

UNITED CORPORATIONS LIMITED

Annual Report 1974



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
IAN S. STEERS
London, England
ALAN E. TARR
Winnipeg
ISABEL WATERHOUSE
Montreal

OFFICERS

J. V. EMORY
President
C. L. GUNDY
Vice-President
M. H. SIEGERMAN
Assistant to the President
R. B. WRIGHT
Assistant to the President
ISABEL WATERHOUSE
Secretary
R. A. M. SMITH, C.A.
Treasurer
EVELYN CLAYTON
Assistant-Secretary
P. A. SMALLMAN
Assistant-Treasurer

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.

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.



TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the 42nd Annual Report of your Company for the year ended March 31, 1974.

Balance Sheet (see page 4)

Stock markets during the period under review were highly volatile and unpredictable as investors reacted to a succession of political and economic disturbances. As our fiscal year drew to a close, the overriding concern centered on world-wide rates of inflation and the potential for major disturbances in international trade balances as the oil consuming countries endeavour to meet the greatly increased cost of oil imports. The magnitude of these problems introduced an air of great uncertainty into financial markets and resulted in a very high level of interest rates, both short and long term, accompanied by an historically low valuation of per share earnings.

As might be expected, our month-end net asset values during the year reflected the volatility of the market, actually setting an all-time high at the end of October before declining as our fiscal year progressed. As of March 31, 1974, after full provision for taxes, including capital gains taxes, and payment of dividends on all classes of shares totalling \$2,207,441, total net assets stood at \$82,457,336 as compared to \$83,758,227 at the end of the previous fiscal year. After allowance for the respective redemption prices of the outstanding Class "A" and First Preferred Shares, the net equity value behind each of the three classes of shares was:—

Class "A"

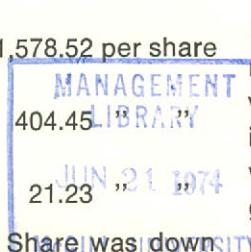
Shares — \$82,457,336 or \$1,578.52 per share

First Preferred

Shares — \$80,890,226 or \$ 404.45

Class "B"

Shares — \$74,710,661 or \$ 21.23



The figure of \$21.23 per Class "B" Share was down 1.8% from the corresponding figure of \$21.61 at the

end of the previous fiscal year, a reasonably satisfactory performance in the light of the underlying market conditions.

Statement of Net Income and Surplus (see page 5)

Because of the change in year-end last year from December 31st to March 31st, our previous fiscal period consisted of only three months and, as a consequence, no comparative audited figures are available for the twelve months ended March 31, 1973.

For the latest fiscal year income from interest and dividends totalled \$2,646,318, the second highest figure for any twelve-month fiscal period in the history of your Company. Operating expenses of \$270,578, equal to 0.33% of net assets, were maintained under close control and it is worth noting that management fees of \$183,500 or 0.22% of net assets were at the lowest level for any twelve month fiscal period since 1968. Net after-tax income, at \$2,374,441, was the highest in the history of your Company.

After provision of \$378,355 for dividends on the Class "A" and First Preferred Shares, net income available for the Class "B" Shares was \$1,996,086, a new high and equal to 56.7¢ per share on the 3,517,473 Class "B" Shares outstanding at the end of the year.

Class "B" dividends declared and paid out of income during the year totalled \$1,829,086. Net income therefore exceeded dividends declared by \$167,000 which, when added to accumulated net income of \$459,259 at the beginning of the year, brought the year-end figure for accumulated net income to \$626,259.

Sales of investments during the year resulted in realized investment gains of \$2,503,428. After provision for capital gains taxes of \$192,479, net realized investment gains amounted to \$2,310,949 which, when added to accumulated net realized investment gains at the beginning of the year of \$54,778,873, resulted in accumulated net realized investment gains at the end of the year of \$57,089,822.

Combining the year-end figures for accumulated net income and accumulated net realized investment gains produced an overall surplus of \$57,716,081 as of March 31, 1974, up from \$55,243,188 at the end of the previous year. However, this increase of \$2,472,893 was more than offset by a drop of \$3,778,840 in unrealized appreciation in market value of investments from \$16,103,897 to \$12,325,057.

Dividends

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.

Quarterly dividends declared and paid on the Class "B" Shares consisted of four regular dividends of 12¢ per share. In addition, an extra dividend of 4¢ per share was declared and paid in March, 1974, bringing total dividends declared and paid out of income during the year to 52¢ per share. No capital gains dividend was declared with respect to the year's operations.

