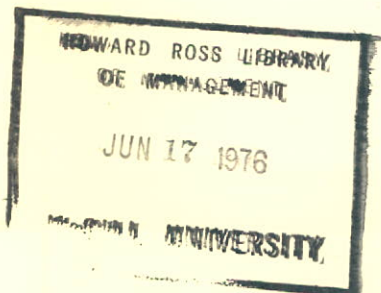
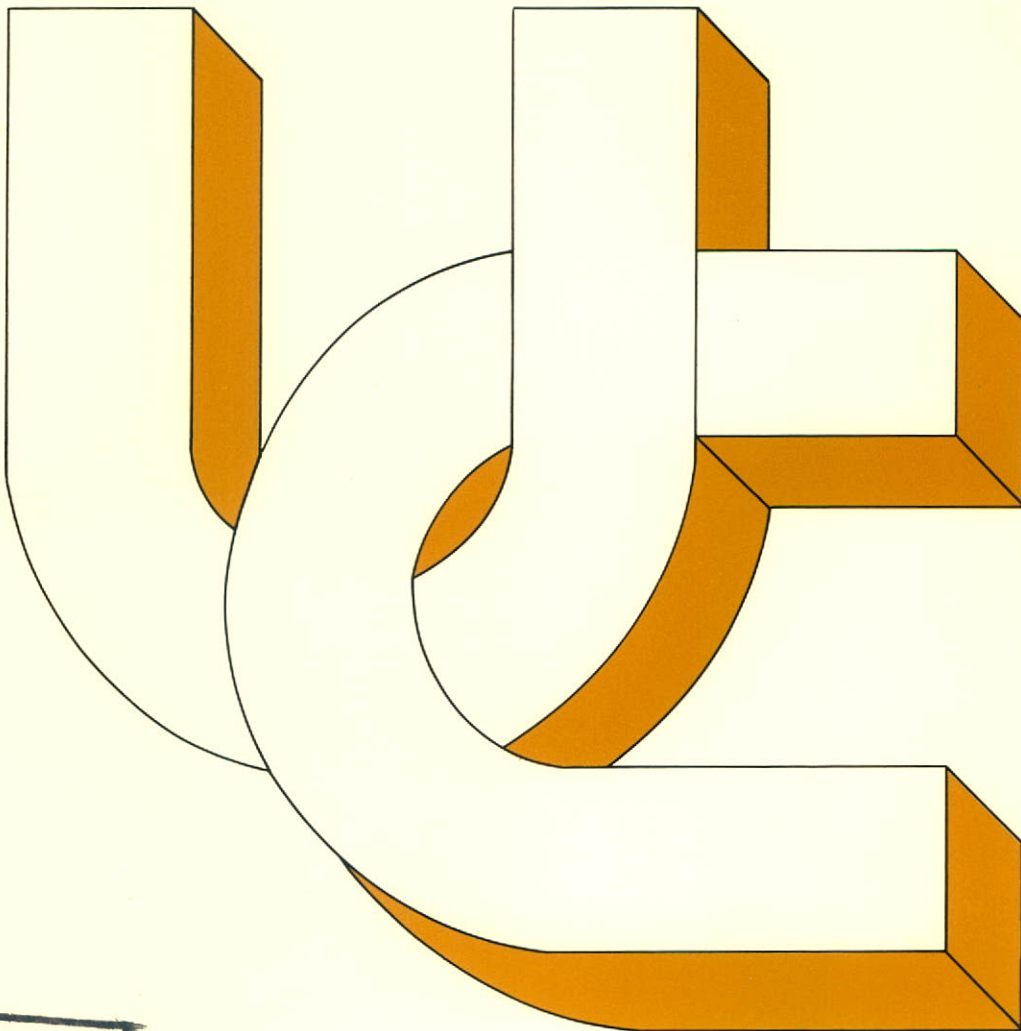


UNITED CORPORATIONS LIMITED

Annual Report 1976



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 44th Annual Report of your Company for the year ended March 31, 1976.

Review and Outlook

The world economic situation stabilized during 1975 and the fear of a major collapse which had been so prevalent during 1974 largely subsided by the end of the year as the economies of the western world, led by the United States, began to recover from the deepest recession of the post-war years. This recovery, together with increasing evidence that the risk of runaway inflation was lessening, led to the restoration of a greater degree of confidence in world stock markets, most of which had, up to the end of 1974, suffered declines comparable in many respects to the great bear market of 1929-32.

The American economic recovery, which is fundamental to that of the rest of the world, gained further strength during the first quarter of 1976 and is now beginning to take on many of the aspects of a classic cyclical upturn. In fact, the greatest element of risk in the present outlook may well lie in the possibility that the recovery in the United States will be too strong with a resulting danger of an unacceptable speed-up in the currently moderate rate of inflation further down the road. This, however, is only a longer-term possibility at this point and meanwhile most of the major stock markets of the world have been responding for some time to the more optimistic outlook.

