities of an impending change in the interpretation of the rules with respect to income debentures. While the new interpretation may not be available for some weeks, it is possible that it might prevent the renewal of our outstanding debentures when they mature early in March of next year. Your Directors have, therefore, felt it prudent to prepare for such an eventuality by the authorization of a new class of preferred shares, part of which could be used, if deemed expedient, to replace the presently outstanding

income debentures with the remainder being held for possible future use.

On behalf of the Directors,

J. V. Emory
President

May 26, 1978

See notes to financial statements.

STATEMENT OF NET INCOME

	Year ended March 31	
	1978	1977
NET INCOME:		
Income —		
Dividends and interest	\$ 3,318,759	\$ 3,299,536
Expenses —		
Management fee	164,000	190,000
Directors' remuneration	25,900	23,900
Fees and expenses of trustee, registrar and transfer agents	27,658	25,016
Taxes other than income taxes	2,525	12,761
Legal and audit fees	12,700	15,471
Office and miscellaneous expenses	38,349	18,036
	271,132	285,184
Interest on income debentures	453,342	512,767
	724,474	797,951
Income before income taxes	2,594,285	2,501,585
Foreign taxes withheld	19,198	29,748
	2,575,087	2,471,837
Equity in net income of subsidiary	138,365	22,465
NET INCOME	\$ 2,713,452	\$ 2,494,302
Net income per common share	66.3¢	60.1¢

STATEMENT OF SURPLUS

	Year ended March 31	
	1978	1977
RETAINED INCOME:		
Balance at beginning of year	\$ 872,490	\$ 1,151,825
Net income	2,713,452	2,494,302
	3,585,942	3,646,127
Dividends:		
First preferred shares	78,355	78,355
Second preferred shares	300,000	300,000
Common shares (per share 1978 — 68¢; 1977 — 68¢) ..	2,395,282	2,395,282
	2,773,637	2,773,637
Balance at end of year	\$ 812,305	\$ 872,490
ACCUMULATED NET REALIZED GAINS ON INVESTMENTS:		
Balance at beginning of year	\$56,201,962	\$55,030,518
Net gain (loss) on investments sold during the year —		
Proceeds from sale of investments	32,437,660	23,985,027
Investments at cost at beginning of year	74,748,450	68,509,063
Investments purchased during year	27,017,697	29,052,970
Investments at cost at end of year	(65,259,108)	(74,748,450)
Cost of investments sold	36,507,039	22,813,583
Net gain (loss)	(4,069,379)	1,171,444
Balance at end of year	\$52,132,583	\$56,201,962

See notes to financial statements.

STATEMENT OF
CHANGES IN NET ASSETS

	Year ended March 31	
	1978	1977
Net assets at beginning of year	\$70,614,477	\$72,075,495
Add (deduct) changes during year —		
Net income	2,713,452	2,494,302
Net gain (loss) on sale of investments	(4,069,379)	1,171,444
Increase (decrease) in unrealized appreciation in value of investments	8,344,292	(2,353,127)
Dividends	(2,773,637)	(2,773,637)
Net assets at end of year	<u>\$74,829,205</u>	<u>\$70,614,477</u>

See notes to financial statements.

STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1978

No. of Shares or par value		Average cost	Market value	% of total portfolio Investments
Coal				
58,300	Kaiser Resources Ltd.	\$ 720,638	\$ 859,925	1.15
Copper				
56,700	Brenda Mines Ltd.	597,065	581,175	
102,700	Kerr Addison Mines Limited Class "A"	1,390,006	1,181,050	
		1,987,071	1,762,225	2.36
Gold				
22,800	Camflo Mines Limited	358,811	316,350	
8,000	Campbell Red Lake Mines Limited	304,926	292,000	
11,400	Dome Mines Limited	750,091	875,064	
13,300	Giant Yellowknife Mines Limited	166,238	174,562	
65,900	Pamour Porcupine Mines Limited Class A	366,307	345,975	
28,600	Sigma Mines (Quebec) Limited	884,544	958,100	
		2,830,917	2,962,051	3.97
Nickel				
52,322	Great Lakes Nickel Limited Options	1,207	7,848	.01
Miscellaneous Metals				
79,300	Canada Tungsten Mining Corporation Limited	782,970	951,600	1.28
Integrated Oils				
68,300	Husky Oil Ltd.	1,944,351	2,066,075	
58,450	Pacific Petroleum Ltd.	1,461,820	2,272,244	
51,300	Shell Canada Limited Class "A"	669,689	827,212	
38,650	Texaco Canada Limited	1,392,394	1,560,494	
		5,468,254	6,726,025	9.01
Oil & Gas Producers				
17,080	Canadian Superior Oil Ltd.	935,608	965,020	
5,000	Chieftain Development Co. Ltd. Conv. Pfd. Series A	366,138	393,750	
1,600	Chieftain Development Co. Ltd.	28,597	30,800	
40,300*	Dome Petroleum Limited	1,516,243	2,561,871	
114,300	Norcen Energy Resources Limited	1,794,980	1,800,225	
77,450	PanCanadian Petroleum Limited	2,085,526	2,768,838	
36,950	Voyager Petroleum Ltd.	477,470	545,012	
		7,204,562	9,065,516	12.14
Steel				
35,450	Dominion Foundries and Steel, Limited Class A	932,608	864,094	
17,850	Interprovincial Steel and Pipe Corporation Ltd.	305,907	294,525	
9,900	The Steel Company of Canada, Limited Class "A"	290,905	230,175	
		1,529,420	1,388,794	1.86
Manufacturing				
6,000	Canron Limited	141,588	139,500	
86,500	Consumers Glass Company Limited	828,274	1,373,187	
10,000	I.T.L. Industries Limited 6 1/2% Conv. Pfd. Series "B"	250,000	155,000	
32,800	Massey-Ferguson Limited	781,369	332,100	
86,600	Northern Telecom Limited Warrants	1,367,849	671,150	
		3,369,080	2,670,937	3.58

* Certain of these shares are subject to options at a price in excess of market value.

STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1978

No. of Shares or par value		Average cost	Market value	% of total portfolio Investments
Cement & Concrete Products				
38,900	Genstar Limited \$1.50 Conv. Pfd.	\$ 882,486	\$ 1,021,125	
5,000	Genstar Limited	127,463	130,000	
		<u>1,009,949</u>	<u>1,151,125</u>	1.54
Business Forms				
72,000	Moore Corporation Limited	<u>3,059,501</u>	<u>2,421,000</u>	3.24
Real Estate & Construction				
57,400	The Cadillac Fairview Corporation Limited	659,984	746,200	
22,700	Carma Developers Ltd. Class A	204,546	261,050	
33,700	Richard Costain (Canada) Ltd.	261,281	337,000	
76,600	Daon Development Corporation	373,183	603,225	
52,500	Melcor Developments Ltd.	361,486	538,125	
25,250	Nu-West Development Corporation Ltd.	314,921	366,125	
22,400	Oxford Development Group Ltd. Conv. 1st Pfd. Series A	<u>323,083</u>	<u>327,600</u>	
		<u>2,498,484</u>	<u>3,179,325</u>	4.26
Transportation				
100,000	Algoma Central Railway	1,025,000	1,600,000	
90,000	Canadian Pacific Limited	1,574,043	1,541,250	
200,100	Kaps Transport Ltd.	247,198	288,144	
70,900	Laidlaw Transportation Limited Class A	693,087	815,350	
20,000	Okanagan Helicopters Ltd.	294,043	162,500	
25,000	Trimac Limited Class A	402,944	450,000	
		<u>4,236,315</u>	<u>4,857,244</u>	6.50
Gas Transmission				
108,000	The Alberta Gas Trunk Line Company Limited Class "A"	1,187,636	1,593,000	
69,800	TransCanada PipeLines Limited	816,195	1,038,275	
95,022	Westcoast Transmission Company Limited	2,383,840	3,135,726	
		<u>4,387,671</u>	<u>5,767,001</u>	7.72
Electrical Utilities				
50,344	Calgary Power Ltd. Class A	<u>1,286,632</u>	<u>1,862,728</u>	2.49
Telephone				
65,942	Bell Canada	<u>2,917,493</u>	<u>3,569,111</u>	4.78
Publishing & Printing				
145,200	Harlequin Enterprises Limited	406,228	1,869,450	
87,700	Thomson Newspapers Limited Class A	1,181,983	1,096,250	
		<u>1,588,211</u>	<u>2,965,700</u>	3.97
TV & Radio				
75,100	Canadian Cablesystems Limited	<u>1,216,435</u>	<u>1,032,625</u>	1.38
Department Stores				
239,300	Zeller's Limited	<u>800,821</u>	<u>1,764,838</u>	2.36

STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1978

No. of Shares or par value		Average cost	Market value	% of total portfolio Investments
Specialty Retailers				
99,400	Dylex Limited Class "A"	\$ 869,494	\$ 981,575	
200	Dylex Limited	1,667	2,050	
34,700	Grafton Group Limited	807,188	910,875	
56,400	Reitman's (Canada) Limited Class "A"	741,743	874,200	
35,600	Reitman's (Canada) Limited	504,725	560,700	
		<u>2,924,817</u>	<u>3,329,400</u>	4.46
Banks				
15,000	Bank of British Columbia	451,916	446,250	
140,100	The Bank of Nova Scotia	2,839,779	2,714,437	
47,000	Canadian Imperial Bank of Commerce	804,708	1,269,000	
47,300	The Mercantile Bank of Canada	832,323	608,988	
91,060	The Royal Bank of Canada	2,004,225	2,617,975	
98,098	The Toronto-Dominion Bank	1,799,665	1,790,288	
		<u>8,732,616</u>	<u>9,446,938</u>	12.65
Trust, Savings & Loan				
32,842	National Trust Company, Limited	505,277	504,946	
36,900	The Royal Trust Company Class "A"	856,062	650,362	
		<u>1,361,339</u>	<u>1,155,308</u>	1.55
Insurance				
16,000	The Great-West Life Assurance Company	1,015,356	1,192,000	1.60
Miscellaneous				
63,700	Commonwealth Holiday Inns of Canada Limited	334,427	358,313	
17,100	Finning Tractor & Equipment Company Limited	338,404	359,100	
7,000	Livingston Industries Limited	131,623	156,625	
15,400	Nowsco Well Service Ltd.	514,625	504,350	
\$350,000	Systems Dimensions Limited 5% Conv. 1989	410,000	245,000	
		<u>1,729,079</u>	<u>1,623,388</u>	2.17
American Securities				
9,100	McDonald's Corporation	529,792	472,563	
15,000	Teledyne, Inc.	1,115,285	1,255,800	
		<u>1,645,077</u>	<u>1,728,363</u>	2.31
Foreign Securities				
62,210	Henderson Baring Japan Fund	955,193	1,242,925	1.66
Total Portfolio Investments		<u>\$65,259,108</u>	<u>\$74,683,940</u>	<u>100.00%</u>

**NOTES
TO FINANCIAL
STATEMENTS**
March 31, 1978

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, 1978. No provision has been made for deferred income taxes that would be payable if the investments had been disposed of on March 31, 1978 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 5.

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, 1978 has been translated into Canadian dollars at the exchange rate prevailing as at that date.

2. Other investments:

Other investments consist of the following —

	1978	1977
Shares in and advances to subsidiary, United Bond & Share Limited, at cost plus equity in accumulated earnings	\$1,694,440	\$1,530,075
Shares in International Capital Corporation Ltd., at realizable value	110,000	309,200
	<u>\$1,804,440</u>	<u>\$1,839,275</u>

3. Income debentures:

The income debentures mature March 9, 1979 and are repayable in whole or in part at the option of United Corporations Limited on 30 days' notice. These debentures bear interest at a variable rate determined in relation to the prime lending rate. At March 31, 1978 the rate was 5.875%.

4. Stated capital:

On September 20, 1977 the Corporation was continued under Section 181 of the Canada Business Corporations Act and, under the articles of continuance, changed its capital stock as follows:

- (a) The 48,617,302 3% Non-Cumulative Second Preferred Shares were cancelled;
- (b) The 52,237 Class "A" shares were redesignated as First Preferred Shares;
- (c) The class of 200,000 First Preferred Shares was redesignated as Second Preferred Shares and the two series of First Preferred Shares were redesignated as \$1.50 Cumulative Redeemable Second Preferred Shares, 1959 Series and as \$1.50 Cumulative Redeemable Second Preferred Shares, 1963 Series;

**NOTES
TO FINANCIAL
STATEMENTS**
(continued)

(d) The 3,522,473 Class "B" shares were redesignated as Common Shares.