Portfolio and Investment Policy

The detailed portfolio of investments held by your Company as of March 31, 1974, is set out on pages 7 to 9 of this report and the distribution of investments, together with summary balance sheets as of the end of the last six fiscal periods showing changes in portfolio weightings is on page 11.

As was mentioned in the preliminary year-end report dated April 19, 1974, unsettled conditions in world financial markets led us to adopt a defensive investment posture during the second half of our fiscal year with the result that we ended the year with substantial cash reserves together with a sizeable position in the shares of gold mining companies and, to a lesser extent, in gold bullion.

Record of Asset Valuations, Income and Dividends

The customary record of your Company's progress since its inception in 1933 will be found on page 12.

For reasons which have been pointed out in previous Annual Reports, net equity value per share, when taken alone, has become increasingly less meaningful as a measure of investment results.

Perhaps the best indication of our record over the past ten years is the fact that net equity value per Class "B" Share grew from \$13.83 at March 31, 1964, to \$21.24 at March 31, 1974, or by \$7.41, after payment of a total of \$6.545 per share in dividends. The total return on investment over the period was therefore \$13.955 on an original net equity value of \$13.83. If it is assumed that all dividends were reinvested at the net equity value at the time of payment, the compound annual rate of return for the ten years was 8.04%.

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 as a holding company for certain non-portfolio investments of your Company.

This subsidiary had another successful year with net income amounting to \$63,408 and in March paid a dividend of \$150,000 to the parent company out of its accumulated surplus. In addition to this type of direct return on investment, continued growth in the income of United Bond & Share has enabled it to absorb an increasing proportion of our total management expenses with a consequent reduction in the share borne by United. As has already been noted, this has resulted in an actual reduction in the latter's management expenses over the last five years despite the strong inflationary trend during the period.

Mention has been made in past Annual Reports of RoyFund Ltd., the equity-oriented mutual fund managed by United Bond & Share and distributed through the branches of The Royal Bank of Canada. In October of last year a second fund was launched under

the RoyFund umbrella. The new fund, RoyFund Income Trust, is, as its name suggests, income-oriented with a portfolio consisting of mortgages and high-yielding fixed income securities. It has proved to be a most popular innovation and the continued growth of the overall RoyFund operation has been exceedingly gratifying. As of March 31, 1974, the combined net assets of the two funds stood at \$74.5 million, an increase of 63% over the March 31, 1973, figure of \$45.6 million, which consisted of the net assets of RoyFund Ltd. alone.

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. It is, however, operating an investment program of its own and, in addition, owns 50% of the voting shares of RoyMor Ltd. The business of RoyMor is to purchase mortgages from the bank which the latter has originated and processed and it has continued its outstanding record of growth with total assets in excess of \$340 million at the end of 1973.

The shares of International Capital Corporation Ltd. were resold by United Bond & Share to the parent company during the year and this holding now

appears in the United balance sheet under the heading of "Other investments". International Capital, which is jointly owned by The Royal Bank of Canada, IAC Limited and United, has been shifting its merchant banking operations increasingly towards business consulting with less emphasis on investment and we expect that our dollar commitment to the company will be reduced over a period of time as this trend continues.

Directors and Officers

Your Directors were greatly saddened by the death in March of this year of T. N. Beaupré who had been a highly valued Director of your Company since 1967. Mr. Beaupré was a leading figure in the industrial and commercial life of Canada and his passing was a great loss to the country as a whole as well as to a host of friends and associates.

On behalf of the Directors,

J. V. EMORY,

President.

June 14th, 1974.

UNITED CORPORATIONS LIMITED

BALANCE SHEET

March 31, 1974
(Note 6)

Net Assets

Assets:

| | |
|--|--------------|
| Portfolio investments, at quoted market value (average cost — \$58,076,953) | \$70,402,010 |
| Other investments, at cost (Note 1): | 2,071,071 |
| | <hr/> |
| Cash and other assets — | 72,473,081 |
| Cash | \$10,020,919 |
| Accrued income on investments | 211,467 |
| Accounts receivable | 19,105 |
| | <hr/> |
| TOTAL ASSETS | 10,251,491 |
| | <hr/> |
| | 82,724,572 |
| Liabilities: | |
| Income taxes | 249,431 |
| Other accounts payable | 17,805 |
| | <hr/> |
| NET ASSETS | 267,236 |
| | <hr/> |
| | \$82,457,336 |

Shareholders' Equity

Capital stock (Notes 3 and 4):