While Canada can be expected to benefit from an improvement in world conditions and particularly from a solid recovery in the United States, this country obviously faces special problems. Unrealistic expectations, of which we have all been guilty to some degree, have been fostered for a period of years by free-spending governments at all levels and financed at the federal level by unsustainable increases in the money supply. The result, as might have been anticipated, has been a particularly virulent and stubborn inflationary situation which the responsible authorities were very late in recognizing. Given that situation, a theoretical case might be made for some kind of temporary price and income controls on the grounds that they would tend to re-enforce the apparent international trend towards the cooling of inflationary pressures. In practice, however, the program in its present form has a number of serious flaws even after giving effect to the changes proposed in the recent budget. It is exceedingly complicated and, as a consequence, something of an administrative nightmare; it still falls short of adequately containing the con-

tinuous increases in federal government expenditures which have been a principal contributing factor to inflationary pressures although, in fairness, it should be recognized that this is a difficult area to control over the short term and that too much restriction applied too suddenly could do more harm than good; and, most importantly, it provides little or no incentive for increased productivity which is the only real answer to inflation over the long run.

Faced with a multitude of uncertainties, it is perhaps not surprising that the Canadian stock market, although its trend has also been upward since the fall of 1974, has had the dubious distinction of being one of the worst performers among world markets during the recovery. As a result, the Toronto Stock Exchange Index, which, like many of the popular North American market measurements, has tended to outperform the market as a whole over the last several years, was still, as of the end of our fiscal year, more than 20% below its high set in October, 1973, and only 10% above its level at the end of March, 1965, eleven years ago. This has meant a long, frustrating period of inadequate return on investment for the holders of Canadian equities, particularly if adjustment is made for the accompanying decline in the purchasing power of the dollar. Indeed, in many respects Canadian investors, most of whom are people of relatively modest means, seem to be a forgotten group in the continuous interplay between government, labour and business.

Under these circumstances there is a temptation to write off Canadian equities and look for other avenues of investment. In our opinion this would be a mistake for at least two important reasons. The first is that it would be tantamount to admitting to the failure of our present economic system, in which equity investment performs a vital function, just at a time when it is demonstrating, on the evidence to date, remarkable resiliency in the face of a nearly unprecedented series of economic and political shocks. The second is that the decline in the stock market, unlike the 1929-32 episode with which it is being compared, has resulted almost entirely from a progressive lowering of the multiple which it has been prepared to place on a dollar of reported earnings rather than from any sizeable reduction in those earnings themselves. In the case of the Toronto Stock Exchange Index, this multiple has fallen from approximately 19 times earnings in 1972 to a current level of a little over 8 times estimated 1976 earnings. There have, of course, been many reasons for this decline but most of them revolve around the fear of a continuing high rate of inflation. While it would be foolish to deny the risk of an inflationary resurgence in the future, forecasts in this area have been

notoriously inaccurate and, meanwhile, the problem has been widely publicized. Because of the publicity given to the negative aspects of the present situation, Canadian stock prices, at their current level, have already had time to weigh the obvious problems facing us. As a consequence, unless further unexpected problems develop, the downside risk in the market should be relatively limited and any improvement in the outlook is likely to be reflected in a move towards more normal stock valuations. A return even to historically low multiples of, say, 11 or 12 times estimated 1976 earnings would result in a gain of something between 30% and 45% in the Toronto Index from its present level and any greater degree of enthusiasm, particularly if applied to a probable further increase in earnings in 1977, would produce correspondingly higher levels.

Providing the world economic recovery proceeds on schedule without generating a major resurgence of inflation and future government intervention in the economy is held within reasonable limits, the odds currently favour the Canadian stock market moving higher, perhaps considerably higher, over the foreseeable future. However, because of the nervousness generated by economic and political events of the last few years, the overall upward trend may be interrupted from time to time by reactions of some magnitude. It was this prospect of an underlying uptrend in stock prices which led your Directors to apply further leverage to the capitalization of your Company in the form of Income Debentures details of which are provided later in this Report.

Balance Sheet (see page 6)

Except for brief excursions above and below, the Toronto Stock Exchange Index remained within a trading range of about 10% during our fiscal year with a moderate bias to the upside. Our month-end net equity values per Class "B" Share, adjusted for refundable capital gains tax, followed a similar pattern but with somewhat less volatility, rising modestly overall from \$18.14 as of March 31, 1975 to \$18.32 at the end of March, 1976. The latter figure was slightly less than 18% below our adjusted all-time high set at the end of October, 1973. This compares with the previously mentioned drop of over 20% in the Toronto Stock Exchange Index during the same period.

The balance sheet gives effect to the private placement with our bankers early in March, 1976, of \$8 million principal amount of Income Debentures maturing March 9, 1979, but subject to call at our option in whole or in part on 30 days' notice in the interim. The terms of the issue

also provide that the maturity date may be extended for a further two years subject to renegotiation of the rate of interest which will be calculated during the initial three year term on the basis of a formula applied to the bank's prevailing prime lending rate. Based on this formula, the interest rate on the debentures as at March 31, 1976, was $6\frac{5}{8}\%$. Interest on income debentures is payable after income taxes but our tax level is low enough to make the raising of additional capital in this highly flexible form attractive under prevailing market conditions.

Statements of Net Income and Surplus (see page 7)

Income from dividends and interest totalled \$3,234,302, down from last year's record \$3,504,110. Operating expenses, at \$265,712, were only slightly above the previous year's figure of \$256,619 which, in turn, was the lowest level for any twelve-month fiscal period since 1968. Net income after taxes and interest on the income debentures, at \$2,900,755 compared to a record \$3,169,046 last year, was the second highest in the history of the company by a wide margin.

