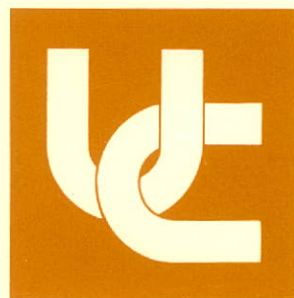


**UNITED
CORPORATIONS
LIMITED**

ANNUAL
REPORT
1972



UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada

DIRECTORS

IAN A. BARCLAY
THOMAS N. BEAUPRÉ
G. DRUMMOND BIRKS
JAMES V. EMORY
JOCK K. FINLAYSON
CHARLES L. GUNDY
KENNETH S. HOWARD, Q.C.
HENRY N. R. JACKMAN
IAN S. STEERS
ALAN E. TARR

OFFICERS

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

Head Office

800 Dorchester Blvd. West
Montreal 101, Que.

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

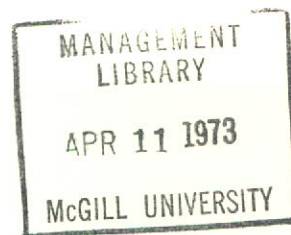
Price Waterhouse & Co.

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 40th Annual Report of your Company for the year ended December 31, 1972.

Balance Sheet (see page 4)

The underlying uptrend in stock prices during 1972 was reflected in the aggregate market value of your Company's assets which, after payment of regular dividends on all classes of shares totalling \$2,065,974 and a "capital gains" dividend of \$878,968 on the Class "B" Shares, increased to \$86,949,171 from the corresponding figure of \$73,779,093 at the end of the previous year. After provision for current liabilities and allowing 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	— \$86,757,181 or \$1,660.84 per share
First Preferred	
Shares	— \$85,190,071 or \$ 425.95 " "
Class "B"	
Shares	— \$79,010,506 or \$ 22.47 " "

The figure of \$22.47 per Class "B" Share was a new year-end high, well above the corresponding figure of \$18.67 at the end of the previous year and was, of course, after provision for the "capital gains" dividend amounting to 25¢ per share referred to above.

With the advent of the "capital gains" dividend under the new Income Tax Act, net equity value per Class "B" Share is becoming increasingly less valid as a measure of the investment results achieved by your Company. Special dividends totalling \$1.40 per Class "B" Share were paid in the years 1968 to 1971 under the old Income Tax Act and \$0.25 was paid out of taxable capital gains under the revised Act in 1972. If those dividends aggregating \$1.65, which were over and above the normal distributions paid out of net income, are added back to the net equity value of \$22.47 at the end of 1972, the revised figure becomes \$24.12 which is a new all-time high by a considerable margin.

Statement of Net Income and Surplus (see page 5)

Income from dividends and interest totalled \$2,333,230, down marginally from \$2,352,665 in 1971.

Operating expenses of \$268,995 were slightly less than the corresponding figure of \$272,948 for the previous year and, at 0.31% of net assets, are moderate in relation to the assets of the Company. Income taxes were reduced from \$71,218 to \$28,193 reflecting in part a higher proportion of income received from Canadian dividends. Equity in the net income of United Bond & Share Limited rose substantially from \$21,400 to \$66,275. Net after tax income increased to \$2,102,317 from \$2,029,899 the previous year.

After provision for dividends on the Class "A" and First Preferred Shares, net income available for the Class "B" Shares increased to \$1,723,962 from \$1,651,544 in 1971. On the basis of 3,515,873 Class "B" Shares outstanding at the end of both years, net income per share amounted to 49¢ in 1972 as against 47¢ in 1971.

Cash dividends declared and paid on the Class "B" Shares during 1972 totalled \$1,687,619. Net income therefore exceeded dividend requirements by \$36,343 which, when added to accumulated net income at the beginning of the year of \$470,421, left a year-end figure for accumulated net income of \$506,764.

Sales of investments during the year resulted in realized capital gains of \$4,117,838, equal to \$1.17 per Class "B" Share, of which \$1,061,046, equal to 30¢ per Class "B" Share was taxable under the terms of the new Income Tax Act. Accordingly, a capital gains dividend amounting to \$878,968 or 25¢ per Class "B" Share was declared and paid in December, leaving a balance of \$182,078 in taxable capital gains retained by the company on which it was liable for an estimated refundable tax of \$33,000. After provision for the capital gains dividend referred to above, realized investment gains retained by the Company rose from \$49,143,396 at the end of the previous year to \$52,382,266 at the end of 1972.