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 | |
| — | 200,000 | — | " " | " " | 6,000,000 |
| — | — | 639,993 | " " | " " | 6,296,814 |
| <u>52,237</u> | <u>200,000</u> | <u>3,517,473</u> | | | <hr/> |
| | | | | | \$12,416,198 |
| | | | | | <hr/> |
| | | | | | 57,716,081 |
| | | | | | <hr/> |
| | | | | | 12,325,057 |
| | | | | | <hr/> |
| | | | | | 70,041,138 |
| | | | | | <hr/> |
| | | | | | \$82,457,336 |

SIGNED ON BEHALF OF THE BOARD:

J. V. EMORY, Director

G. DRUMMOND BIRKS, Director

**STATEMENT OF
NET INCOME
AND SURPLUS**

For the year ended
March 31, 1974

Net income:

| | |
|--|---------------------|
| INCOME — | |
| Dividends and interest | <u>\$ 2,646,318</u> |
| EXPENSES — | |
| Management fee | \$ 183,500 |
| Directors' remuneration | 23,999 |
| Fees and expenses of trustee, registrar and transfer agents | 31,693 |
| Taxes other than income taxes | 1,947 |
| Legal and audit fees | 9,800 |
| Office and miscellaneous expenses | <u>19,639</u> |
| | <u>270,578</u> |
| Income before income taxes | <u>2,375,740</u> |
| INCOME TAXES — | |
| U.S. withholding taxes | 4,707 |
| Provision for Canadian taxes | <u>60,000</u> |
| | <u>64,707</u> |
| Equity in net income of subsidiary | <u>2,311,033</u> |
| Net income | <u>63,408</u> |
| | <u>\$ 2,374,441</u> |

Surplus:

| | |
|--|---------------------|
| ACCUMULATED NET INCOME — | |
| Beginning of year | \$ 459,259 |
| Net income above | <u>2,374,441</u> |
| | <u>\$ 2,833,700</u> |
| DIVIDENDS — | |
| Class "A" shares | 78,355 |
| First preferred shares | 300,000 |
| Class "B" shares | <u>1,829,086</u> |
| | <u>2,207,441</u> |
| ACCUMULATED NET INCOME — | |
| End of year | <u>626,259</u> |
| ACCUMULATED NET REALIZED INVESTMENT GAINS — | |
| Beginning of year | 54,778,873 |
| Net gain on sale of investments | <u>2,503,428</u> |
| | <u>57,282,301</u> |
| INCOME TAX ON NET TAXABLE GAINS ON SALE OF INVESTMENTS (Note 2) | <u>192,479</u> |
| ACCUMULATED NET REALIZED INVESTMENT GAINS — | |
| End of year | <u>57,089,822</u> |
| Surplus, end of year | <u>\$57,716,081</u> |

UNITED CORPORATIONS LIMITED

STATEMENT OF UNREALIZED APPRECIATION OF INVESTMENTS

For the year ended
March 31, 1974

| | |
|--------------------------------------|---------------------|
| Balance, beginning of year | \$16,103,897 |
| Decrease during year | (3,778,840) |
| Balance, end of year | <u>\$12,325,057</u> |

STATEMENT OF CHANGES IN NET ASSETS

For the year ended
March 31, 1974

| | |
|--|---------------------|
| Net assets, beginning of year | \$83,758,227 |
| Net income | 2,374,441 |
| Net gain on sale of investments * | 2,503,428 |
| Decrease in unrealized appreciation of investments | (3,778,840) |
| Dividends | (2,207,441) |
| Income tax on net taxable gains on sale of investments | (192,479) |
| Net assets end of year | 82,457,336 |
| Redemption value of Class "A" and first preferred shares | 7,746,675 |
| Net assets, applicable to Class "B" shares | <u>\$74,710,661</u> |
| Number of Class "B" shares outstanding at end of year | 3,517,473 |
| Net asset value per Class "B" share | <u>\$ 21.23</u> |

| | |
|--|---------------------|
| *Aggregate proceeds from sale of investments | \$47,977,447 |
| Deduct: Cost of investments sold — | |
| Aggregate cost of investments owned at beginning of year | 64,958,503 |
| Aggregate cost of purchases of investments | 38,592,469 |
| | 103,550,972 |
| Aggregate cost of investments owned at end of year | 58,076,953 |
| | 45,474,019 |
| Net gain on sale of investments | <u>\$ 2,503,428</u> |

