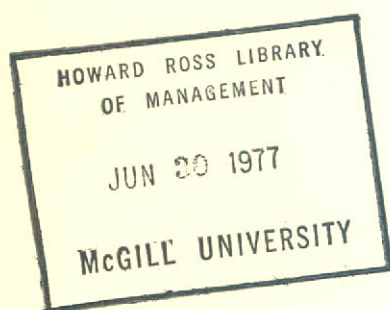




UNITED CORPORATIONS LIMITED

ANNUAL REPORT 1977



UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



DIRECTORS

IAN A. BARCLAY
Vancouver

G. DRUMMOND BIRKS
Montreal

JAMES V. EMORY
Montreal

JOCK K. FINLAYSON
Montreal

CHARLES L. GUNDY
Toronto

KENNETH S. HOWARD, Q.C.
Montreal

HENRY N. R. JACKMAN
Toronto

CLIFFORD S. MALONE
Montreal

R. A. M. SMITH, C.A.
Montreal

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

Shares Listed

Class "A", 1959 Series Preferred and Class "B" shares are listed on the London, England, Montreal and Toronto Stock Exchanges. 1963 Series Preferred shares are listed on the Montreal and Toronto Stock Exchanges.



TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the 45th Annual Report of your Company for the fiscal year ended March 31, 1977.

Financial Statements (see pages 6 to 13)

Net after-tax income for the year amounted to \$2,494,302, down from \$2,900,755 last year but still the third highest figure in the Company's history. The drop in income was not unexpected and was accounted for by a reduction in overall portfolio yield resulting largely from a lower average level of cash reserves, a drop in short-term interest rates applicable to those reserves and a full year's interest on the Income Debentures. However, it is worth noting that the trend towards lower short-term interest rates has been reflected in late 1976 and early 1977 in a four-stage lowering of the bank's prime lending rate which forms the basis of the formula determining the interest rate payable on the Income Debentures. As a consequence, the rate on the Debentures with effect June 1, 1977, will be $5\frac{5}{8}\%$ compared to $6\frac{5}{8}\%$ at the time the issue was negotiated.

Operating expenses, at \$285,184, compared to \$265,712 last year and a ten-year average figure of \$270,119, remained under close control, amounting to only 0.45% of the year-end net equity for the Class "B" Shares.

After provision for dividends on the Class "A" and Preferred Shares, net income available for the Class "B" Shares was \$2,115,947 or 60.1¢ per share as against \$2,522,400 or 71.6¢ per share last year. Realized after-tax capital gains for the year amounted to \$1,171,444, equal to 33.3¢ per Class "B" Share.

When the figures of \$2,115,947 for net income and \$1,171,444 for realized capital gains are combined, they produce a total net profit available for the Class "B" Shares of \$3,287,391 or 93.3¢ per share. Dividends totalling \$2,395,282 were declared out of accumulated income during the year leaving a net addition to surplus of \$892,109 or 25.3¢ per Class "B" Share and bringing the year-end balance of retained surplus to \$57,074,452,

equal to \$16.20 per Class "B" Share. The fact that dividends declared exceeded the net income for the year was fully anticipated.

On the less tangible side, unrealized appreciation on investments stood at \$1,077,002 at the end of the year compared to the previous year's figure of \$3,430,129. This drop of \$2,353,127 or 66.8¢ per Class "B" Share more than offset the addition to surplus referred to above so that our net equity per Class "B" Share, unadjusted for refundable capital gains tax, fell during the year from \$18.26 to \$17.84, a decline of 2.3%. The corresponding declines for the old Toronto Stock Exchange Industrial Index and the much more broadly based new Index were 5.0% and 3.0% respectively. This left our net equity value 19.5% below its adjusted all-time high set at the end of October, 1973, which compares to declines of 24.3% and 22.5% for the old and new Toronto Indices during the same period.

The Company had refundable capital gains tax on hand of \$215,478 at the end of the year together with an accumulated net capital loss for tax purposes of \$2,733,940 which can be carried forward indefinitely against future capital gains. Neither of those potential recoveries are reflected in the financial statements.

Dividends

Regular dividends at the annual rate of \$1.50 per share were declared and paid on the Class "A" and First Preferred Shares during the year. Dividends on the Class "B" Shares continued to be declared and paid at the regular quarterly rate of 16¢ per share established in January, 1975, plus an extra dividend of 4¢ per share in the final quarter. This brought total dividends per Class "B" Share for the year to 68¢, unchanged from the record level of the previous two years.

Mention was made earlier in this Report of the fact that, as anticipated, dividends declared exceeded the net income for the year. Our income flow is obviously dependent primarily on the dividends generated by our portfolio. While the anti-inflation regulations which were in force during the year placed no restrictions on the dividends which could be paid by investment companies, they did place what we feel to be unnecessarily strict

limits on the level of dividends which could be paid by most Canadian companies. This was inevitably reflected in the income we received during the year. However, it now appears that these regulations may be lifted or at least materially modified by October, 1977, and this, together with the potential in our portfolio for a number of dividend increases which would be permissible even under the existing control program, leads us to forecast that the dividend will be fully covered in the fiscal year just commenced.

Portfolio of Investments

The detailed portfolio of investments held by the Company as at March 31, 1977, is set out on pages 9 to 11 and summary balance sheets showing changes of portfolio weightings as of the end of the last six fiscal periods are on page 16.