In addition to the substantial rise in realized investment gains referred to above, there was a very sizeable increase of \$10,080,536 in unrealized appreciation of investments during the year to a year-end total of \$21,474,093.

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 during 1972 consisted of four regular dividends of 12¢ each for a total of 48¢ per share. In addition the first capital gains dividend under the terms of the new Income Tax Act was declared and paid in December consisting of 25¢ per Class "B" Share in the form of 3% Non-Cumulative Redeemable Second Preferred Shares of the par value of 5¢ per share which were immediately redeemed. This capital gains dividend was taxable as a capital gain in the hands of Canadian shareholders.

Taxes

The implications of the new Income Tax Act which became effective at the beginning of the year were covered in detail in last year's Annual Report. Its underlying principle is that shareholders of an investment company as defined in the Act should be taxed, as nearly as possible, as though they owned its underlying assets directly.

In line with this conduit principle, your Company is subject to tax on its taxable capital gains but is entitled to a refund of such tax when those capital gains are distributed to shareholders by way of a "capital gains" dividend which then becomes taxable as a capital gain in the hands of Canadian shareholders at their individual tax rates.

A capital gains dividend paid with respect to any fiscal year cannot exceed the amount of the accumulated net taxable capital gains retained by the company as at the end of that fiscal year, a figure which cannot be accurately determined until the year is ended. In its original form the new Act provided that, in order for the company to escape liability for taxes on the amount of taxable capital gains generated during the year, the related capital gains dividend had to be paid before the end of the year. The obvious problems involved were recognized in the Budget brought down on February 19, 1973, which proposed to extend the deadline for the payment of the capital gains dividend to 60 days after the end of the company's fiscal year. Accordingly, if and when the budget proposals are implemented, annual capital gains dividends, if considered appropriate, will be declared and paid within 60 days of the fiscal year-end. For practical purposes this will probably mean that, commencing in 1974, future capital gains divi-

dends will be paid in May, having regard to the change in the year-end of the Company referred to later in this report.

Portfolio and Investment Policy

The detailed portfolio of investments held by your Company at the end of 1972 is set out on pages 7 to 9 of this report and the distribution of investments, together with summary balance sheets for the last five years showing changes in portfolio weighting will be found on page 11.

We maintained a heavy commitment to the stock market during 1972 and, on the basis of what we believe to be continuing evidence of a strong cyclical upturn in the economies of North America, have continued this policy into the early months of 1973. While this optimistic outlook must be tempered by the problems of world-wide inflation and currency unrest accompanied, in the case of Canada, by a politically unacceptable level of unemployment, we feel that the odds at this point favour a further expansion of business activity during 1973. This should be reflected in a higher level of corporate profits which, in turn, should lend support to the stock market.

Record of Asset Valuations, Income and Dividends

The customary record of your Company's progress during the forty years of its existence will be found on pages 12 and 13. As was pointed out previously in this report the net equity value per share has become increasingly less meaningful as a measure of investment results.

Change of Year-End

Shareholders have already been notified of the action of your Directors in passing By-Law Q to amend Article 1 of By-Law 6 giving effect to a change in your Company's year-end from December 31st to March 31st commencing in the year 1973. This action by your Directors, which will be subject to your approval at our next Annual Meeting, was taken for administrative reasons. Our activities have now expanded to the point where we and our auditors find it difficult to cope with a December 31st year-end for all the companies in which we are involved and the

proposed change will materially reduce the strain. The proposal should have no effect on the dates of future dividend declarations with the exception of capital gains dividends which, assuming passage of the recent budget, will probably be paid in May commencing in 1974.

However, the change in year-end will necessitate a change in our normal procedure with respect to Annual Reports and Annual Meetings in 1973. This Report, covering our 1972 operations, should be in shareholders' hands early in April. It will be followed in May by a report covering the three-month "year" ending March 31, 1973, at which time the customary notice will also be forwarded calling the Annual Meeting for both 1972 and the three-month "year". It is presently anticipated that this meeting will be held in June, 1973.