STATEMENT OF INVESTMENTS AS AT MARCH 31, 1974

| <u>No. of shares, units or par value</u> | <u>Cost</u> | <u>Quoted market value</u> | <u>% of net assets</u> |
|--|------------------|------------------------------------|----------------------------|
| Banks | | | |
| 60,000 Bank of Montreal | \$ 1,012,200 | \$ 1,200,000 | |
| 74,000 Canadian Imperial Bank of Commerce | 1,102,600 | 2,173,750 | |
| 45,000 The Mercantile Bank of Canada | 949,300 | 928,125 | |
| 90,000 The Royal Bank of Canada | 1,442,700 | 3,296,250 | |
| | <u>4,506,800</u> | <u>7,598,125</u> | 9.21 |
| Beverages | | | |
| 25,000 Distillers Corporation-Seagrams Limited | 962,100 | 1,075,000 | |
| 16,500 The Molson Companies Limited "A" | 451,003 | 371,250 | |
| 26,900 Hiram Walker-Goodeham & Worts Limited | 1,396,342 | 1,405,525 | |
| | <u>2,809,445</u> | <u>2,851,775</u> | 3.46 |
| Communications | | | |
| 5,700 Quebecor Inc. | 93,021 | 69,825 | |
| 41,325 Toronto Star Limited "B" | 523,725 | 692,194 | |
| | <u>616,746</u> | <u>762,019</u> | .92 |
| Construction & Material | | | |
| 63,100 Canada Cement Lafarge Ltd. | <u>239,149</u> | <u>875,513</u> | 1.06 |
| Food Processing | | | |
| 60,000 Burns Foods Limited | <u>837,032</u> | <u>915,000</u> | 1.11 |
| General Manufacturing | | | |
| 100,000 Canadian Marconi Company | 495,454 | 365,000 | |
| 10,000 I.T.L. Industries Limited 6.5% Conv. Pfd. "B" | 250,000 | 135,000 | |
| 33,500 Sklar Manufacturing Limited | 230,480 | 205,187 | |
| | <u>975,934</u> | <u>705,187</u> | .86 |
| Industrial Mines & Metals | | | |
| 40,000 Asbestos Corporation Limited | 863,215 | 745,000 | |
| 28,400 Cominco Ltd. | 947,424 | 876,850 | |
| 32,500 Great Lakes Nickel Limited | 239,687 | 86,450 | |
| 52,322 Great Lakes Nickel Limited Options | 1,207 | 7,848 | |
| 65,000 The International Nickel Company of Canada, Limited . . . | 2,227,550 | 2,250,625 | |
| 46,000 Noranda Mines Limited | 1,647,720 | 2,271,250 | |
| 62,900 Rio Algom Mines Limited | 2,029,001 | 2,107,150 | |
| | <u>7,955,804</u> | <u>8,345,173</u> | 10.12 |
| Merchandising | | | |
| 5,200 Canadian Tire Corporation, Limited "A" | 271,504 | 206,050 | |
| 100,000 Simpsons, Limited | 153,000 | 862,500 | |
| 25,000 Steinberg's Limited "A" | 479,750 | 500,000 | |
| | <u>904,254</u> | <u>1,568,550</u> | 1.90 |

UNITED CORPORATIONS LIMITED

STATEMENT OF INVESTMENTS (Cont'd.)

| No. of shares, units or par value | Cost | Quoted market value | % of net assets |
|---|------------------|---------------------------|--------------------|
| Oil & Gas | | | |
| 85,000 Alberta Eastern Gas Limited | \$ 879,958 | \$ 637,500 | |
| 23,500 Aquitaine Company of Canada Ltd. | 649,815 | 710,875 | |
| 30,100 Gulf Oil Canada Limited | 694,708 | 1,068,550 | |
| 23,000 Home Oil Company Limited "A" | 1,263,140 | 1,201,750 | |
| 6,500 Hudson's Bay Oil & Gas Company Limited | 307,115 | 284,375 | |
| 42,000 Husky Oil Ltd. | 1,198,632 | 913,500 | |
| 34,000 Pan Ocean Oil Corporation | 595,558 | 467,500 | |
| 57,000 Shell Canada Limited "A" | 718,770 | 1,068,750 | |
| 9,500 Texaco Canada Limited | 570,202 | 458,375 | |
| | <u>6,877,898</u> | <u>6,811,175</u> | 8.26 |
| Paper & Forest Products | | | |
| 31,000 Abitibi Paper Company Ltd. | 371,778 | 395,250 | |
| 17,000 Consolidated-Bathurst Limited | 249,730 | 463,250 | |
| 15,500 MacMillan Bloedel Limited | 460,350 | 486,313 | |
| 68,800 The Price Company Limited | 1,050,564 | 1,083,600 | |
| | <u>2,132,422</u> | <u>2,428,413</u> | 2.95 |
| Pipelines | | | |
| 37,200 TransCanada PipeLines Limited | 1,304,976 | 1,171,800 | |
| 24,800 Westcoast Transmission Company Limited | 598,629 | 558,000 | |
| | <u>1,903,605</u> | <u>1,729,800</u> | 2.10 |
| Real Estate | | | |
| 29,000 Alliance Building Corporation Limited | 303,630 | 282,750 | |
| 46,000 Cadillac Development Corporation Limited | 557,588 | 805,000 | |
| 28,000 S. B. McLaughlin Associates Limited | 584,267 | 598,500 | |
| 49,900 Trizec Corporation Ltd. | 805,386 | 1,135,225 | |
| | <u>2,250,871</u> | <u>2,821,475</u> | 3.42 |
| Steel | | | |
| 30,400 The Algoma Steel Corporation, Limited | 533,824 | 760,000 | |
| 34,700 Dominion Foundries and Steel, Limited | 797,059 | 1,075,700 | |
| 32,900 The Steel Company of Canada, Limited | 811,643 | 1,044,575 | |
| | <u>2,142,526</u> | <u>2,880,275</u> | 3.49 |
| Trust & Loan | | | |
| 60,000 BM-RT Realty Investments Trust Units | 848,016 | 795,000 | |
| 70,000 Financial Collection Agencies Ltd. | 838,530 | 161,000 | |
| 36,500 IAC Limited | 375,220 | 657,000 | |
| 22,000 The Royal Trust Company | 548,506 | 577,500 | |
| | <u>2,610,272</u> | <u>2,190,500</u> | 2.66 |