After provision for dividends on the Class "A" and Preferred Shares totalling \$378,355, net income available for the Class "B" Shares amounted to \$2,522,400, equal to 71.6¢ per share, down from \$2,790,691 or 79.3¢ per share in fiscal 1975. Here, again, the 1976 figure was the second highest in the company's history by a considerable margin.

Class "B" dividends declared and paid out of income during the year aggregated \$2,395,282, practically unchanged from the previous year's figure of \$2,392,243. Net income available for the Class "B" Shares exceeded the dividends declared by \$127,118 which, when added to retained income of \$1,024,707 at the beginning of the year, brought the year-end figure for retained income to \$1,151,825, equal to 32.7¢ per Class "B" Share.

The net loss on securities sold during the year amounted to \$2,892,770 which had the effect of reducing the balance of accumulated net realized gains on investments to \$55,030,518 from \$57,923,288 at the end of the prior year. However, the net loss was more than offset by an increase of \$3,166,962 in unrealized appreciation in the value of investments to \$3,430,129 from the previous year's figure of \$263,167. The net capital loss for tax purposes for the year amounted to \$3,206,267 which can be carried forward indefinitely against future capital gains. In addition, we had refundable capital gains tax on hand at the end of the year of \$215,478. Neither of these potential recoveries are reflected in the accounts.

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, and, in addition, an extra dividend of 4¢ per share was declared and paid in the fourth quarter of our fiscal year. This brought total dividends per Class "B" Share to 68¢, unchanged from the record level of the previous year. Barring something unexpected, your Directors anticipate being able to maintain Class "B" dividends at the same level during the current fiscal year despite the interest requirements of the new issue of Income Debentures.

Portfolio and Investment Policy

The detailed portfolio of investments held by your Company as of March 31, 1976, is set out on pages 9 to 11 of this report and the distribution of investments, together with summary balance sheets showing changes of portfolio weightings as of the end of the last six fiscal periods is on page 16. These reflect the move towards a considerably more aggressive investment policy which was initiated during the fiscal year just ended and has continued during the opening weeks of fiscal 1977.

Long Term Record of Investment Results — Class "B" Shares (see page 14)

The format of the usual record of your Company's progress since its inception in 1933 has been altered this year to conform more closely with the concept followed by the taxation authorities, namely that capital gains should only be treated as profits when they are realized. This is something of a departure from the practice of emphasizing net equity value per Class "B" Share which, as has been pointed out in prior Annual Reports, has become progressively less meaningful as an historical record of investment results without continuous and increasingly complicated adjustments for distortions caused by the current treatment of capital gains for tax purposes.

The record is a remarkable one by any standard and provides an impressive example of what can be achieved in the stock market by the application of reasonably conservative investment judgment over an extended period of time.

United was incorporated in May, 1933, to acquire, as of the end of 1932, the assets and undertakings of Con-

solidated Investment Corporation of Canada. That company had been launched in early 1929 with what, by today's standards, was an incredibly leveraged capitalization and had, as a consequence, found itself in serious difficulties as a result of the market crash which ensued shortly thereafter. United was, therefore, born at the bottom of the great depression of the 1930's at a time when there were very serious doubts as to the future for common stocks and, indeed, as to whether the economic system could continue to survive. As the figures show, at the end of the first year of operations the Class "B" Shares, whether based on the market value or the book value of the underlying assets, had a negative net equity value. What is not shown is the fact that they could have been acquired at that time for a few pennies per share by anyone with the faith and foresight to do so.

From that inauspicious beginning, the company produced the following after-tax results for its Class "B" Shareholders over a period of forty-three years and three months, roughly equivalent to an individual's working life: —

	TOTAL REALIZED	DIVIDENDS PAID	ADDED TO SURPLUS
<i>Capital Gains</i>	\$60,479,020	\$ 5,448,502	\$55,030,518
<i>Income</i>	36,536,364	35,384,539	1,151,825
<i>Grand Totals</i>	<u>\$97,015,384</u>	<u>\$40,833,041</u>	<u>\$56,182,343</u>

Perhaps 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, provides a lesson applicable to the present uncertain investment climate.

Subsidiary and Associated Companies

Our wholly owned subsidiary, United Bond & Share Limited, which acts as the management company for all our operations including the provision of investment management services on a fee basis, experienced another year of satisfactory growth. As a consequence, despite continuously rising operating costs, we were able to maintain the United management fee at the same level as the previous year which, in turn, was the lowest of any twelve-month period since 1968.

The RoyFund operation, consisting of two mutual funds, RoyFund (Equity) Ltd. and RoyFund Income Trust continued to expand during the year. On a combined basis

the assets of the two funds, which are managed by United Bond & Share and distributed through the branches of The Royal Bank of Canada, had reached \$106.8 million as of May 31, 1976, compared to \$91.1 million a year earlier. A return to more normal market conditions resulting in a higher level of confidence on the part of the small investor would benefit this area of our operations considerably.