Long Term Record of Investment Results — Class "B" Shares (see pages 14 and 15)

The format of the customary record of your Company's progress since its inception in 1933 was altered in last year's Annual Report 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. Under this concept the addition to surplus in any given fiscal period consists of the combined total of net income after provision for preferred dividends plus or minus net realized capital gains or losses. The appropriate income and/or capital gains dividends are then declared on the Class "B" Shares and the balance remains as retained surplus.

This concept diminishes the importance previously attached to unrealized capital appreciation/depreciation and hence on net equity value per Class "B" Share. But the latter is nebulous in the case of a closed-end investment company in any case and is becoming progressively less meaningful as an historical record of investment results without continuous and increasingly complicated adjustments for distortions caused by the tax treatment of capital gains. However,

because it serves a useful purpose as a measure of the theoretical market value of the Company's investments at any given point in time, we will continue, as in the past, to report our net equity per Class "B" Share at regular intervals.

The history of the Company is a remarkable one. Starting with a negative net equity value per Class "B" Share at the end of its first year of operations, the Company has produced after-tax profits for those shares totalling \$100,302,775, of which \$43,228,323 has been paid in dividends and \$57,074,452 retained in surplus. This long term record, which began at a time of great uncertainty and was achieved under a wide variety of economic and stock market environments, should be a source of encouragement to today's equity investor.

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, and, from time to time, as a holding company for certain non-portfolio investments of your Company. The continued growth of this subsidiary has, as noted elsewhere in this Report, enabled us to maintain the operating expenses of the parent company very close to the average level of the last ten years despite the strong inflationary trend during the period.

Particularly noteworthy in this respect has been the continued growth of the RoyFund mutual fund operation, consisting of RoyFund (Equity) Ltd. and RoyFund Income Trust. These funds, which are managed by United Bond & Share, are designed to provide additional 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. There has been continued sizeable growth in the two funds — combined assets had reached \$128.1 million as of March 31, 1977, compared to \$106.3 million and \$88.1 million at the same dates in 1976 and 1975 — but market conditions have tended to concentrate that growth in the Income Trust in recent years. A return to more normal stock market conditions with a consequent higher level of confidence on the part

of the small investor could be expected to benefit the equity portion of this operation.

The Interior Trust Company, owned equally by The Royal Bank of Canada and United Bond & Share, remained inactive during the year insofar as the usual operations of a trust company are concerned. However, it continued to operate its own investment portfolio and, in addition, maintained its 50% ownership of the voting shares of RoyMor Ltd. with the other 50% owned by The Royal Bank of Canada. The business of RoyMor Ltd. is to purchase mortgages from the bank which the latter has originated and processed and the company has maintained its extraordinary record of growth with assets exceeding \$700 million at the end of 1976.

We received a further small return of capital amounting to \$24,000 from International Capital Corporation Ltd. during the year which reduced the book value of our investment in that company to \$309,200.

The Canada Business Corporations Act

Enclosed with this Report and accompanying the notice of the Annual Meeting is a further notice of Special General Meetings of Shareholders called to approve a decision of your Directors to make application to continue henceforth the operations of the Company under the terms and conditions of the new Canada Business Corporations Act.

Your Directors have felt for some time that it would be advisable to simplify the capital structure of the Company which, growing as it did out of a reorganization in the early 1930's, is unnecessarily complicated and restrictive. Because such a simplification would, by itself, require special general meetings of shareholders and bearing in mind the fact that we must, in any event, transfer to the new Act by 1980 at the latest, it has seemed expedient to deal with both matters at the same series of meetings. As can be seen from the accompanying Management Proxy Circular, the proposed simplification will result in the present Class "A" Shares being re-designated as First Preferred Shares, the present Preferred Shares as Second Preferred Shares and the present Class "B" Shares as Common Shares.

The Circular also makes reference to a number of important differences between the old and the new Acts amongst which is the fact that the new Act permits a company to buy in its own shares for cancellation. Whether such a course of action would be in the best long-term interests of United will require considerable study and discussion on the part of your Directors. Amongst other considerations involved would be clarification of a number of proposed changes in tax legislation introduced in the recent federal budget which have not yet become law.

Review and Outlook

It was another disappointing year for the Canadian equity investor as the stock market, expressed in terms of the new Toronto Stock Exchange Index, continued to fluctuate in a trading range approximately 20% to 30% below the high established some three and one-half years ago.

There is little point in rehashing here the well-publicized political and economic problems facing this country. In a sense they are the Canadian version of a world-wide economic situation which is causing social and political unrest in most, if not all, of the industrialized countries of the western world. And if the underlying cause of this complex international malaise can be summed up in one word, it would have to be inflation — past, present and future.

But inflation itself is much more an effect than a cause. It is, in simple terms, the pricing system's way of adjusting unrealistically high expectations to the practical ability of the economy to produce goods and services. And, if this is so, it follows that the cure for inflation must be a two-pronged policy to attack its root causes, one part of which is designed to dampen unrealistic demands on the economy and the other to encourage productive investment and hence supply. It is this second area that Canadian policy has failed to recognize adequately since the introduction of the anti-inflation controls. The apparent acknowledgement of this fact in the recent federal budget may mark a major turning point in the attitude of the federal government towards the importance of equity investment in the productive process.