STATEMENT OF INVESTMENTS (Cont'd.)

| <u>No. of shares, units or par value</u> | <u>Cost</u> | <u>Quoted market value</u> | <u>% of net assets</u> |
|---|-----------------------|------------------------------------|----------------------------|
| Utility | | | |
| 74,000 Bell Canada | \$ 3,255,904 | \$ 3,256,000 | |
| 5,000 British Columbia Telephone Company | 287,100 | 285,000 | |
| 55,000 The Consumers' Gas Company | 927,261 | 921,250 | |
| | <u>4,470,265</u> | <u>4,462,250</u> | 5.41 |
| Miscellaneous Industrials | | | |
| 48,000 Consumers Glass Company Limited | 393,405 | 480,000 | |
| 8,000 Crown Life Insurance Company | 358,185 | 532,000 | |
| 30,000 Genstar Limited | 551,162 | 570,000 | |
| 16,000 Great-West Life Assurance Company | 1,015,356 | 1,024,000 | |
| 14,700 Imasco Limited | 444,573 | 457,538 | |
| 53,000 Moore Corporation Limited | 1,332,885 | 2,557,250 | |
| 20,000 Okanagan Helicopters Limited | 294,043 | 152,500 | |
| 14,100 Reed Shaw Osler Limited | "A" 162,150 | 112,800 | |
| 25,000 Systems Dimensions Limited | 273,417 | 296,875 | |
| \$350,000 Systems Dimensions Limited | 5% Conv. 1989 410,000 | 369,250 | |
| | <u>5,235,176</u> | <u>6,552,213</u> | 7.95 |
| Gold | | | |
| 64,000 Blyvooruitzicht Gold Mining Co. | 762,494 | 992,000 | |
| 20,000 Buffelsfontein Gold Mining Co. Ltd. | 730,665 | 695,000 | |
| 32,900 Camflo Mines Limited | 506,532 | 658,000 | |
| 31,050 Dome Mines Limited | 3,211,517 | 5,433,750 | |
| 51,000 Doornfontein Gold Mining Company | 751,230 | 1,249,500 | |
| 5,500 Homestake Mining Company | 446,803 | 480,001 | |
| 46,300 Pamour Porcupine Mines, Limited | 399,515 | 781,312 | |
| 18,100 Sigma Mines (Quebec) Limited | 430,515 | 742,100 | |
| 19,000 Vaal Reefs Exploration & Mining Co. Ltd. | 818,900 | 1,097,250 | |
| 30,000 Western Deep Levels Ltd. | 760,281 | 1,080,000 | |
| Bullion — 21,968.494 ounces | 2,790,302 | 3,695,654 | |
| | <u>11,608,754</u> | <u>16,904,567</u> | 20.50 |
| Total portfolio investments | 58,076,953 | 70,402,010 | 85.38 |
| Cash and other assets — net | 9,984,255 | 9,984,255 | 12.11 |
| Total portfolio investments and cash | \$68,061,208 | \$80,386,265 | 97.49% |
| Other investments (Note 1) | 2,071,071 | 2,071,071 | 2.51 |
| Net assets | \$70,132,279 | \$82,457,336 | 100.00% |

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

March 31, 1974

1. Other investments consist of the following:

| | |
|---|--------------------|
| Shares in and advances to subsidiary, United Bond & Share Limited, at cost plus equity in accumulated earnings | \$1,431,071 |
| Shares in International Capital Corporation Ltd., at cost (approximates realizable value) | 640,000 |
| | <u>\$2,071,071</u> |

The investment in the subsidiary is not consolidated because it is not significant.