The Interior Trust Company, owned equally by The Royal Bank of Canada and United Bond & Share, continued dormant during the year insofar as the usual activities of a trust company are concerned. However, in addition to operating its own investment portfolio, Interior Trust owns 50% of the voting shares of RoyMor Ltd. with the other half owned by The Royal Bank of Canada. RoyMor, the business of which is to purchase mortgages from the bank which the latter has originated and processed, has continued its record of extraordinary growth with assets exceeding \$500 million at the end of 1975.

A further small return of capital amounting to \$33,200 was received from International Capital Corporation Ltd. which remained in a holding position during the year.

Directors and Officers

On July 14, 1975, M. H. Siegerman and R. A. M. Smith were appointed Vice-Presidents replacing C. L. Gundy who remained as a Director. No other changes of Directors or Officers have taken place since the last Annual Meeting.

On behalf of the Directors,

J. V. Emory
President

June 11, 1976

BALANCE SHEET

	March 31	
	1976	1975
Assets:		
Portfolio investments, at market value (average cost — 1976 — \$68,509,063; 1975 — \$64,009,346)	\$71,939,192	\$64,272,513
Other investments (Note 2)	1,840,810	1,831,305
	<u>73,780,002</u>	<u>66,103,818</u>
Cash and temporary cash investments	5,648,750	5,383,296
Accrued income on investments	378,832	324,436
Due from brokers	322,012	—
Income taxes recoverable	3,008	160,575
	<u>\$80,132,604</u>	<u>\$71,972,125</u>
Liabilities:		
Accrued interest payable	\$ 33,343	\$ —
Due to brokers	—	259,974
Other accounts payable	23,766	37,966
	<u>57,109</u>	<u>297,940</u>
Income debentures (Note 3) '	8,000,000	—
	<u>8,057,109</u>	<u>297,940</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 Class "B"		
53,237 preferred 2,877,480	for a consideration of	
— 200,000 —	" " " "	
— — 644,993	" " " "	
<u>53,237 200,000 3,522,473</u>		
	<u>119,384</u>	<u>119,384</u>
	<u>6,000,000</u>	<u>6,000,000</u>
	<u>6,343,639</u>	<u>6,343,639</u>
	<u>12,463,023</u>	<u>12,463,023</u>
Surplus —		
Retained income	1,151,825	1,024,707
Accumulated net realized gains on investments	55,030,518	57,923,288
	<u>56,182,343</u>	<u>58,947,995</u>
	<u>68,645,366</u>	<u>71,411,018</u>
Unrealized appreciation in value of investments	3,430,129	263,167
	<u>72,075,495</u>	<u>71,674,185</u>
	<u>\$80,132,604</u>	<u>\$71,972,125</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	
	1976	1975
NET INCOME:		
Income —		
Dividends and interest	\$ 3,234,302	\$ 3,504,110
Expenses —		
Management fee	175,000	175,000
Directors' remuneration	25,950	25,600
Fees and expenses of trustee, registrar and transfer agents	21,540	24,611
Taxes other than income taxes	1,565	1,565
Legal and audit fees	16,978	14,100
Office and miscellaneous expenses	24,679	15,743
	<u>265,712</u>	<u>256,619</u>
Interest on income debentures	33,343	—
	<u>299,055</u>	<u>256,619</u>
Income before income taxes	<u>2,935,247</u>	<u>3,247,491</u>
Income taxes —		
Foreign withholding taxes	17,197	49,279
Provision for Canadian taxes	60,000	63,000
	<u>77,197</u>	<u>112,279</u>
	<u>2,858,050</u>	<u>3,135,212</u>
Equity in net income of subsidiary	42,705	33,834
NET INCOME	<u>\$ 2,900,755</u>	<u>\$ 3,169,046</u>
Net income per Class "B" share based on the average number of shares outstanding during the year	<u>71.6¢</u>	<u>79.3¢</u>

STATEMENT OF SURPLUS

	Year ended March 31	
	1976	1975
RETAINED INCOME:		
Balance at beginning of year	\$ 1,024,707	\$ 626,259
Net income	<u>2,900,755</u>	<u>3,169,046</u>
	<u>3,925,462</u>	<u>3,795,305</u>
Dividends:		
Class "A" shares	78,355	78,355
First preferred shares	300,000	300,000
Class "B" shares (per share 1976 — 68¢; 1975 — 68¢)	<u>2,395,282</u>	<u>2,392,243</u>
	<u>2,773,637</u>	<u>2,770,598</u>
Balance at end of year	<u>\$ 1,151,825</u>	<u>\$ 1,024,707</u>
ACCUMULATED NET REALIZED GAINS ON INVESTMENTS:		
Balance at beginning of year	\$57,923,288	\$57,089,822
Net gain (loss) on securities sold during the year —		
Proceeds from sale of investments	33,621,413	22,617,195
Investments at cost at beginning of year	64,009,346	58,076,953
Investments purchased during year	41,013,900	27,701,506
Investments at cost at end of year	<u>(68,509,063)</u>	<u>(64,009,346)</u>
Cost of investments sold	<u>36,514,183</u>	<u>21,769,113</u>
Net gain (loss)	<u>(2,892,770)</u>	<u>848,082</u>
Amount applied to reduce investment to realizable value ..	—	(160,000)
Income tax recovery resulting from sale of investments ..	—	145,384
	<u>(2,892,770)</u>	<u>833,466</u>
Balance at end of year	<u>\$55,030,518</u>	<u>\$57,923,288</u>

See notes to financial statements.