Meanwhile the Canadian stock market remains cheap by historical yardsticks and, in fact, its poor behaviour over the last few years has largely resulted from its having adjusted from a position of overvaluation to what may well prove to be, in retrospect, one of undervaluation. For there are a number of potential pluses in the outlook which, up to now, have been overwhelmed by the obvious minuses. Two of these, the apparent change in government attitude and the cheapness of the market itself, have already been referred to. A third is that four successive drops in the bank rate provide evidence that the Bank of Canada would, within the limits of the fight against inflation, like to see lower interest rates in this country and, as a corollary, to maintain the Canadian dollar at a discount in the foreign exchange market. Fourthly, there is increasing evidence that the American economy may be entering a period of sound, sustainable growth. Fifthly, some relaxation in the restrictions on dividend payments under the anti-inflation regulations can reasonably be expected before too long and this would provide strong support for the shares of a large number of Canadian companies. Finally, some idea of what can happen when a few rays of comparative optimism strike a heavily over-sold equity market is provided by the fact that the London market has almost tripled from its late 1974 low and is now not too far below its all-time high reached in mid-1972. Few would have predicted such an eventuality a short while ago when the consensus opinion was that the British economy and stock market were heading for disaster.

On behalf of the Directors,

J. V. Emory
President

May 26, 1977

BALANCE SHEET

	March 31	
	1977	1976
Assets:		
Portfolio investments, at market value (average cost — 1977 — \$74,748,450; 1976 — \$68,509,063)	\$75,825,452	\$71,939,192
Other investments (Note 2)	1,839,275	1,840,810
	<u>77,664,727</u>	<u>73,780,002</u>
Cash and temporary cash investments	889,631	5,648,750
Accrued income on investments	284,686	378,832
Due from brokers	—	322,012
Income taxes recoverable	59,983	3,008
	<u>\$78,899,027</u>	<u>\$80,132,604</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Accrued interest payable	\$ 112,219	\$ 33,343
Due to brokers	148,764	—
Other accounts payable	23,567	23,766
	<u>284,550</u>	<u>57,109</u>
Income debentures (Note 3)	8,000,000	8,000,000
	<u>8,284,550</u>	<u>8,057,109</u>
Shareholders' equity:		
Capital stock (Notes 4 and 6) —		
Authorized —		
52,237 Class "A" shares		
200,000 First preferred shares		
48,617,302 Second preferred shares		
6,000,000 Class "B" shares		
Issued —		
Class "A" First preferred Class "B"		
52,237 — 2,877,480 for a consideration of	119,384	119,384
— 200,000 — " " " "	6,000,000	6,000,000
— — 644,993 " " " "	6,343,639	6,343,639
<u>52,237 200,000 3,522,473</u>	<u>12,463,023</u>	<u>12,463,023</u>
Surplus —		
Retained income	872,490	1,151,825
Accumulated net realized gains on investments	56,201,962	55,030,518
	<u>57,074,452</u>	<u>56,182,343</u>
	69,537,475	68,645,366
Unrealized appreciation in value of investments	1,077,002	3,430,129
	<u>70,614,477</u>	<u>72,075,495</u>
	<u>\$78,899,027</u>	<u>\$80,132,604</u>

APPROVED BY THE BOARD:

C. S. Malone, Director

J. V. Emory, Director

See notes to financial statements.

STATEMENT OF NET INCOME

	Year ended March 31	
	1977	1976
NET INCOME:		
Income —		
Dividends and interest	\$ 3,299,536	\$ 3,234,302
Expenses —		
Management fee	190,000	175,000
Directors' remuneration	23,900	25,950
Fees and expenses of trustee, registrar and transfer agents	25,016	21,540
Taxes other than income taxes	12,761	1,565
Legal and audit fees	15,471	16,978
Office and miscellaneous expenses	18,036	24,679
	285,184	265,712
Interest on income debentures	512,767	33,343
	797,951	299,055
Income before income taxes	2,501,585	2,935,247
Income taxes —		
Foreign withholding taxes	29,748	17,197
Provision for Canadian taxes	—	60,000
	29,748	77,197
	2,471,837	2,858,050
Equity in net income of subsidiary	22,465	42,705
NET INCOME	\$ 2,494,302	\$ 2,900,755
Net income per Class "B" share based on the average number of shares outstanding during the year	60.1¢	71.6¢

STATEMENT OF SURPLUS

	Year ended March 31	
	1977	1976
RETAINED INCOME:		
Balance at beginning of year	\$ 1,151,825	\$ 1,024,707
Net income	2,494,302	2,900,755
	3,646,127	3,925,462
Dividends:		
Class "A" shares	78,355	78,355
First preferred shares	300,000	300,000
Class "B" shares (per share 1977 — 68¢; 1976 — 68¢) ..	2,395,282	2,395,282
	2,773,637	2,773,637
Balance at end of year	\$ 872,490	\$ 1,151,825
ACCUMULATED NET REALIZED GAINS ON INVESTMENTS:		
Balance at beginning of year	\$55,030,518	\$57,923,288
Net gain (loss) on investments sold during the year —		
Proceeds from sale of investments	23,985,027	33,621,413
Investments at cost at beginning of year	68,509,063	64,009,346
Investments purchased during year	29,052,970	41,013,900
Investments at cost at end of year	(74,748,450)	(68,509,063)
Cost of investments sold	22,813,583	36,514,183
Net gain (loss)	1,171,444	(2,892,770)
Balance at end of year	\$56,201,962	\$55,030,518

See notes to financial statements.

STATEMENT OF
CHANGES IN NET ASSETS

	Year ended March 31	
	1977	1976
Net assets at beginning of year	\$72,075,495	\$71,674,185
Add (deduct) changes during year —		
Net income	2,494,302	2,900,755
Net gain (loss) on sale of investments	1,171,444	(2,892,770)
Increase (decrease) in unrealized appreciation in value of investments	(2,353,127)	3,166,962
Dividends	(2,773,637)	(2,773,637)
Net assets at end of year	<u>\$70,614,477</u>	<u>\$72,075,495</u>

See notes to financial statements.

STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1977

No. of Shares or par value		Average cost	Market value	% of total portfolio Investments
Aluminum				
84,800	Alcan Aluminium Limited	\$ 2,308,786	\$ 2,363,800	3.12
Coal				
155,500	Kaiser Resources Ltd.	1,922,114	2,332,500	3.08
Copper				
10,000	Brenda Mines Ltd.	79,711	100,000	
79,000	Kerr Addison Mines Limited Class "A"	1,044,338	1,194,875	
98,200	Noranda Mines Limited Class A	3,475,342	3,265,150	
15,500	Placer Development Limited	372,886	350,688	
		4,972,277	4,910,713	6.48
Nickel				
27,700	Falconbridge Nickel Mines Limited	1,108,927	1,087,225	
52,322	Great Lakes Nickel Limited Options	1,207	7,848	
101,100	Inco Limited Class "A"	3,312,200	3,311,025	
		4,422,334	4,406,098	5.81
Uranium				
20,205	Rio Algom Mines Limited	627,301	555,637	.73
Zinc				
22,500	Cominco Ltd.	695,717	852,188	1.12
Integrated Oils				
5,800	Gulf Oil Canada Limited	134,495	168,200	
39,000	Husky Oil Limited	1,071,691	936,000	
5,000	Imperial Oil Limited Class "A"	127,036	110,625	
47,050	Pacific Petroleum Ltd.	1,068,615	1,293,875	
76,100	Shell Canada Limited Class "A"	993,438	1,112,962	
		3,395,275	3,621,662	4.78
Oil & Gas Producers				
68,000	Dome Petroleum Limited	2,559,652	2,754,000	
13,350	Home Oil Company Limited Class A	365,234	392,156	
55,500	PanCanadian Petroleum Limited	1,378,185	1,463,813	
		4,303,071	4,609,969	6.08
Paper & Forest Products				
58,600	British Columbia Forest Products Limited	1,327,985	1,494,300	
58,500	MacMillan Bloedel Limited	1,186,799	1,418,625	
		2,514,784	2,912,925	3.84
Tobacco				
30,100	Rothmans of Pall Mall Canada Limited 6 ⁵ / ₈ % Conv. Second Pfd. (\$20 par)	430,770	440,212	
28,800	Rothmans of Pall Mall Canada Limited	433,088	432,000	
		863,858	872,212	1.15

STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1977

No. of Shares or par value		Average cost	Market value	% of total portfolio Investments
Steel				
36,200	The Algoma Steel Corporation, Limited	\$ 873,250	\$ 647,075	
58,850	Dominion Foundries and Steel, Limited Class A	1,548,209	1,500,675	
102,000	The Steel Company of Canada, Limited Class "A"	2,997,200	2,677,500	
		<u>5,418,659</u>	<u>4,825,250</u>	6.36
Manufacturing				
100,000	Canadian Marconi Company	495,454	380,000	
86,500	Consumers Glass Company Limited	828,274	1,146,125	
10,000	I.T.L. Industries Limited 6 1/2% Conv. Pfd. Series "B"	250,000	85,000	
32,800	Massey-Ferguson Limited	781,369	672,400	
86,600	Northern Telecom Limited Warrants	1,367,849	1,158,275	
		<u>3,722,946</u>	<u>3,441,800</u>	4.54
Cement & Concrete Products				
38,900	Genstar Limited \$1.50 Conv. Pfd.	882,486	894,700	1.18
Chemicals				
56,400	Celanese Canada Limited	183,486	217,140	
39,700	Union Carbide Canada Limited	925,844	729,488	
		<u>1,109,330</u>	<u>946,628</u>	1.25
Business Forms				
72,000	Moore Corporation Limited	3,059,501	2,538,000	3.35
Real Estate & Construction				
46,000	The Cadillac Fairview Corporation Limited	557,588	408,250	.54
Transportation				
100,000	Algoma Central Railway	1,025,000	1,150,000	
202,800	Canadian Pacific Limited	3,546,843	3,498,300	
20,000	Okanagan Helicopters Ltd.	294,043	137,500	
		<u>4,865,886</u>	<u>4,785,800</u>	6.31
Gas Transmission				
108,000	The Alberta Gas Trunk Line Company Limited Class "A"	1,187,637	1,431,000	
69,800	TransCanada PipeLines Limited	816,195	994,650	
68,922	Westcoast Transmission Company Limited	1,608,385	1,929,816	
		<u>3,612,217</u>	<u>4,355,466</u>	5.75
Electrical Utilities				
44,750	Calgary Power Ltd. Class A	1,116,015	1,454,375	1.92
Telephone				
65,942	Bell Canada	2,917,493	3,247,643	4.28
Publishing & Printing				
57,900	Harlequin Enterprises Limited	485,963	846,788	
87,700	Thomson Newspapers Limited Class A	1,181,983	1,096,250	
		<u>1,667,946</u>	<u>1,943,038</u>	2.56

STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1977

No. of Shares or par value		Average cost	Market value	% of total portfolio Investments
TV & Radio				
43,700	Canadian Cablesystems Limited	\$ 783,135	\$ 579,025	.76
Department Stores				
323,100	Zeller's Limited	1,081,259	1,357,020	1.79
Specialty Retailers				
11,400	Canadian Tire Corporation, Limited Class A	557,994	441,750	.58
Banks				
134,500	The Bank of Nova Scotia	2,722,377	2,639,563	
47,000	Canadian Imperial Bank of Commerce	804,708	1,110,375	
47,300	The Mercantile Bank of Canada	832,323	638,550	
81,660	The Royal Bank of Canada	1,746,035	1,959,840	
98,098	The Toronto-Dominion Bank	1,799,665	1,728,977	
		7,905,108	8,077,305	10.65
Trust, Savings & Loan				
36,900	The Royal Trust Company Class "A"	856,062	627,300	.83
Insurance				
16,000	The Great-West Life Assurance Company	1,015,356	880,000	1.16
Miscellaneous				
25,000	Systems Dimensions Limited	273,417	47,500	
\$350,000	Systems Dimensions Limited 5% Conv. 1989	410,000	182,000	
		683,417	229,500	.30
American Securities				
9,950	Aluminum Company of America	569,210	595,308	
10,400	American Broadcasting Companies, Inc.	412,214	450,840	
8,000	International Business Machines Corporation	1,672,099	2,331,920	
25,000	Lykes Corporation	587,698	303,000	
9,100	McDonald's Corporation	529,792	381,290	
29,800	Northwest Airlines, Incorporated	829,361	714,604	
22,400	Revco D.S., Incorporated	488,236	504,672	
15,800	Sedco, Inc.	498,836	560,110	
30,000	Sundstrand Corporation	900,576	1,118,700	
9,000	Texasgulf Inc.	315,126	279,900	
4,100	White Consolidated Industries, Inc.	107,387	114,554	
		6,910,535	7,354,898	9.70
Total Portfolio Investments		\$74,748,450	\$75,825,452	100.00%

NOTES TO FINANCIAL STATEMENTS

March 31, 1977

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, 1977. No provision has been made for deferred income taxes that would be payable if the investments had been disposed of on March 31, 1977 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.

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, 1977 has been translated into Canadian dollars at the exchange rate prevailing as at that date.

2. Other investments:

Other investments consist of the following —

	1977	1976
Shares in and advances to subsidiary, United Bond & Share Limited, at cost plus equity in accumulated earnings	\$1,530,075	\$1,507,610
Shares in International Capital Corporation Ltd., at cost less \$160,000 to reduce investment to realizable value .	309,200	333,200
	<u>\$1,839,275</u>	<u>\$1,840,810</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, 1977 the rate was 5.875%.

4. Capital stock:

Class "A" shares, without nominal or par value, 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 5% cumulative redeemable first preferred shares of the par value of \$30 per share are preferred over the 3% non-cumulative redeemable second preferred shares and the Class "B" 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 Class "A" shares of the Corporation. The first series of these preferred shares consists of 80,290 5% cumulative redeemable first preferred shares, 1959 series, redeemable (on not less than 30 days' notice) and repayable on winding up at par plus accrued dividends. The second series consists of 119,710 5% cumulative redeemable first preferred shares, 1963 series, redeemable (on not less than 30 days' notice) and repayable on winding up at \$31.50 plus accrued dividends.

The 3% non-cumulative redeemable second preferred shares of the par value of 5 cents per share are subject and subordinate to the Class "A" and the first preferred shares as to payment of dividends and repayment of capital. There are at present no second preferred shares issued or outstanding.

The Class "B" shares are without nominal or par value.

**NOTES
TO FINANCIAL
STATEMENTS**
(continued)

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, 1977. The net capital loss for tax purposes at March 31, 1977 which can be carried forward indefinitely against future capital gains amounted to \$2,733,940 after the application of \$472,327 of net capital gains for tax purposes realized during the year then ended. 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 Class "B" shares are outstanding and 66,920 Class "B" shares are reserved for further options. The options outstanding are exercisable at an average price of \$13.59.

7. Remuneration of directors and officers:

Total remuneration paid or payable to directors and officers was as follows:

	1977	1976
Directors	\$ 23,900	\$ 25,950
Officers	\$237,950	\$227,300
Number of directors	11	11
Number of officers	5	5
Number of officers who are also directors	2	2

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, 1977 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, 1977 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 27, 1977

Price Waterhouse & Co.
Chartered Accountants

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

Year	Net Equity For Class "B" 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

(a) Class "B" 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.

(d) Based on shares outstanding March 31, 1977.

(e) Annualized.

Net Income				
Available For Class "B" Shares		Additions to Surplus		
Total	Per Share	Total	Per Share	Total
\$ 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	—
117,690	0.04	72,124	0.02	—
78,361	0.03	167,372	0.05	—
153,480	0.05	413,442	0.14	—
173,681	0.06	1,195,621	0.42	—
242,888	0.08	1,305,490	0.45	—
338,974	0.12	1,032,662	0.36	—
299,464	0.10	873,811	0.30	—
387,287	0.13	497,841	0.17	—
561,357	0.19	1,211,864	0.42	—
578,082	0.20	1,758,206	0.61	—
612,980	0.21	1,782,446	0.62	—
638,850	0.22	805,909	0.28	—
699,341	0.24	1,782,328	0.62	—
732,337	0.25	3,080,967	1.07	—
778,790	0.27	3,564,348	1.24	—
834,416	0.29	1,898,999	0.66	—
897,941	0.31	1,534,118	0.53	—
845,173	0.25	3,271,357	0.96	—
1,080,482	0.32	1,725,307	0.51	—
1,074,576	0.31	3,183,249	0.93	—
1,145,036	0.33	815,474	0.24	—
1,025,784	0.30	2,249,038	0.65	—
1,284,223	0.37	4,872,287	1.40	—
1,503,104	0.43	3,866,732	1.11	—
1,664,295	0.48	5,675,075	1.63	—
1,740,530	0.50	7,791,705	2.22	—
1,700,009	0.48	9,385,665	2.67	—
1,865,674	0.53	8,311,476	2.36	1,053,262
1,981,177	0.56	(127,455)	(0.04)	1,230,555
1,669,008	0.47	1,274,580	0.36	1,406,349
1,723,962	0.49	5,841,800	1.66	878,968
374,400 (c)	0.11 (c)	3,650,375 (c)	1.04 (c)	879,368
1,996,086	0.56	4,307,035	1.22	—
2,790,691	0.79	3,624,157	1.03	—
2,522,400	0.72	(370,370)	(0.10)	—
2,115,947	0.60	3,287,391	0.93	—