2. During the period April 1, 1973 to March 31, 1974 \$1,133,000 of net capital gains subject to tax were realized on the sale of portfolio investments. Tax of \$192,479 payable on this amount has been charged to surplus, but is refundable in the event of future distributions. If the unrealized appreciation in market value of investments had been realized as at March 31, 1974, taxes of approximately \$1,445,000 (refundable in the event of future distributions) would have been payable.

3. 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 subordinate 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.

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

4. In accordance with the provisions of the employees' stock option plan as amended, options to purchase 60,000 Class "B" shares are outstanding and 56,920 Class "B" shares are reserved for further options. The options outstanding are exercisable at an average price of \$13.54 per share.

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

| | No. | Amount |
|--|-----|-----------|
| Directors | 10 | \$ 21,900 |
| Officers (of whom 3 are also directors) | 8 | \$211,500 |
| Officers are remunerated by United Bond & Share Limited, and the management fee charged to the Company reflects a proportionate amount of such remuneration. | | |

6. The Company changed its year end to March 31 in 1973; audited financial statements for the twelve months then ended were not prepared, hence figures for purposes of comparison are not available for inclusion in these financial statements.

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, 1974 which appear on pages 4 to 10 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 of the corporation and its investments as at March 31, 1974 and the results of its operations, the changes in its net assets and the unrealized appreciation of investments for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Montreal, May 31, 1974

PRICE WATERHOUSE & CO.
Chartered Accountants

SUMMARY BALANCE SHEETS (all investments at market)

| Portfolio — | 1974 March 31st | 1973 March 31st | 1972 Dec. 31st | 1971 Dec. 31st | 1970 Dec. 31st | 1969 Dec. 31st |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Cash, etc., Short Term Notes & Bonds | \$13,947,145 | \$ 5,471,031 | \$ 4,408,387 | \$ 5,079,205 | \$ 5,351,220 | \$ 9,495,238 |
| Less: Liabilities | 267,236 | 1,975,491 | 191,990 | 377,661 | 54,920 | 17,801 |
| Quick Reserves | 13,679,909 | 3,495,540 | 4,216,397 | 4,701,544 | 5,296,300 | 9,477,437 |
| Preferred Stocks | — | — | — | 593,312 | 854,775 | 823,031 |
| Total Reserves | 13,679,909 | 3,495,540 | 4,216,397 | 5,294,856 | 6,151,075 | 10,300,468 |
| Common Stocks & Convertibles* | 66,706,356 | 78,145,025 | 80,435,645 | 66,067,712 | 64,941,175 | 68,408,424 |
| Total Portfolio Investments and Cash | 80,386,265 | 81,640,565 | 84,652,042 | 71,362,568 | 71,092,250 | 78,708,892 |
| Investment in and advances to Subsidiary | 2,071,071 | 2,117,662 | 2,105,139 | 2,038,864 | 127,464 | 60,000 |
| Total Net Assets | <u>\$82,457,336</u> | <u>\$83,758,227</u> | <u>\$86,757,181</u> | <u>\$73,401,432</u> | <u>\$71,219,714</u> | <u>\$78,768,892</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* | 74,710,661 | 76,011,552 | 79,010,506 | 65,654,757 | 63,473,039 | 71,022,217 |
| | <u>\$82,457,336</u> | <u>\$83,758,227</u> | <u>\$86,757,181</u> | <u>\$73,401,432</u> | <u>\$71,219,714</u> | <u>\$78,768,892</u> |
| *Percentage of Common Stocks & Convertibles to Class "B" Equity — | 89.3% | 102.81% | 101.8% | 100.6% | 102.3% | 96.3% |

| Distribution of Portfolio Investments March 31 | 1974 | | 1973 | |
|---|---------------------|----------------|---------------------|----------------|
| | Market Value | Percentage | Market Value | Percentage |
| Cash, Short Term Notes, etc. — net | \$13,679,909 | 17.02% | \$ 578,165 | .71% |
| Canadian Government & Provincial Bonds | — | | 1,037,500 | 1.27 |
| Corporate Bonds | — | | 1,879,875 | 2.30 |
| Preferred Stocks | — | | — | |
| Convertibles | 504,250 | .63 | 801,500 | .98 |
| Common Stocks | 66,202,106 | 82.35 | 77,343,525 | 94.74 |
| Total Portfolio Investments and Cash | <u>\$80,386,265</u> | <u>100.00%</u> | <u>\$81,640,565</u> | <u>100.00%</u> |