The First Preferred Shares are preferred as to cumulative dividends of \$1.50 per share per annum, and as to assets on winding up to the extent of \$30 per share plus accrued and unpaid dividends. The Corporation has the option to redeem any part of the First Preferred Shares at \$30 per share plus accrued and unpaid dividends or to purchase the shares at any lower price.

The Second Preferred Shares as a class are preferred over the Common Shares as to cumulative dividends and as to repayment of capital, accrued dividends and specified premiums on winding up, but are subject and subordinated to the First Preferred Shares of the Corporation. The Corporation has the option to redeem any part of the Second Preferred Shares of any or all series at the amount paid up thereon plus such premium as may have been fixed in respect of such series or to purchase the shares at any lower price.

The 1959 Series of Second Preferred Shares, consisting of 80,290 shares, have a fixed cumulative dividend of \$1.50 per annum per share and are redeemable (on not less than 30 days' notice) at their paid-up amount plus accrued dividends. The 1963 Series of Second Preferred Shares, consisting of 119,710 shares, have a fixed cumulative dividend of \$1.50 per annum per share and are redeemable (on not less than 30 days' notice) at their paid-up amount plus a premium of 5% of such paid-up amount plus accrued dividends.

5. Income taxes:

The Company 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 to the Company if the Company elects to distribute such gains by way of capital gains dividends to its shareholders. The Company has refundable capital gains tax on hand of \$215,478 at March 31, 1978. The net capital loss for tax purposes at March 31, 1978 which can be carried forward indefinitely against future capital gains amounted to \$7,099,647. These potential recoveries have not been recorded in the Company's accounts.

6. 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.

7. Remuneration of directors and officers:

The total remuneration paid or payable to directors and officers during the year was \$248,100 (1977 — \$261,850). Officers are remunerated by United Bond & Share Limited, and the management fee charged to the Company 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, 1978 which appear on pages 6 to 13 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, 1978 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.

Montreal, April 14, 1978

Price Waterhouse & Co.
Chartered Accountants

LONG TERM RECORD OF INVESTMENT RESULTS — CLASS "B" SHARES

Year	Market Value		Book Value		Unrealized Appreciation (Depreciation)		Realized Net Capital Gains 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)

(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)	Total	%
\$ 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

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

(d) Based on shares outstanding March 31, 1978.

(e) Annualized.

SUMMARY BALANCE SHEETS (all investments at market)

Portfolio —	1978	1977	1976	1975	1974	1973
	March 31st	March 31st	March 31st	March 31st	March 31st	March 31st
Cash, etc., Bullion, Short Term						
Notes & Bonds	\$ 6,924,806	\$ 1,234,300	\$ 6,352,602	\$ 9,249,465	\$13,947,145	\$ 5,471,031
Less: Liabilities	583,981	284,550	57,109	297,940	267,236	1,975,491
Net Reserves	6,340,825	949,750	6,295,493	8,951,525	13,679,909	3,495,540
Common Stocks	72,541,465	74,223,540	70,745,042	60,127,155	66,202,106	77,343,525
Convertibles	2,142,475	1,601,912	1,194,150	764,200	504,250	801,500
Total Portfolio Investments and Cash	81,024,765	76,775,202	78,234,685	69,842,880	80,386,265	81,640,565
Investment in and advances to Subsidiary and Affiliated Companies	1,804,440	1,839,275	1,840,810	1,831,305	2,071,071	2,117,662
Net Assets available for investment	82,829,205	78,614,477	80,075,495	71,674,185	82,457,336	83,758,227
Less: Income Debentures	8,000,000	8,000,000	8,000,000	—	—	—
Total Net Assets	<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>	<u>\$83,758,227</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	6,179,565	6,179,565	6,179,565	6,179,565	6,179,565	6,179,565
Total Senior Capital	7,746,675	7,746,675	7,746,675	7,746,675	7,746,675	7,746,675
Common Equity*	67,082,530	62,867,802	64,328,820	63,927,510	74,710,661	76,011,552
	<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>	<u>\$83,758,227</u>
*Percentage of Common Stocks & Convertibles to Common Equity —	111.3%	120.6%	111.8%	95.3%	89.3%	102.8%