Subsidiary and Associated Companies

Mention has been made in previous Annual Reports of our wholly-owned subsidiary, United Bond & Share Limited, which 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.

United Bond & Share had a successful year in 1972 with net income increasing to \$66,275 from the 1971 figure of \$21,400. Particular mention should be made of the growth achieved during the year by RoyFund Ltd., the mutual fund associated with The Royal Bank of Canada and managed by United Bond & Share. In a year when the mutual fund industry as a whole was troubled by redemptions, RoyFund was able to increase its total net assets by 62% to a new high of over \$31 million and, judging by the further progress achieved in the opening weeks of the new year, we have every reason to anticipate continued substantial growth in 1973.

The Interior Trust Company, owned equally by The Royal Bank of Canada and United Bond & Share, has remained inactive insofar as trust company operations are concerned but meanwhile is carrying out a successful investment program and, in addition, owns 50% of the voting shares of RoyMor Ltd. The business of RoyMor Ltd. is to purchase mortgages from the bank which the latter has originated and processed

and the company has had an outstanding record of growth with total assets exceeding \$200 million at the end of 1972.

International Capital Corporation Ltd., which is jointly owned by The Royal Bank of Canada, IAC Limited and United Bond & Share is engaged in what is generally known as merchant banking; providing essentially equity capital for companies with attractive growth possibilities which cannot readily obtain the funds they need through more conventional financial channels, and backing up that capital with counsel and assistance where required. ICC, which is independently staffed and operated, further expanded its operations during 1972 with the opening of a Toronto office.

It should be noted that our investment in United Bond & Share Limited is carried on the parent company balance sheet at cost plus equity in undistributed income which does not necessarily reflect the true underlying value of the investment. In the opinion of your Directors the actual value of the assets of United Bond & Share Limited at the end of 1972 substantially exceeded their cost.

Directors and Officers

Your Directors were greatly saddened by the death on September 17, 1972 of A. F. Mayne. Mr. Mayne had been a Director of your Company for seven years until his decision not to stand for re-election at last year's Annual Meeting. We had been looking forward to a close though less formal future association and his death will be a great loss not only to us but to a host of friends and associates.

On October 13, 1972, we welcomed H. N. R. Jackman to the Board. A resident of Toronto, Mr. Jackman is Chairman of the Board of Directors of the Empire Life Insurance Company, President of E-L Financial Corporation Limited and an Officer and Director of a number of other Canadian corporations.

As of the same date, M. H. Siegerman was appointed Assistant to the President.

On behalf of the Directors,

J. V. EMORY,
President.

April 2, 1973.

UNITED CORPORATIONS LIMITED

BALANCE SHEET

December 31

Net Assets	1972	1971
Assets:		
Portfolio investments, at market value (average cost 1972 — \$61,884,552; 1971 — \$59,609,467)	\$83,358,645	\$71,003,024
Investment in and advances to subsidiary (Note 1) —		
Investment at cost	250,000	250,000
Equity in undistributed income	105,139	38,864
	355,139	288,864
Advances	1,750,000	1,750,000
	2,105,139	2,038,864
Cash and other assets —		
Cash	1,093,808	436,766
Accrued income on investments	358,466	291,252
Other	33,113	9,187
	1,485,387	737,205
TOTAL ASSETS	86,949,171	73,779,093
Liabilities:		
Due to brokers on delivery of securities	166,281	363,895
Income taxes	8,888	(2,251)
Other accounts payable	16,821	16,017
	191,990	377,661
NET ASSETS at market value	\$86,757,181	\$73,401,432
Shareholders' Equity		
Capital stock (Notes 2 and 3):		
Authorized —		
52,237 Class "A" shares		
200,000 First preferred shares		
48,617,302 Second preferred shares		
(after redemption of 17,579,365 shares in 1972)		
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
— — 638,393 " " " "	6,274,674	6,274,674
52,237 200,000 3,515,873	12,394,058	12,394,058
Surplus (statement attached)	52,889,030	49,613,817
Unrealized appreciation in market value of investments	21,474,093	11,393,557
	74,363,123	61,007,374
	\$86,757,181	\$73,401,432