**STATEMENT OF
CHANGES IN NET ASSETS**

	Year ended March 31	
	1976	1975
Net assets at beginning of year	\$71,674,185	\$82,457,336
Add (deduct) changes during year —		
Net income	2,900,755	3,169,046
Net gain (loss) on sale of investments	(2,892,770)	848,082
Increase (decrease) in unrealized appreciation in value of investments	3,166,962	(12,061,890)
Dividends	(2,773,637)	(2,770,598)
Income tax recovery resulting from sale of investments .	—	145,384
Amount applied to reduce investment to realizable value	—	(160,000)
Proceeds from issue of Class “B” shares	—	46,825
Net assets at end of year	<u>\$72,075,495</u>	<u>\$71,674,185</u>

See notes to financial statements.

STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1976

No. of Shares or par value		Average cost	Market value	% of total Portfolio Investments
Banks				
5,900	Bank of Montreal	\$ 99,533	\$ 91,450	
89,750	The Bank of Nova Scotia	3,633,210	3,477,813	
83,800	Canadian Imperial Bank of Commerce	1,434,777	2,136,900	
50,300	The Mercantile Bank of Canada	885,113	710,487	
124,600	The Royal Bank of Canada	2,664,167	3,442,075	
125,398	The Toronto-Dominion Bank	2,300,500	2,304,188	
		<u>11,017,300</u>	<u>12,162,913</u>	16.90
Chemical				
5,800	Union Carbide Canada Limited	<u>113,677</u>	<u>135,575</u>	.19
Communications				
69,000	Western Broadcasting Company Ltd. Class A	<u>653,790</u>	<u>707,250</u>	.98
General Manufacturing				
100,000	Canadian Marconi Company	495,454	550,000	
10,000	I.T.L. Industries Limited 6 1/2% Conv. Pfd. Series "B"	250,000	92,500	
46,500	Northern Telecom Limited	1,274,780	1,650,750	
35,000	Northern Telecom Limited Warrants	436,004	542,500	
		<u>2,456,238</u>	<u>2,835,750</u>	3.94
Mines & Metals				
21,500	Alcan Aluminium Limited	585,439	572,437	
29,400	Asbestos Corporation Limited	622,716	870,975	
22,500	Cominco Ltd.	695,717	849,375	
12,700	Falconbridge Nickel Mines Limited	505,767	511,175	
52,322	Great Lakes Nickel Limited Options	1,207	7,848	
3,000	Hudson Bay Mining and Smelting Co., Limited Class "A"	64,762	62,625	
70,100	The International Nickel Company of Canada, Limited Class "A" ..	2,284,693	2,260,725	
117,500	Kaiser Resources Ltd.	1,421,723	1,277,813	
68,100	Kerr Addison Mines Limited Class "A"	890,410	791,663	
67,000	Noranda Mines Limited Class A	2,300,322	2,353,375	
2,400	Placer Development Limited	59,306	57,000	
70,620	Rio Algom Mines Limited	2,192,528	2,471,700	
		<u>11,624,590</u>	<u>12,086,711</u>	16.80
Merchandising				
11,400	Canadian Tire Corporation, Limited Class A	557,994	552,900	
71,250	Dominion Stores Limited	1,208,405	1,140,000	
		<u>1,766,399</u>	<u>1,692,900</u>	2.36
Oil & Gas				
85,000	Alberta Eastern Gas Limited	879,958	871,250	
11,000	Acquitaine Company of Canada Ltd.	224,649	225,500	
26,500	Dome Petroleum Limited	853,296	924,188	
12,000	Gulf Oil Canada Limited	278,266	385,500	
17,350	Home Oil Company Limited Class A	474,668	529,175	
10,300	Hudson's Bay Oil and Gas Company Limited	327,137	383,675	
39,000	Husky Oil Ltd.	1,071,692	848,250	
33,500	Imperial Oil Limited Class "A"	851,138	799,812	
58,050	Pacific Petroleum Ltd.	1,318,451	1,756,013	
\$500,000	Pacific Petroleum Ltd. 5% Conv. 1992	392,500	300,000	
82,100	Shell Canada Limited Class "A"	1,071,764	1,313,600	
		<u>7,743,519</u>	<u>8,466,963</u>	11.77