SUMMARY BALANCE SHEETS (all investments at market)

Portfolio —	1977 March 31st	1976 March 31st	1975 March 31st	1974 March 31st	1973 March 31st	1972 Dec. 31st
Cash, etc., Bullion, Short Term						
Notes & Bonds	\$ 1,234,300	\$ 6,352,602	\$ 9,249,465	\$13,947,145	\$ 5,471,031	\$ 4,408,387
Less: Liabilities	284,550	57,109	297,940	267,236	1,975,491	191,990
Net Reserves	949,750	6,295,493	8,951,525	13,679,909	3,495,540	4,216,397
Common Stocks	74,223,540	70,745,042	60,127,155	66,202,106	77,343,525	79,345,145
Convertibles	1,601,912	1,194,150	764,200	504,250	801,500	1,090,500
Total Portfolio Investments and Cash	76,775,202	78,234,685	69,842,880	80,386,265	81,640,565	84,652,042
Investment in and advances to Subsidiary and Affiliated Companies	1,839,275	1,840,810	1,831,305	2,071,071	2,117,662	2,105,139
Net Assets available for investment	78,614,477	80,075,495	71,674,185	82,457,336	83,758,227	86,757,181
Less: Income Debentures	8,000,000	8,000,000	—	—	—	—
Total Net Assets	<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>	<u>\$86,757,181</u>
Capitalization —						
Senior Capital at Redemption						
Prices: —						
Class "A" Shares	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110
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
Class "B" Equity*	62,867,802	64,328,820	63,927,510	74,710,661	76,011,552	79,010,506
	<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>	<u>\$86,757,181</u>
*Percentage of Common Stocks & Convertibles to Class "B" Equity —	120.6%	111.8%	95.3%	89.3%	102.8%	101.8%



To the Shareholders

Aided by an extremely buoyant Canadian stock market and the substantial leverage in our capitalization, we have just completed what may well have been the best twelve-month period in the long history of your Company.

As of the end of September our net equity value per common share had reached a new all-time high of \$23.85, over 7% above the previous high set at the end of October, 1973. To place this in perspective, the Toronto Stock Exchange Index was still more than 3% short of its all-time high reached in the same month while the Dow Jones Industrial Average and the Standard & Poors Composite Index, the two most widely used measures of the New York market, still required moves in the area of 18% and 15% respectively to reach their old highs established at the end of 1972.

In the quarter ending September 30, 1978, the second quarter of our fiscal year, our net equity per common share rose 13.9%; the six-month rise was 24.8%. Over the twelve months ending on that date the increase was 36.3% and, if dividends totalling 68¢ per share paid during the period are added back (but not compounded), the overall return on investment becomes 40.2%.

It would, of course, be a mistake to project spectacular results of this kind too far into the future and a market reaction of sorts would be a normal expectation after a rise of such magnitude. But it should also be recognized that, up to this point, we have only been recovering the ground lost during a bear market of once-in-a-generation proportions. As a consequence, the rise started from a position of major undervaluation by any historical standards. Furthermore, based on those standards and our present assessment of the outlook for 1979, the market is still far from overvalued at its present level.

On the income side, shareholders were informed in the last Annual Report that we anticipated difficulty in covering the 68¢ annual dividend rate on our common shares this year. Results for the first six months of our fiscal year bear out that forecast. Net income, after taxes and interest on the income debentures, amounted to \$1,132,269 compared to \$1,285,968 for the same period last year. After provision for dividends on the preferred shares, net income available for the common shares was \$943,091 or 26.8¢ per share as against last year's \$1,096,790 or 31.1¢ per share. However, with the ending of the restrictive anti-inflation regulations with respect to dividends in October, we anticipate an increase in dividend income during the next six months which can be expected to continue on an annual basis into our next fiscal year. We currently anticipate that earnings per common share will exceed 60¢ for the year as a whole and continue to see no reason why the present dividend rate should not be maintained.

As has already been noted, the leverage provided by our outstanding Income Debentures has been a contributing factor to our investment results since their issue in March, 1976. In August the terms of those Debentures were re-negotiated to extend their maturity from March, 1979, to August, 1986.

In mid-September your directors and staff were saddened by the sudden death of Charles L. Gundy. A member of our board since 1951, he was the senior director in point of service and it is difficult to exaggerate the contribution he made to the affairs of the Company during his twenty-seven years of association with it. In addition to being a leading figure in the Canadian financial and business community, Mr. Gundy was a modest and compassionate man, qualities which endeared him to a host of friends and associates all of whom will miss him greatly.