SIGNED ON BEHALF OF THE BOARD:

J. V. EMORY, Director

J. K. FINLAYSON, Director

STATEMENT OF NET INCOME AND SURPLUS

Year ended
December 31

	1972	1971
Net income:		
INCOME —		
Dividends and interest	\$ 2,333,230	\$ 2,352,665
EXPENSES —		
Management fee	187,500	188,194
Directors' remuneration	15,933	15,000
Fees and expenses of trustee, registrar and transfer agents	37,368	42,865
Taxes other than income taxes	1,565	1,550
Legal and audit fees	8,674	7,388
Office and miscellaneous expenses	17,955	17,951
	<u>268,995</u>	<u>272,948</u>
Income before income taxes	2,064,235	2,079,717
INCOME TAXES —		
U.S. withholding taxes	21,193	43,218
Provision for Canadian taxes	7,000	28,000
	<u>28,193</u>	<u>71,218</u>
	2,036,042	2,008,499
Equity in net income of subsidiary	66,275	21,400
Net income	<u>\$ 2,102,317</u>	<u>\$ 2,029,899</u>
Surplus:		
ACCUMULATED NET INCOME —		
Beginning of year	\$ 470,421	\$ 576,814
Net income above	2,102,317	2,029,899
	<u>2,572,738</u>	<u>2,606,713</u>
DIVIDENDS —		
Class "A" shares	78,355	78,355
First preferred shares	300,000	300,000
Class "B" shares	1,687,619	1,757,937
	<u>2,065,974</u>	<u>2,136,292</u>
ACCUMULATED NET INCOME —		
End of year	506,764	470,421
ACCUMULATED NET REALIZED INVESTMENT GAINS —		
Beginning of year	49,143,396	50,944,173
Net gain (loss) on sale of investments	4,117,838	(394,428)
	<u>53,261,234</u>	<u>50,549,745</u>
Stock dividend — 17,579,365 second preferred shares of 5 cents par value (28,126,984 shares in 1971) — redeemed during year	878,968	1,406,349
ACCUMULATED NET REALIZED INVESTMENT GAINS —		
End of year	52,382,266	49,143,396
Surplus, end of year	<u>\$52,889,030</u>	<u>\$49,613,817</u>

UNITED CORPORATIONS LIMITED

STATEMENT OF UNREALIZED APPRECIATION OF INVESTMENTS

Year ended
December 31

	1972	1971
Balance, beginning of year	\$11,393,557	\$ 7,304,669
Increase during year	10,080,536	4,088,888
Balance, end of year	<u>\$21,474,093</u>	<u>\$11,393,557</u>

STATEMENT OF CHANGES IN NET ASSETS

Year ended
December 31

	1972	1971
Net assets, beginning of year	\$73,401,432	\$71,219,714
Net income	2,102,317	2,029,899
Net realized gain (loss) on sale of investments*	4,117,838	(394,428)
Increase in unrealized appreciation of investments . .	10,080,536	4,088,888
Dividends:		
Cash	(2,065,974)	(2,136,292)
Second preferred shares — redeemed	(878,968)	(1,406,349)
Net assets end of year	86,757,181	73,401,432
Redemption value of Class "A" and first preferred shares	7,746,675	7,746,675
Net assets, applicable to Class "B" shares	\$79,010,506	\$65,654,757
Number of shares outstanding at year end	3,515,873	3,515,873
Net asset value per Class "B" share	<u>\$ 22.47</u>	<u>\$ 18.67</u>

* Aggregate proceeds from sale of investments	\$35,082,923	\$32,724,671
Deduct: Cost of investment sold —		
Aggregate cost of investments owned at beginning of year	59,609,467	63,273,131
Aggregate cost of purchases of investments	33,240,170	29,455,435
	92,849,637	92,728,566
Aggregate cost of investments owned at end of year	61,884,552	59,609,467
	30,965,085	33,119,099
Net realized gain (loss) on sale of investments	<u>\$ 4,117,838</u>	<u>\$ (394,428)</u>

STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 1972

No. of shares or par value			Cost	Market Value	% of Net assets
Government Bonds:					
\$1,000,000	Canada	7¼% 1975	\$ 1,000,000	\$ 1,050,000	1.21
Corporate Bonds:					
\$ 100,000	Alberta Gas Trunk Line Company Limited	8% 1991	100,000	97,500	
300,000	Niagara Realty of Canada Limited	7⅞% 1986	300,000	299,250	
500,000	The Royal Bank of Canada	7% 1991	500,000	492,500	
500,000	RoyMor Limited	7¾% 1987	500,000	497,500	
500,000	Westcoast Transmission Company Limited	8% 1991	500,000	486,250	
			<u>1,900,000</u>	<u>1,873,000</u>	2.16
Banks:					
90,000	Bank of Montreal		1,518,300	1,923,750	
74,000	Canadian Imperial Bank of Commerce		1,102,600	2,303,250	
90,000	The Royal Bank of Canada		1,442,700	3,352,500	
			<u>4,063,600</u>	<u>7,579,500</u>	8.74
Beverages:					
12,000	Andres Wines Limited		251,771	492,000	0.57
Chemical:					
44,000	Du Pont of Canada Limited		1,074,471	1,364,000	1.57
Communications:					
47,000	Baton Broadcasting Incorporated		514,525	599,250	
15,000	Toronto Star Limited	"B"	570,300	1,065,000	
			<u>1,084,825</u>	<u>1,664,250</u>	1.92
Construction & Material:					
30,000	Canada Cement Lafarge Ltd.		454,500	1,758,750	2.03
Food Processing:					
60,000	Burns Foods Limited		837,032	1,132,500	1.30
General Manufacturing:					
100,000	Canadian Marconi Company		495,454	495,000	
60,000	International Systcoms Limited		603,675	30,000	
10,000	I.T.L. Industries Limited	6.5% conv. pfd. "B"	250,000	100,000	
35,000	Sklar Manufacturing Limited		240,661	328,125	
20,000	Van Der Hout Associates Limited		238,042	245,000	
			<u>1,827,832</u>	<u>1,198,125</u>	1.37
Industrial Mines:					
188,900	Brunswick Mining & Smelting Corporation Limited		808,492	680,040	
32,500	Great Lakes Nickel Limited		239,687	81,250	
52,322	Great Lakes Nickel Limited	Options	1,207	7,848	
158,000	International Nickel Co. of Canada Limited		5,391,924	5,036,250	
29,000	Labrador Mining and Exploration Limited		889,356	1,218,000	
74,000	Noranda Mines Limited		2,339,447	3,080,250	
			<u>9,670,113</u>	<u>10,103,638</u>	11.65

UNITED CORPORATIONS LIMITED

STATEMENT OF INVESTMENTS (Cont'd.)

No. of shares or par value		Cost	Market Value	% of Net assets
Merchandising:				
54,000	Koffler Stores Limited	\$ 1,046,062	\$ 999,000	
47,142	Peoples Department Stores	664,988	1,072,480	
40,000	Simpsons, Limited	183,200	1,220,000	
66,000	Steinberg's Limited "A"	1,266,789	1,947,000	
15,000	Villager Shoe Shoppes (Canada) Ltd.	131,445	88,125	
40,000	Woodward Stores Limited "A"	419,200	1,260,000	
		<u>3,711,684</u>	<u>6,586,605</u>	7.59
Oil Refining:				
40,000	Gulf Oil Canada Limited	923,200	1,600,000	
40,000	Imperial Oil Limited	414,600	1,965,000	
29,000	Shell Canada Limited "A"	1,096,780	1,747,250	
		<u>2,434,580</u>	<u>5,312,250</u>	6.12
Paper & Forest Products:				
60,000	Consolidated Bathurst Limited	846,238	1,005,000	
18,100	Price Company Limited	244,079	237,563	
		<u>1,090,317</u>	<u>1,242,563</u>	1.43
Pipelines:				
65,000	Trans-Canada Pipe Lines Limited	2,280,305	2,860,000	
7,000	Trans-Canada Pipe Lines Limited 2.65 cum. pfd.	350,000	381,500	
		<u>2,630,305</u>	<u>3,241,500</u>	3.74
Real Estate:				
40,000	Cadillac Development Corporation Limited	479,097	490,000	
70,000	Trizec Corporation Limited	1,129,895	1,295,000	
42,000	Y & R Properties Limited	574,549	525,000	
		<u>2,183,541</u>	<u>2,310,000</u>	2.66
Steel:				
70,000	Dominion Foundries and Steel Limited	1,366,684	2,003,750	
105,000	Steel Company of Canada Limited	2,445,141	3,898,125	
		<u>3,811,825</u>	<u>5,901,875</u>	6.80
Trust & Loan:				
66,000	Canada Permanent Mortgage Corporation	1,020,360	1,633,500	
20,000	Financial Collection Agencies Limited	273,596	260,000	
120,000	IAC Limited	1,234,226	2,550,000	
130,000	Laurentide Financial Corporation	1,738,990	1,576,250	
60,000	Montreal Trust Company	993,685	1,177,500	
		<u>5,260,857</u>	<u>7,197,250</u>	8.30
Utility:				
74,000	Bell Canada	3,255,904	3,293,000	
55,000	Brascan Limited	949,744	1,148,125	
10,000	British Columbia Telephone Company	574,194	565,000	
		<u>4,779,842</u>	<u>5,006,125</u>	5.77