UNITED CORPORATIONS LIMITED

STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1976

No. of Shares or par value		Average cost	Market value	% of total Portfolio Investments
Paper & Forest Products				
28,800	Abitibi Paper Company Ltd.	\$ 386,420	\$ 352,800	
3,100	Consolidated-Bathurst Limited Class A	117,572	114,313	
2,500	Consolidated-Bathurst Limited Warrants	43,231	42,187	
23,900	The Price Company Limited	406,504	382,400	
		<u>953,727</u>	<u>891,700</u>	1.24
Pipeline				
79,000	The Alberta Gas Trunk Line Company Limited Class "A"	754,424	1,027,000	
105,000	TransCanada PipeLines Limited	1,227,800	1,273,125	
53,022	Westcoast Transmission Company Limited	1,160,981	1,285,783	
		<u>3,143,205</u>	<u>3,585,908</u>	4.99
Real Estate				
46,000	The Cadillac Fairview Corporation Limited	557,588	425,500	
21,900	S. B. McLaughlin Associates Limited	456,980	199,838	
		<u>1,014,568</u>	<u>625,338</u>	.87
Steel				
36,200	The Algoma Steel Corporation, Limited	873,250	909,525	
59,150	Dominion Foundries and Steel, Limited Class A	1,556,101	1,537,900	
102,000	The Steel Company of Canada, Limited Class "A"	2,997,200	2,881,500	
		<u>5,426,551</u>	<u>5,328,925</u>	7.41
Trust & Loan				
15,100	IAC Limited	281,737	271,800	
36,900	The Royal Trust Company Class "A"	856,063	830,250	
		<u>1,137,800</u>	<u>1,102,050</u>	1.53
Utility				
88,942	Bell Canada	3,935,090	3,991,272	
58,750	Calgary Power Ltd. Class A	1,371,512	1,622,969	
55,200	Norcen Energy Resources Limited	683,797	669,300	
69,000	Union Gas Limited Class A	527,677	534,750	
		<u>6,518,076</u>	<u>6,818,291</u>	9.48
Miscellaneous				
61,000	Canadian Pacific Limited	1,016,619	1,014,125	
86,500	Consumers Glass Company Limited	828,274	1,275,875	
8,000	Crown Life Insurance Company	358,185	384,000	
29,000	Genstar Limited	532,790	619,875	
16,000	The Great-West Life Assurance Company	1,015,356	888,000	
13,000	McIntyre Mines Limited	549,261	568,750	
37,500	Moore Corporation Limited	1,777,108	1,804,687	
20,000	Okanagan Helicopters Limited	294,043	142,500	
30,100	Rothmans of Pall Mall Canada Limited 6 ³ / ₈ % Conv. Second Pfd. (\$20 par)	430,770	496,650	
28,800	Rothmans of Pall Mall Canada Limited	433,089	504,000	
25,000	Systems Dimensions Limited	273,417	70,000	
\$350,000	Systems Dimensions Limited 5% Conv. 1989	410,000	175,000	
		<u>7,918,912</u>	<u>7,943,462</u>	11.04

STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1976

No. of Shares or par value		Average cost	Market value	% of total Portfolio Investments
American Securities				
20,000	W. W. Grainger Incorporated	\$ 494,347	\$ 590,600	
8,000	Inland Steel Company	366,311	395,680	
8,000	International Business Machines Corporation	1,672,098	2,063,120	
8,000	Lilly (Eli) and Company	418,777	430,160	
25,000	Lykes-Youngstown Corporation	587,698	516,750	
5,500	McDonald's Corporation	345,209	346,500	
13,500	Mobil Oil Corporation	719,214	770,715	
46,800	Northwest Airlines, Incorporated	1,302,486	1,307,124	
11,200	D. S. Revco Incorporated	488,236	487,872	
9,000	Sundstrand Corporation	244,235	256,860	
1,100	Texasgulf Inc.	38,361	37,950	
4,500	United States Steel Corporation	343,739	352,125	
		<u>7,020,711</u>	<u>7,555,456</u>	<u>10.50</u>
Total Portfolio Investments		<u><u>\$68,509,063</u></u>	<u><u>\$71,939,192</u></u>	<u><u>100.00%</u></u>

NOTES TO FINANCIAL STATEMENTS

March 31, 1976

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, 1976. No provision has been made for deferred income taxes that would be payable if the investments had been disposed of on March 31, 1976 at the quoted market prices on that date. If such realization had taken place, 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, 1976 has been translated into Canadian dollars at the exchange rate prevailing as at that date.

2. Other investments:

Other investments consist of the following —

	<u>1976</u>	<u>1975</u>
Shares in and advances to subsidiary, United Bond & Share Limited, at cost plus equity in accumulated earnings	\$1,507,610	\$1,464,905
Shares in International Capital Corporation Ltd., at cost less \$160,000 to reduce investment to realizable value	333,200	366,400
	<u>\$1,840,810</u>	<u>\$1,831,305</u>

3. Income Debentures:

During the year, the Company issued \$8,000,000 of income debentures which 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 as at March 31, 1976 being 6.625%.

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, 1976. The net capital loss for tax purposes for the year ended March 31, 1976 amounted to \$3,206,267 which can be carried forward indefinitely against future capital gains. 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:

	1976	1975
Directors	\$ 25,950	\$ 25,600
Officers	\$227,300	\$246,475
Number of directors	11	11
Number of officers	5	7
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, 1976 which appear on pages 6 to 13 inclusive. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence 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, 1976 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, May 4, 1976