J. V. Emory,
President

UNITED CORPORATIONS LIMITED

Statement of Net Income

Six Months Ended September 30

	1978	1977
Income—		
Dividends	\$ 1,462,451	\$ 1,642,268
Interest	149,364	34,911
Net income from wholly-owned subsidiary	(83,698)	101
	<u>1,528,117</u>	<u>1,677,280</u>
Expenses—		
Management expenses	73,512	95,000
Transfer, registrar, dividend paying agent's fees ..	16,366	14,501
Directors' fees	19,500	13,250
Legal and audit	15,258	7,591
General	18,637	19,910
	<u>143,273</u>	<u>150,252</u>
Net income before income taxes and interest	1,384,844	1,527,028
Provision for income taxes, including foreign taxes withheld	6,712	12,201
	<u>1,378,132</u>	<u>1,514,927</u>
Interest on income debentures	245,863	228,959
Net Income	<u>\$ 1,132,269</u>	<u>\$ 1,285,968</u>

Statement of Changes in Net Assets

Six Months Ended September 30

	1978	1977
Net assets at beginning of period	\$74,829,205	\$70,614,477
Add (deduct) changes during the period —		
Net income	1,132,269	1,285,968
Net gain (loss) on securities sold	5,961,219	(354,093)
Increase in unrealized appreciation in value of investments	10,965,281	(1,024,070)
Dividends	(1,316,369)	(1,316,369)
Net assets at end of period	<u>\$91,571,605</u>	<u>\$69,205,913</u>

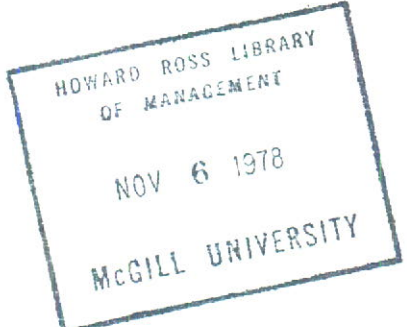
Statement of Net Gain (Loss) on Securities Sold

Six Months Ended September 30

	1978	1977
Proceeds from sales of investments	\$26,675,476	\$10,434,813
Investments at average cost at beginning of period	65,259,108	74,748,450
Cost of securities purchased	29,742,087	10,745,606
	<u>95,001,195</u>	<u>85,494,056</u>
Investments at average cost at end of period	74,286,938	74,705,150
Cost of securities sold	20,714,257	10,788,906
Net gain (loss) on securities sold	<u>\$ 5,961,219</u>	<u>\$ (354,093)</u>

No. of Shares or Par Value	Cost	Market Value	% to Total
BANKS			
18,000 Bank of British Columbia	\$ 560,081	\$ 657,000	
83,542 Bank of Montreal	1,807,005	2,005,008	
140,100 The Bank of Nova Scotia	2,839,779	2,907,075	
67,162 Canadian Imperial Bank of Commerce	1,340,310	1,939,303	
100,560 The Royal Bank of Canada	2,310,939	3,582,450	
98,098 The Toronto-Dominion Bank	1,799,665	2,011,009	
	10,657,779	13,101,845	13.13
TRUST, SAVINGS & LOAN			
106,380 National Trust Company, Limited	1,702,544	2,140,897	
36,900 The Royal Trust Company A	856,062	710,325	
	2,558,606	2,851,222	2.86
PUBLISHING & PRINTING			
111,500 Harlequin Enterprises Limited	311,945	1,588,875	
87,700 Thomson Newspapers Limited Class A	1,181,983	1,304,537	
31,500 Torstar Corporation B	531,300	559,125	
	2,025,228	3,452,537	3.46
TV & RADIO			
84,700 Canadian Cablesystems Limited A	1,385,415	1,418,725	
99,800 Maclean-Hunter Limited A	1,600,525	1,621,750	
75,900 Standard Broadcasting Corporation Limited	941,202	1,005,675	
	3,927,142	4,046,150	4.06
FOOD PROCESSING			
54,000 George Weston Limited	1,024,053	1,053,000	1.06
DISTILLERIES			
33,600 Hiram Walker - Gooderham & Worts Limited	1,295,669	1,226,400	1.23
MANUFACTURING			
6,000 Canon Limited	141,588	159,000	
89,250 Consumers Glass Company Limited	883,341	2,052,750	
10,000 I.T.L. Industries Limited 6 1/2% Conv. Pfd. Series "B"	250,000	205,000	
30,000 Magna International Inc. A Special	836,625	1,222,500	
32,800 Massey-Ferguson Limited	781,368	426,400	
86,600 Northern Telecom Limited Warrants	1,367,849	1,569,625	
	4,260,771	5,635,275	5.65
CEMENT & CONCRETE PRODUCTS			
38,900 Genstar Limited \$1.50 Conv. Pfd.	882,486	1,288,563	
5,000 Genstar Limited	127,463	167,500	
	1,009,949	1,456,063	1.46
BUSINESS FORMS			
46,530 Moore Corporation Limited	1,977,203	1,675,080	1.68
DEPARTMENT STORES			
136,625 Hudson's Bay Company	2,278,745	3,142,375	3.15
SPECIALTY RETAILERS			
109,600 Dylex Limited Class "A"	968,317	1,370,000	
200 Dylex Limited	1,667	2,800	
34,700 Grafton Group Limited	807,188	1,145,100	
8,600 Leon's Furniture Limited	121,324	129,000	
56,400 Reitman's (Canada) Limited Class "A"	741,743	1,001,100	
35,600 Reitman's (Canada) Limited	504,725	640,800	
	3,144,964	4,288,800	4.30
COPPER			
56,700 Brenda Mines Ltd.	597,065	758,362	.76
GOLD			
8,000 Campbell Red Lake Mines Limited	304,926	368,000	
11,400 Dome Mines Limited	750,091	1,159,380	
13,300 Giant Yellowknife Mines Limited	166,238	196,175	
23,650 Sigma Mines (Quebec) Limited	731,450	963,738	
	1,952,705	2,687,293	2.69
NICKEL			
52,322 Great Lakes Nickel Mines Options	1,207	7,848	.01
URANIUM			
35,000 Numac Oil & Gas Ltd.	1,131,111	1,036,875	1.04
MISCELLANEOUS METALS			
22,608 Canada Tungsten Mining Corporation Limited	246,927	514,332	
1,500 Hollinger Mines Limited A	54,032	64,125	
	300,959	578,457	.58
INTEGRATED OILS			
33,100 BP Canada Limited	629,372	604,075	
70,175 Pacific Petroleum Ltd.	1,936,310	3,333,313	
59,150 Texaco Canada Inc.	2,265,593	2,817,019	
	4,831,275	6,754,407	6.77