STATEMENT OF INVESTMENTS (Cont'd.)

No. of shares or par value		Cost	Market Value	% of Net assets
Miscellaneous Industrials:				
44,100	Canadian Cablesystems Limited	\$ 360,297	\$ 793,800	
6,000	Canadian Cablesystems Limited Warrants	—	28,500	
48,000	Consumers Glass Company Limited	393,405	648,000	
8,000	Crown Life Insurance Company	358,185	488,000	
150,000	Dominion Textile Company Limited	977,070	1,350,000	
11,000	Great West Life Insurance Company	695,666	830,500	
53,000	Moore Corporation Limited	1,332,885	2,782,500	
200,000	Power Corporation of Canada Limited	1,971,444	2,775,000	
75,000	Reed Shaw Osler Limited	862,567	900,000	
25,000	Systems Dimensions Limited	273,417	506,250	
350,000	Systems Dimensions Limited 5% conv. 1989	410,000	609,000	
20,000	Trimac Limited	243,535	260,000	
		<u>7,878,471</u>	<u>11,971,550</u>	13.80
Foreign Securities:				
15,000	Allied Stores Corporation	552,116	572,747	
8,000	C.T.S. Corporation	304,744	304,470	
2,000	Corning Glass Works	503,247	542,773	
10,000	Diebold Incorporated	454,887	470,138	
13,200	Ferro Corporation	546,612	591,030	
6,500	Ford Motor Company	478,764	514,975	
1,250	International Business Machines Corporation	468,843	499,988	
5,000	Jefferson-Pilot Corporation	310,117	346,385	
12,000	Kimberly-Clark Corporation	452,830	489,540	
6,000	M.G.I.C. Investment Corporation	463,994	571,628	
8,000	Nabisco Incorporated	490,951	479,590	
16,000	National Airlines Inc.	518,336	525,360	
15,000	Philadelphia Life Insurance Company	393,545	464,540	
		<u>5,938,986</u>	<u>6,373,164</u>	7.35
Total portfolio investments		61,884,552	83,358,645	96.08
Cash, etc. — net		1,293,397	1,293,397	1.49
Total portfolio investments and cash		63,177,949	84,652,042	97.57
Investment in and advances to subsidiary		2,105,139	2,105,139	2.43
Net assets at market value — December 31, 1972		\$65,283,088	\$86,757,181	100.00%

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1972

1. The investment in the wholly-owned subsidiary, United Bond & Share Limited is accounted for using the equity method. The accounts of the subsidiary have not been consolidated with those of the Company in view of the distinct nature of the subsidiary's operations.
2. 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.
3. In accordance with the provisions of the employees stock option plan as amended January 14, 1972, options to purchase 53,000 Class "B" shares are outstanding and 65,520 Class "B" shares are reserved for further options. The options outstanding are exercisable at an average price of \$13.59 per share.
4. Total remuneration paid to directors and officers was as follows:

	1972		1971	
	No.	Amount	No.	Amount
Directors	9	\$ 15,933	8	\$ 15,000
Officers	7	192,890	6	177,885
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 December 31, 1972 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 December 31, 1972, 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 year.