Price Waterhouse & Co.
Chartered Accountants

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

Year	Net Equity For Class "B" Shares				Realized Net Capital Gains		Net Income	
	Market	Cost		Per Share	After Taxes		Available For Class "B" Shares	
	Total	Per Share	Total		Total	Per Share	Total	Per Share
1933	\$ (378,823)	\$ (0.13)	\$ (1,405,281)	\$ (0.48)	\$ 403,227	\$0.140	\$ 72,510	\$0.025
1934	1,550,855	0.53	(1,192,871)	(0.41)	157,221	0.055	1,595	0.001
1935	2,718,308	0.94	(804,255)	(0.27)	337,039	0.117	115,845	0.040
1936	6,296,163	2.18	1,275,583	0.44	1,970,479	0.685	45,088	0.016
1937	3,114,981	1.08	1,899,451	0.66	490,410	0.170	(43,501)	(0.015)
1938	4,086,736	1.42	2,359,600	0.82	108,117	0.038	48,982	0.017
1939	4,550,325	1.58	2,919,308	1.01	453,900	0.158	77,058	0.027
1940	3,382,741	1.17	3,173,101	1.10	227,433	0.079	26,358	0.009
1941	2,987,636	1.03	3,311,741	1.15	118,688	0.041	79,900	0.028
1942	3,632,977	1.26	3,320,169	1.15	(45,566)	(0.016)	117,690	0.041
1943	5,166,473	1.79	3,385,603	1.17	89,011	0.031	78,361	0.027
1944	6,818,492	2.37	3,674,355	1.27	259,962	0.090	153,480	0.053
1945	10,064,064	3.49	4,706,920	1.63	1,021,940	0.355	173,681	0.060
1946	9,779,382	3.39	5,832,568	2.02	1,062,602	0.369	242,888	0.084
1947	9,488,685	3.29	6,553,505	2.28	693,688	0.241	338,974	0.118
1948	9,375,986	3.25	7,080,320	2.46	574,347	0.200	299,464	0.104
1949	10,804,850	3.75	7,194,498	2.50	110,554	0.038	387,287	0.135
1950	13,542,503	4.70	7,734,846	2.68	650,507	0.226	561,357	0.195
1951	16,624,505	5.77	8,917,555	3.09	1,180,124	0.410	578,082	0.201
1952	15,792,833	5.48	10,100,526	3.51	1,169,466	0.406	612,980	0.213
1953	15,662,967	5.44	10,282,981	3.57	167,059	0.058	638,850	0.222
1954	21,733,761	7.55	11,393,897	3.95	1,082,987	0.376	699,341	0.243
1955	25,747,806	8.94	13,755,494	4.78	2,348,630	0.816	732,337	0.255
1956	25,170,984	8.74	16,552,514	5.75	2,785,558	0.968	778,790	0.271
1957	22,000,526	7.64	17,684,185	6.14	1,064,583	0.370	834,416	0.290
1958	28,814,158	10.01	18,450,974	6.41	636,177	0.221	897,941	0.312
1959	34,220,894	10.02	26,438,371	7.74	2,426,184	0.711	845,173	0.248
1960	33,624,014	9.85	27,137,616	7.95	644,825	0.189	1,080,482	0.317
1961	40,375,693	11.77	29,334,538	8.55	2,108,673	0.615	1,074,576	0.313
1962	37,892,527	11.01	29,117,210	8.46	(329,562)	(0.096)	1,145,036	0.333
1963	44,574,262	12.84	30,190,569	8.69	1,223,254	0.352	1,025,784	0.296
1964	55,113,905	15.87	33,782,692	9.73	3,588,064	1.034	1,284,223	0.370
1965	58,370,387	16.80	36,245,319	10.43	2,363,628	0.680	1,503,104	0.433
1966	55,408,872	15.94	40,534,175	11.66	4,010,780	1.154	1,664,295	0.479
1967	67,010,142	19.11	46,964,486	13.39	6,051,175	1.727	1,740,530	0.497
1968	77,183,680	21.98	53,895,493	15.35	7,685,656	2.189	1,700,009	0.484
1969	71,022,217	20.20	59,372,328	16.88	6,445,802	1.833	1,865,674	0.531
1970	63,455,575	18.05	56,150,906	15.97	(2,108,632)	(0.600)	1,981,177	0.563
1971	65,654,757	18.67	54,261,200	15.43	(394,428)	(0.112)	1,669,008	0.475
1972	79,010,506	22.47	57,536,413	16.36	4,117,838	1.171	1,723,962	0.490
1973	76,011,552	21.61	59,907,655	17.03	3,275,975 (c)	0.931 (c)	374,400 (c)	0.106 (c)
1974	74,710,661	21.23	62,385,604	17.73	2,310,949	0.657	1,996,086	0.567
1975	63,927,510	18.14	63,664,343	18.07	833,466	0.237	2,790,691	0.792
1976	64,328,820	18.26	60,898,691	17.28	(2,892,770)	(0.821)	2,522,400	0.716

(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.

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

(b) Figures in brackets denote red figures.

(d) Annualized.