No. of Shares or Par Value	Cost	Market Value	% to Total
OIL & GAS PRODUCERS			
15,000 Dome Petroleum Limited	\$ 564,358	\$ 1,395,000	
57,000 Norcen Energy Resources Limited	895,134	976,125	
37,775 PanCanadian Petroleum Limited	1,017,553	1,322,125	
49,450 Voyager Petroleum Ltd.	662,084	785,019	
	3,139,129	4,478,269	4.49
PAPER & FOREST PRODUCTS			
61,300 Read Paper Ltd. A Conv. Pfd. \$12.50 par	601,494	597,675	60
GAS TRANSMISSION			
114,000 The Alberta Gas Trunk Line Company Limited Class "A"	1,281,661	1,767,000	
91,866 Westcoast Transmission Company Limited	768,222	1,067,942	
	2,049,883	2,834,942	2.84
OIL TRANSMISSION			
5,600 Interprovincial Pipe Line Limited A	84,948	95,900	.10
REAL ESTATE & CONSTRUCTION			
19,400 Allarco Developments Ltd.	527,860	533,500	
82,900 The Cadillac Fairview Corporation Limited	626,821	849,725	
22,700 Carma Developers Ltd. A	204,546	323,475	
48,200 Costain Limited	454,344	656,725	
76,600 Daon Development Corporation	373,183	986,225	
55,700 Melcor Developments Ltd.	393,531	682,325	
25,250 Nu-West Development Corporation Ltd. A	314,286	486,062	
27,500 Oxford Development Group Ltd. Conv. 1st Pfd. Series A	404,955	460,625	
	3,299,526	4,978,662	4.99
STEEL			
35,450 Dominion Foundries and Steel, Limited A	932,608	1,036,913	
17,850 Interprovincial Steel and Pipe Corporation Ltd.	305,907	316,837	
9,900 The Steel Company of Canada, Limited A	290,905	264,825	
	1,529,420	1,618,575	1.62
TRANSPORTATION			
243,000 Algoma Central Railway	3,885,000	4,951,125	
130,000 Canadian Pacific Limited	2,574,966	3,103,750	
200,000 Kaps Transport Ltd.	245,689	330,000	
70,900 Laidlaw Transportation Limited A	693,087	134,400	
20,000 Okanagan Helicopters Ltd.	294,043	180,000	
40,000 Trimac Limited A	747,574	960,000	
	8,440,359	10,659,275	10.68
ELECTRICAL UTILITIES			
50,344 Calgary Power Ltd. A	1,286,632	969,709	1.97
TELEPHONE			
33,942 Bell Canada	1,501,707	2,108,647	2.11
MISCELLANEOUS			
48,600 CAE Industries Ltd. A	793,551	850,500	
63,700 Commonwealth Holiday Inns of Canada Limited	334,427	509,600	
30,300 Finning Tractor & Equipment Company Limited	667,538	784,012	
17,900 Livingston Industries Limited	399,030	483,300	
14,900 National Sea Products Limited	359,654	677,950	
23,800 Nowasco Well Service Ltd.	397,380	618,800	
21,900 Spar Aerospace Ltd.	155,570	191,625	
Other Misc. Holdings	37,884	39,656	
	3,145,034	4,155,443	4.16
AMERICAN SECURITIES			
9,100 McDonald's Corporation	529,792	548,821	
45,775 Merrill Lynch & Co., Inc.	1,269,534	1,102,720	
60,200 Phelps Dodge Corporation	1,662,417	1,708,476	
50,000 Service Merchandise Company, Inc.	940,640	1,138,000	
6,500 Teledyne, Inc.	439,355	765,765	
	4,841,738	5,263,782	5.28
FOREIGN SECURITIES			
18,300 Gold Fields of South Africa Limited ADR	437,444	408,456	
62,210 Henderson Baring Japan Fund	955,193	1,751,834	
	1,392,637	2,160,290	2.16
TOTAL PORTFOLIO INVESTMENTS			
	\$74,286,938	\$94,673,158	94.89%
CASH, AND OTHER ASSETS — NET			
	5,103,542	5,103,542	5.11
TOTAL PORTFOLIO INVESTMENTS AND CASH			
	\$79,390,480	\$99,776,700	100.00%



Report for the
6 months ended
September 30, 1978

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