PRICE WATERHOUSE & CO.
Chartered Accountants

February 23, 1973

SUMMARY BALANCE SHEETS (all investments at market)

Portfolio — December 31	1972	1971	1970	1969	1968
Cash, etc., Short Term Notes & Bonds	\$ 4,408,387	\$ 5,079,205	\$ 5,351,220	\$ 9,495,238	\$10,885,790
Less: Liabilities	191,990	377,661	54,920	17,801	3,097,356
Quick Reserves	4,216,397	4,701,544	5,296,300	9,477,437	7,788,434
Preferred Stocks	—	593,312	854,775	823,031	933,909
Total Reserves	4,216,397	5,294,856	6,151,075	10,300,468	8,722,343
Common Stocks & Convertibles*	80,435,645	66,067,712	64,941,175	68,408,424	76,148,012
Total Portfolio Investments and Cash	84,652,042	71,362,568	71,092,250	78,708,892	84,870,355
Investment in and advances to Subsidiary	2,105,139	2,038,864	127,464	60,000	60,000
Total Net Assets	\$86,757,181	\$73,401,432	\$71,219,714	\$78,768,892	\$84,930,355

Capitalization — December 31	1972	1971	1970	1969	1968
Senior Capital at Redemption Prices: —					
Class "A" Shares	\$ 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
Total Senior Capital	7,746,675	7,746,675	7,746,675	7,746,675	7,746,675
Class "B" Equity*	79,010,506	65,654,757	63,473,039	71,022,217	77,183,680
	\$86,757,181	\$73,401,432	\$71,219,714	\$78,768,892	\$84,930,355

*Percentage of Common Stocks & Convertibles to Class "B" Equity —
1972: 101.8%, 1971: 100.6%, 1970: 102.3%, 1969: 96.3%, 1968: 98.7%.

Distribution of Portfolio Investments

December 31, 1972 (with comparative market values and percentages for December 31, 1971)

	1972		1971	
	Market Value	Percentage	Market Value	Percentage
Cash, Short Term Notes, etc. — net	\$ 1,293,397	1.53%	\$ 359,544	0.50%
Canadian Government & Provincial Bonds	1,050,000	1.24	2,463,750	3.46
Corporate Bonds	1,873,000	2.21	1,878,250	2.63
Preferred Stocks	—	—	593,312	0.83
Convertibles	1,090,500	1.29	1,342,800	1.88
Common Stocks	79,345,145	93.73	64,724,912	90.70
Total Portfolio Investments and Cash	\$84,652,042	100.00%	\$71,362,568	100.00%

Geographical distribution at December 31, 1972 was:

Canada 92.48%

United States 7.52%

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

(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.



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 share Class "B"
\$ 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
156,727	78,990	77,737	.027	.025
252,049	78,990	173,059	.060	.06
417,965	78,990	338,975	.118	.11
463,389	78,356	385,033	.134	.13
656,437	78,355	578,082	.201	.20
717,206	78,356	638,850	.222	.22
777,697	78,356	699,341	.243	.23
810,692	78,355	732,337	.255	.25
857,145	78,355	778,790	.271	.27
912,771	78,355	834,416	.290	.27
976,297	78,356	897,941	.312	.27
978,793	78,355(e)	900,438(e)	.313(d)	.30
1,308,461	198,790(e)	1,109,671(e)	.325	.30
1,315,655	198,790	1,116,865	.326	.32
1,340,004	198,790	1,141,214	.332	.32
1,509,951	330,800(e)	1,179,151(e)	.340	.33
1,726,160	378,356	1,347,804	.388	.37
1,881,460	378,356	1,503,104	.433	.41
1,961,783	378,356(f)	1,583,427	.455	.44
2,118,885	378,356	1,740,529	.496	.46
2,093,460	378,356	1,715,104	.488	.72
2,244,030	378,356	1,865,674	.530	.82
2,359,533	378,355	1,981,177	.563	.88
2,029,899	378,355	1,651,544	.470	.90
2,102,317	378,355	1,723,962	.490	.73