Additions to Surplus		Class "B" Dividends Declared				Operating Expenses Before interest and taxes	
Total	Per Share	Total	Per Share	Total	Per Share	Total	Percentage of Class "B" Equity at market %
\$ 475,737	\$0.165	\$ —	\$ —	\$ —	\$ —	\$ 42,104	—
158,816	0.056	—	—	—	—	41,341	2.67
452,884	0.157	—	—	—	—	44,370	1.63
2,015,567	0.701	—	—	—	—	66,569	1.05
446,909	0.195	—	—	—	—	65,694	2.11
157,099	0.055	—	—	—	—	58,199	1.42
530,958	0.185	—	—	—	—	57,270	1.26
253,791	0.088	—	—	—	—	60,415	1.85
198,588	0.069	—	—	59,948	.02	44,816	1.50
72,124	0.025	—	—	71,937	.025	43,195	1.22
167,372	0.058	—	—	71,937	.025	45,108	.87
413,442	0.143	—	—	124,691	.043	44,263	.65
1,195,621	0.415	—	—	163,057	.06	46,882	.47
1,305,489	0.453	—	—	179,843	.06	48,225	.49
1,032,662	0.359	—	—	311,727	.11	46,485	.49
873,811	0.304	—	—	359,685	.125	56,582	.60
497,841	0.173	—	—	383,664	.13	60,022	.56
1,211,864	0.421	—	—	551,517	.19	66,427	.49
1,758,206	0.611	—	—	575,496	.20	70,971	.43
1,782,446	0.619	—	—	599,475	.21	72,186	.46
805,909	0.280	—	—	623,454	.22	83,124	.53
1,782,328	0.619	—	—	671,412	.23	91,038	.42
3,080,967	1.071	—	—	719,370	.25	91,440	.36
3,564,348	1.239	—	—	767,328	.27	103,470	.41
1,898,999	0.660	—	—	767,328	.27	111,113	.51
1,534,118	0.533	—	—	767,328	.27	106,672	.37
3,271,357	0.959	—	—	863,244	.30	113,060	.33
1,725,307	0.506	—	—	1,023,562	.30	158,548	.47
3,183,249	0.928	—	—	1,083,277	.32	152,566	.38
815,474	0.237	—	—	1,089,975	.32	155,156	.41
2,249,038	0.648	—	—	1,157,791	.33	148,494	.33
4,872,287	1.404	—	—	1,284,214	.37	155,680	.28
3,866,732	1.113	—	—	1,423,745	.41	163,928	.28
5,675,075	1.633	—	—	1,389,999	.44	165,166	.30
7,791,705	2.224	—	—	1,601,039	.46	182,561	.27
9,385,665	2.673	—	—	2,523,508	.72	226,717	.29
8,311,475	2.364	1,053,262	0.34	1,827,503	.48	277,012	.39
(127,455)	(0.004)	1,230,555	0.36	1,863,413	.52	303,083	.48
1,274,580	0.587	1,406,349	0.42	1,757,937	.48	272,948	.42
5,841,800	1.661	878,968	0.25	1,687,619	.48	268,995	.34
3,650,375 (c)	1.037 (c)	879,368 (c)	0.25 (c)	421,905 (c)	.12 (c)	68,585 (c)	.36 (d)
4,307,035	1.224	—	—	1,829,086	.52	270,578	.36
3,624,157	1.029	—	—	2,392,243	.68	256,619	.40
(370,370)	(0.011)	—	—	2,395,282	.68	265,712	.41

UNITED CORPORATIONS LIMITED

SUMMARY BALANCE SHEETS (all investments at market)

Portfolio —	1976 March 31st	1975 March 31st	1974 March 31st	1973 March 31st	1972 Dec. 31st	1971 Dec. 31st
Cash, etc., Bullion, Short Term Notes & Bonds	\$ 6,352,602	\$ 9,249,465	\$13,947,145	\$ 5,471,031	\$ 4,408,387	\$ 5,079,205
Less: Liabilities	57,109	297,940	267,236	1,975,491	191,990	377,661
Quick Reserves	6,295,493	8,951,525	13,679,909	3,495,540	4,216,397	4,701,544
Preferred Stocks	—	—	—	—	—	593,312
Total Reserves	6,295,493	8,951,525	13,679,909	3,495,540	4,216,397	5,294,856
Common Stocks & Convertibles* ..	71,939,192	60,891,355	66,706,356	78,145,025	80,435,645	66,067,712
Total Portfolio Investments and Cash	78,234,685	69,842,880	80,386,265	81,640,565	84,652,042	71,362,568
Investment in and advances to Subsidiary and Affiliated Companies	1,840,810	1,831,305	2,071,071	2,117,662	2,105,139	2,038,864
Net Assets available for investment	80,075,495	71,674,185	82,457,336	83,758,227	86,757,181	73,401,432
Less: Income Debentures	8,000,000	—	—	—	—	—
Total Net Assets	<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>	<u>\$73,401,432</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*	64,328,820	63,927,510	74,710,661	76,011,552	79,010,506	65,654,757
	<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>	<u>\$73,401,432</u>
*Percentage of Common Stocks & Convertibles to Class "B" Equity —	111.8%	95.3%	89.3%	102.8%	101.8%	100.6%

Distribution of Portfolio Investments

March 31	1976		1975	
	Market Value	Percentage	Market Value	Percentage
Cash, Short Term Notes, etc. — net	\$ 6,295,493	8.05%	\$ 5,570,367	7.98%
Bullion	—	—	3,381,158	4.84
Convertibles	1,194,150	1.53	764,200	1.09
Common Stocks	70,745,042	90.42	60,127,155	86.09
Total Portfolio Investments and Cash	<u>\$78,234,685</u>	<u>100.00%</u>	<u>\$69,842,880</u>	<u>100.00%</u>

Geographical distribution at market, March 31, 1976 — Canada 90.34% — Foreign 9.66%