Geographical distribution at March 31, 1974 was: Canada 91.37% — Foreign 8.63%

UNITED CORPORATIONS LIMITED

RECORD OF ASSET VALUATIONS AND INCOME

(Class "B" Share figures have been adjusted to reflect subdivisions of 4 for 1 in April, 1953, and 3 for 1 in June, 1964)

| Year Ended Dec. 31 | Net Asset Value | Principal Amount of Bonds Outstanding | Net Equity for Class "A" & Pfd. | Class "A" & Pfd. Shares at redemption price (a) | Net Equity for Class "B" | Net Equity for Class "B" per share |
|--------------------|-----------------|---------------------------------------|---------------------------------|---|--------------------------|------------------------------------|
| 1933 | \$ 6,120,481 | \$4,498,900 | \$ 1,621,581 | \$2,000,404 | \$ 378,823(b) | \$ 0.13(b) |
| 1935 | 9,378,287 | 4,498,900 | 4,879,387 | 2,161,079 | 2,718,308 | 0.94 |
| 1937 | 9,541,981 | 4,498,900 | 5,043,081 | 1,928,100 | 3,114,981 | 1.08 |
| 1939 | 9,843,775 | 3,705,400 | 6,138,375 | 1,588,050 | 4,550,325 | 1.58 |
| 1941 | 8,174,586 | 3,598,900 | 4,575,686 | 1,588,050 | 2,987,636 | 1.03 |
| 1943 | 9,746,273 | 3,000,000 | 6,746,273 | 1,579,800 | 5,166,473 | 1.79 |
| 1945 | 14,443,864 | 2,800,000 | 11,643,864 | 1,579,800 | 10,064,064 | 3.49 |
| 1947 | 13,668,485 | 2,600,000 | 11,068,485 | 1,579,800 | 9,488,685 | 3.29 |
| 1949 | 14,771,960 | 2,400,000 | 12,371,960 | 1,567,110 | 10,804,850 | 3.75 |
| 1951 | 20,391,615 | 2,200,000 | 18,191,615 | 1,567,110 | 16,624,505 | 5.77 |
| 1953 | 19,130,077 | 1,900,000 | 17,230,077 | 1,567,110 | 15,662,967 | 5.44 |
| 1954 | 25,100,871 | 1,800,000 | 23,300,871 | 1,567,110 | 21,733,761 | 7.55 |
| 1955 | 29,014,916 | 1,700,000 | 27,314,916 | 1,567,110 | 25,747,806 | 8.94 |
| 1956 | 28,054,394 | 1,316,300 | 26,738,094 | 1,567,110 | 25,170,984 | 8.74 |
| 1957 | 24,446,536 | 878,900 | 23,567,636 | 1,567,110 | 22,000,526 | 7.64 |
| 1958 | 30,381,268 | — | 30,381,268 | 1,567,110 | 28,814,158 | 10.01 |
| 1959 | 38,196,704 | — | 38,196,704 | 3,975,810 | 34,220,894 | 10.02 |
| 1960 | 37,599,824 | — | 37,599,824 | 3,975,810 | 33,624,014 | 9.85 |
| 1961 | 44,351,503 | — | 44,351,503 | 3,975,810 | 40,375,693 | 11.77 |
| 1962 | 41,868,337 | — | 41,868,337 | 3,975,810 | 37,892,527 | 11.01 |
| 1963 | 52,320,937 | — | 52,320,937 | 7,746,675 | 44,574,262 | 12.84 |
| 1964 | 62,860,580 | — | 62,860,580 | 7,746,675 | 55,113,905 | 15.87 |
| 1965 | 66,117,062 | — | 66,117,062 | 7,746,675 | 58,370,387 | 16.80 |
| 1966 | 63,155,547 | — | 63,155,547 | 7,746,675 | 55,408,872 | 15.94 |
| 1967 | 74,756,817 | — | 74,756,817 | 7,746,675 | 67,010,142 | 19.11 |
| 1968 | 84,930,355 | — | 84,930,355 | 7,746,675 | 77,183,680 | 21.98 |
| 1969 | 78,768,892 | — | 78,768,892 | 7,746,675 | 71,022,217 | 20.20 |
| 1970 | 71,202,250 | — | 71,202,250 | 7,746,675 | 63,455,575 | 18.05 |
| 1971 | 73,401,432 | — | 73,401,432 | 7,746,675 | 65,654,757 | 18.67 |
| 1972 | 86,757,181 | — | 86,757,181 | 7,746,675 | 79,010,506 | 22.47 |
| 1973 | 83,758,227 | — | 83,758,227 | 7,746,675 | 76,011,552 | 21.61 |
| 1974 | 82,457,336 | — | 82,457,336 | 7,746,675 | 74,710,661 | 21.23 |

(a) Including Class "A" dividend arrears of \$ 72,304 in 1933
 Including Class "A" dividend arrears of \$232,979 in 1935

(b) Denotes red figures.

(c) Class "A" dividends paid:

1933 \$ —
 193550
 1937 4.125
 1939 to date 1.50 per year

(d) Does not include 534,393 Class "B" Shares issued December 23, 1959.

(e) Excluding dividends declared on Class "A" Shares in 1959 and on Preferred Shares in 1960 and 1963, in excess of their respective regular annual rates.

(f) Includes full annual dividends on Class "A" and Preferred Shares though only three quarterly dividends were declared.

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



| Net Income for the year | Dividends on Class "A" and Pfd. Shares (c) | Net Income Available to Class "B" Shares | Net Income per share Class "B" | Dividends Declared per Class "B" share | | |
|-------------------------------|---|---|---|---|---------|--------|
| | | | | Income | Capital | Total |
| \$ 72,510 | \$ 72,304 | \$ 206 | \$ — | \$ — | \$ — | \$ — |
| 83,252 | 96,405 | 13,153(b) | .005(b) | — | — | — |
| 205,196 | 96,405 | 108,791 | .038 | — | — | — |
| 139,462 | 80,978 | 58,484 | .020 | — | — | — |
| 160,968 | 79,403 | 81,565 | .028 | .02 | — | .02 |
| 156,727 | 78,990 | 77,737 | .027 | .025 | — | .025 |
| 252,049 | 78,990 | 173,059 | .060 | .06 | — | .06 |
| 417,965 | 78,990 | 338,975 | .118 | .11 | — | .11 |
| 463,389 | 78,356 | 385,033 | .134 | .13 | — | .13 |
| 656,437 | 78,355 | 578,082 | .201 | .20 | — | .20 |
| 717,206 | 78,356 | 638,850 | .222 | .22 | — | .22 |
| 777,697 | 78,356 | 699,341 | .243 | .23 | — | .23 |
| 810,692 | 78,355 | 732,337 | .255 | .25 | — | .25 |
| 857,145 | 78,355 | 778,790 | .271 | .27 | — | .27 |
| 912,771 | 78,355 | 834,416 | .290 | .27 | — | .27 |
| 976,297 | 78,356 | 897,941 | .312 | .27 | — | .27 |
| 978,793 | 78,355(e) | 900,438(e) | .313(d) | .30 | — | .30 |
| 1,308,461 | 198,790(e) | 1,109,671(e) | .325 | .30 | — | .30 |
| 1,315,655 | 198,790 | 1,116,865 | .326 | .32 | — | .32 |
| 1,340,004 | 198,790 | 1,141,214 | .332 | .32 | — | .32 |
| 1,509,951 | 330,800(e) | 1,179,151(e) | .340 | .33 | — | .33 |
| 1,726,160 | 378,356 | 1,347,804 | .388 | .37 | — | .37 |
| 1,881,460 | 378,356 | 1,503,104 | .433 | .41 | — | .41 |
| 1,961,783 | 378,356(f) | 1,583,427 | .455 | .44 | — | .44 |
| 2,118,885 | 378,356 | 1,740,529 | .496 | .46 | — | .46 |
| 2,093,460 | 378,356 | 1,715,104 | .488 | .44 | .28 | .72 |
| 2,244,030 | 378,356 | 1,865,674 | .530 | .48 | .34 | .82 |
| 2,359,533 | 378,355 | 1,981,177 | .563 | .52 | .36 | .88 |
| 2,029,899 | 378,355 | 1,651,544 | .470 | .48 | .42 | .90 |
| 2,102,317 | 378,355 | 1,723,962 | .490 | .48 | .25 | .73 |
| 470,250(g) | 95,850(g) | 374,400(g) | .106(g) | .12(g) | .25(g) | .37(g) |
| 2,374,441 | 378,355 | 1,996,086 | .567 | .52 | — | .52 |

